

HILL STREET BEVERAGE COMPANY INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

FOR THE THREE-MONTH AND NINE MONTHS ENDED MARCH 31, 2021 AND 2020

(Expressed in Canadian dollars)

## **NOTICE TO READER**

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

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of management.

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

TORONTO, ON  
May 26, 2021

**Hill Street Beverage Company Inc.**  
**Condensed Interim Consolidated Statements of Financial Position**  
(Expressed in Canadian Dollars)

	Notes	March 31, 2021	June 30, 2020
		\$	\$
<b>ASSETS</b>			
Current			
Cash and cash equivalents		324,726	700,431
Accounts receivable	5	395,431	406,851
Other receivable	12	3,123	2,823
Inventory	6	439,113	193,911
Prepaid expenses		217,612	272,775
<b>Total current assets</b>		<b>1,380,005</b>	<b>1,576,791</b>
Intangible assets	8	4,253,153	170,928
Property and equipment	7	301,955	268,954
<b>TOTAL ASSETS</b>		<b>5,935,113</b>	<b>2,016,673</b>
<b>LIABILITIES</b>			
Current			
Accounts payable and accrued liabilities	12	1,597,738	987,010
Lease liability – current	9	19,590	18,170
		1,617,328	1,005,180
Lease liability non-current	9	17,861	32,696
Due to Lexaria Canpharm UCL	8 & 10	500,000	-
CEBA loan	10	40,589	22,885
Note payable	10	1,994,334	-
Convertible debenture	10	860,892	770,485
		5,031,004	1,831,246
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	16,061,748	13,844,029
Reserve	11	3,018,528	2,900,803
Deficit		(18,176,167)	(16,559,405)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>904,109</b>	<b>185,427</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,935,113</b>	<b>2,016,673</b>
Nature of operations and going concern (Note 1)			
Subsequent events (Note 18)			
"Jack Fraser"		"Craig Binkley"	
Director		Director	

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

**Hill Street Beverage Company Inc.**  
**Condensed Interim Consolidated Statements of Operations and Comprehensive Loss**  
(Expressed in Canadian Dollars)

		<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>Notes</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>	<b>March 31,</b>
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		\$	\$	\$	\$
<b>Gross Revenue</b>	4	774,747	502,997	2,034,726	1,990,473
<b>Chargebacks &amp; listing fees</b>	4	(119,488)	(114,461)	(359,006)	(583,222)
<b>Net Revenue</b>		655,259	388,536	1,675,720	1,407,251
<b>Direct Costs</b>		(317,155)	(226,366)	(809,701)	(773,630)
<b>Gross profit</b>		338,104	162,170	866,019	633,621
<b>Expenses</b>					
Accretion expense	10	34,018	-	98,252	-
Bank charges and interest	9/10	58,143	940	82,712	2,386
Consulting fees		7,479	1,840	22,811	1,840
Depreciation	7/8	35,783	32,526	94,915	80,377
Donations, dues & licenses		461	29,674	(1,761)	219,151
Filing and transfer agent fees		34,701	16,728	72,753	55,117
Interest on convertible loan	10	14,949	-	45,877	-
Management fees	12	86,000	8,000	116,000	38,000
Marketing		56,304	61,366	190,296	298,364
Office and miscellaneous		52,574	13,655	116,164	45,384
Professional fees		174,160	138,269	386,360	1,198,697
Stock-based compensation	11/12	47,986	123,197	123,229	337,929
Travel and meal allowance		931	4,955	8,845	45,405
Wages and salaries	12/13	289,162	441,020	726,616	1,085,258
Selling and delivery		185,929	100,517	483,046	419,576
		1,078,580	972,687	2,566,115	3,827,484
Foreign exchange gain (loss)		15,463	14,092	13,483	335
Gain on favourable interest rate	10	6,541	-	6,541	-
Gain on settlement of liability		59,253	-	65,983	-
Loss on conversion of debt	10	(1,168)	-	(1,168)	-
Write-off of intangibles	8	-	-	-	(8,000)
Write-off of inventory	6	-	-	(1,535)	(23,466)
Other income		-	-	30	-
		80,089	14,092	83,334	(31,131)
<b>Loss and comprehensive loss for the period</b>		(660,387)	(796,425)	(1,616,762)	(3,224,994)
<b>Basic and diluted loss per common share</b>		(0.00)	(0.01)	(0.01)	(0.03)
<b>Weighted average number of common shares outstanding</b>		141,905,150	110,475,579	125,375,081	102,033,744

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

**Hill Street Beverage Company Inc.**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
(Expressed in Canadian Dollars)

	Common Shares		Shares to be issued	Reserve	Deficit	Total
	Shares	Amount				
		\$	\$	\$	\$	\$
<b>As at June 30, 2019</b>	96,283,331	12,938,115	-	2,317,379	(12,877,726)	2,377,768
Units issued for cash (Note 11)	8,666,665	436,235	-	83,765	-	520,000
Units issued for services (Note 11)	4,658,333	234,476	-	45,024	-	279,500
Share issuance costs	-	(53,123)	-	-	-	(53,123)
Exercise of stock options (Note 11)	680,000	169,200	-	(91,000)	-	78,200
Exercise of warrants (Note 11)	187,250	59,350	-	(21,900)	-	37,450
Stock-based compensation	-	-	-	337,929	-	337,929
Net loss for the period	-	-	-	-	(3,224,994)	(3,224,994)
<b>As at March 31, 2020</b>	110,475,579	13,784,253	-	2,671,197	(16,102,720)	352,730
Share issuance costs	-	(23,791)	-	-	-	(23,791)
Shares issued for debt (Note 11)	1,584,801	83,567	-	-	-	83,567
Convertible debenture warrants	-	-	-	136,130	-	136,130
Conversion feature - reserve	-	-	-	136,130	-	136,130
Stock-based compensation	-	-	-	(42,654)	-	(42,654)
Net loss for the period	-	-	-	-	(456,685)	(456,685)
<b>As at June 30, 2020</b>	112,060,380	13,844,029	-	2,900,803	(16,559,405)	185,427
Shares issued for debt	144,229	12,259	-	-	-	12,259
Units issued for cash (Note 11)	17,019,000	576,369	-	274,581	-	850,950
Share issuance costs	-	(20,933)	-	-	-	(20,933)
Units issued pursuant to licensing (Note 11)	6,031,363	753,920	-	-	-	753,920
Exercise of warrants (Note 11)	6,465,178	873,604	-	(277,087)	-	596,517
Conversion of convertible debt (Note 11)	450,000	22,500	-	(2,998)	-	19,502
Stock-based compensation	-	-	-	123,229	-	123,229
Net loss for the period	-	-	-	-	(1,616,762)	(1,616,762)
<b>As at March 31, 2021</b>	142,170,150	16,061,748	-	3,018,528	(18,176,167)	904,109

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

**Hill Street Beverage Company Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
(Expressed in Canadian Dollars)

<b>For the Nine-Month Period Ended</b>	<b>March 31, 2021</b>	<b>March 31, 2020</b>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(1,616,762)	(3,224,994)
Items not affecting cash:		
Depreciation	94,915	80,377
Write-off of inventory	1,535	23,466
Write-off of intangibles	-	8,000
Shares issued for professional fees	-	279,500
Stock based compensation	123,229	337,929
Gain on favourable interest rates	(6,541)	-
Loss on conversion of debt	1,168	-
Accretion expense	98,252	-
Accrued interest	109,727	-
	(1,194,477)	(2,495,722)
Changes in non-cash working capital items:		
Accounts receivable	17,570	10,576
Inventory	(246,737)	177,253
Prepaid expenses	33,044	198,407
Accounts payable and accrued liabilities	(38,280)	652,316
	(1,428,880)	(1,457,170)
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(11,137)	(385)
Purchase of intangible assets	(359,840)	-
	(370,977)	(385)
<b>FINANCING ACTIVITIES</b>		
Shares issued net of costs	823,866	466,877
Proceeds from exercise of options	-	78,200
Proceeds from exercise of warrants	596,518	-
Lease payments	(15,932)	-
Proceeds from loans	20,000	-
Advances to related parties	(300)	1,957
	1,424,152	547,034
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(375,705)</b>	<b>(910,521)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>700,431</b>	<b>1,068,612</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>324,726</b>	<b>158,091</b>

Supplementary cash flow information (Note 17)

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

**Hill Street Beverage Company Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three and Nine Months Period Ended March 31, 2021 and 2020**  
(Expressed in Canadian Dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Hill Street Beverage Company Inc., formerly Avanco Capital Corp. (the “Company”) was incorporated on April 6, 2016 in British Columbia under the Business Corporations Act (British Columbia) and was continued to Ontario under the Business Corporations Act (Ontario) on November 30, 2018. The Company commenced trading on the TSX Venture Exchange (the “TSX V”) under the symbol “AAA.P” on March 24, 2017. The Company is engaged in supplying alcohol free drinks. The Company sells its products online, in retail stores and to distributors in Canada.

The Company changed its name from Avanco Capital Corp. to Hill Street Beverage Company Inc. on July 24, 2018 in conjunction with a reverse takeover transaction (the “RTO”). The Company resumed trading on the TSX V at the opening of the market on July 24, 2018 under the new symbol “BEER”.

The Company’s registered address and the records are held at 2410 Lucknow Drive, Unit 31, Mississauga, Ontario, L5S 1V1.

Effective July 24, 2018, the Company completed a consolidation of its common shares (“share consolidation”) on the basis of 65.358 post-consolidation shares for every pre-consolidation common share previously held. All references to share, per share amounts and exercise prices have been retroactively restated to reflect the effect of the share consolidation.

These condensed interim consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future and that management does not intend to liquidate the entity, or has no realistic alternative but to do so. As at March 31, 2021, the Company had not yet achieved profitable operations, had a net loss of \$1,616,762 (March 31, 2020: \$3,224,994), a deficit of \$18,176,167 (June 30, 2020: \$16,559,405), 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 consolidated 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 operational 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.

**Hill Street Beverage Company Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three and Nine Months Period Ended March 31, 2021 and 2020**  
(Expressed in Canadian Dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN (continued)**

During the period, the global outbreak of COVID-19 (coronavirus) continued, which has had an impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. The Company's operations were impacted by COVID-19 due to a slower growth in year over year sales than anticipated. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition.

**2. BASIS OF PREPARATION**

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IAS 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). As such, these interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited annual consolidated financial statements for the years ended June 30, 2020 and 2019 (the "Annual Financial Statements").

Basis of Presentation

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

Consolidation

These condensed interim consolidated financial statements incorporate the financial statements of the Company and its wholly owned subsidiaries, Hill Street Marketing Inc. and Hill Avenue Cannabis Inc., companies incorporated in Ontario. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. All significant intercompany transactions and balances have been eliminated.



**Hill Street Beverage Company Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three and Nine Months Period Ended March 31, 2021 and 2020**  
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**3. SIGNIFICANT ACCOUNTING POLICIES**

Accounting Policies

Effective December 9, 2019, the Company changed the useful life over which depreciation expense is record on its licenses from 5 years to 10 years using the straight-line method. The change in estimate has been applied prospectively. This change in estimate is based upon the amended agreement entered with Lexaria Canpharm Corp. (Note 8).

**4. NET REVENUE**

<b>For the nine-month period ended</b>		<b>March 31, 2021</b>	<b>March 31, 2020</b>
Gross revenue	\$	2,034,726	1,990,473
Chargebacks		(359,006)	(547,722)
Listing fees		-	(35,500)
	\$	1,675,720	1,407,251

**5. ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following:

<b>As at</b>		<b>March 31, 2021</b>	<b>June 30, 2020</b>
Trade receivables	\$	368,813	406,851
GST receivables		20,468	-
Subscription receivable		6,150	-
	\$	395,431	406,851

An allowance for doubtful accounts of \$Nil (June 30, 2020: \$Nil) has been provided against these accounts receivable amounts, which the Company has determined represents a reasonable estimate of amounts that may be uncollectible.

**6. INVENTORY**

<b>As at</b>		<b>March 31, 2021</b>	<b>June 30, 2020</b>
Finished goods	\$	439,113	193,911

Inventory write downs recognized as an expense amounted to \$1,535 (March 31, 2020: \$23,466).

**Hill Street Beverage Company Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three and Nine Months Period Ended March 31, 2021 and 2020**  
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**7. PROPERTY AND EQUIPMENT**

	ROU Asset	Computer Equipment	Computer Software	Equipment	Asset development (i)	Total
<b>Cost</b>	\$	\$	\$	\$	\$	\$
Balance at June 30, 2019	-	6,104	1,544	277,184	-	284,832
Additions	53,019	901	443	455	-	54,818
Balance at June 30, 2020	53,019	7,005	1,987	277,639	-	339,650
Additions	-	1,693	123	-	78,251	80,067
Balance at March 31, 2021	53,019	8,698	2,110	277,639	78,251	419,717
<b>Accumulated depreciation</b>						
Balance at June 30, 2019	-	2,897	1,219	4,921	-	9,037
Depreciation for the year	5,891	1,069	236	54,463	-	61,659
Balance at June 30, 2020	5,891	3,966	1,455	59,384	-	70,696
Depreciation for the period	13,254	930	144	32,738	-	47,066
Balance at March 31, 2021	19,145	4,896	1,599	92,122	-	117,762
Carrying amount at June 30, 2020	47,128	3,039	532	218,255	-	268,954
<b>Carrying amount at March 31, 2021</b>	<b>33,874</b>	<b>3,802</b>	<b>511</b>	<b>185,517</b>	<b>78,251</b>	<b>301,955</b>

- (i) The Company capitalized cost related of implementation to cloud computing arrangements that qualify for capitalization. Such capitalized costs are amortized using the straight-line-method over the term of the cloud computing service contract, beginning when the cloud computing arrangement is substantially complete and ready for its intended used. During the nine-month period ended March 31, 2021, the Company capitalized \$78,251 of asset development costs and the Company's estimate the implementation of the asset will be completed by June 30, 2021.

**Hill Street Beverage Company Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three and Nine Months Period Ended March 31, 2021 and 2020**  
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**8. INTANGIBLE ASSETS**

	Canpharm License (i)- Finite	Canpharm License (ii) – Infinite	Standard Processor License (iii)	Trademarks	Total
<b>Cost</b>	\$				
Balance at June 30, 2019	209,250	-	59,250	-	268,500
Additions	-	-	-	7,698	7,698
Write-offs	-	-	(8,000)	-	(8,000)
Balance at June 30, 2020	209,250	-	51,250	7,698	268,198
Additions	425,346	3,694,888	-	9,840	4,130,074
Balance at March 31, 2021	634,596	3,694,888	51,250	17,538	4,398,272
<b>Accumulated depreciation</b>					
Balance at June 30, 2019	38,329	-	8,362	-	46,691
Depreciation for the year	42,002	-	8,577	-	50,579
Balance at June 30, 2020	80,331	-	16,939	-	97,270
Depreciation for the period	42,702	-	5,147	-	47,849
Balance at March 31, 2021	123,033	-	22,086	-	145,119
Carrying amount at June 30, 2020	128,919	-	34,311	7,698	170,928
<b>Carrying amount at March 31, 2021</b>	511,563	3,694,888	29,164	17,538	4,253,153

- (i) On July 30, 2018, the Company entered into a semi-exclusive licensing agreement with Lexaria Bioscience Corp. for the use of its technology to produce a line of cannabis-infused alcohol-free beverages for Canadian distribution, following regulatory approval. The Company was required to pay a licensing fee of USD\$93,750 payable over 274 days and an initial share issuance equal to USD\$56,250. As of June 30, 2019, all amounts have been paid and the Company has capitalized a total of \$209,250 related to this agreement. These licenses fees are being amortized over their useful life of five years (the effective term of the license agreement).

On December 9, 2020, the Company entered into a intellectual property license agreement with Lexaria HempCo. to expand the Company's license with Lexaria HempCo to make products containing CBD on a global basis for ten years. This agreement hereby supersedes and replaces in its entirety the prior agreement dated July 30, 2018. The Company changed the useful life over which depreciation expense is recorded on its licenses from 5 to 10 years.

**Hill Street Beverage Company Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three and Nine Months Period Ended March 31, 2021 and 2020**  
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**8. INTANGIBLE ASSETS (continued)**

- (ii) On December 9, 2020, the Company entered into an asset purchase agreement with Lexaria Canpharm Corp. to acquire exclusive rights in perpetuity to use Lexaria’s non-pharmaceutical THC-related intellectual property assets and license agreement assets to produce and/or license cannabis-infused products globally. The Company is required to pay \$350,000 (paid) in cash on closing, an additional \$2,000,000 payable over time in the form of a promissory note bearing 10% interest per annum and \$1,500,000 in common shares of the Company, issuable in three equal tranches of \$500,000 at closing; \$500,000 eight months after closing; and \$500,000 16 months after closing. The license agreements assets acquired with finite life are being amortized over their useful life of 10 years (the effective term of the asset purchase agreement).

The following table summarizes the price allocation:

<b>Assets Acquired</b>		
Prepaid	\$	22,341
Canpharm – finite life		425,346
Canpharm – infinite life		3,694,888
		4,142,575
<b>Consideration</b>		
Fair value of 6,031,363 common shares		753,920
Contingent consideration		1,000,000
Promissory note		2,000,000
Cash		350,000
Transactions cost		38,655
<b>Total Consideration</b>		<b>4,142,575</b>

- (iii) As of June 30, 2019, the Company has capitalized a total of \$59,250 of costs associated with acquiring a Standard Processor License in the Cannabis act (Canada). These licenses fees are being amortized over their useful life of 5 years.
- (iv) As of March 31, 2021, the Company has capitalized a total of \$17,538 for trademarks. The trademark is not amortized as the trademark is not yet in use.

**Hill Street Beverage Company Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three and Nine Months Period Ended March 31, 2021 and 2020**  
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**9. LEASES**

The Company has a lease for industrial commercial space. The Company's lease commenced on February 25, 2020 and extends to February 28, 2023. The Company has an option to extend the lease beyond the three-year non-cancellable term for an additional term of three years. The Company has recognized a right-of-use asset in respect of this lease, which is included in property and equipment on the consolidated statements of financial position (Note 7).

The Company has also recognized a lease liability for this lease, which was initially measured at the present value of the future lease payments, discounted using the Company's incremental borrowing rate of 6%. Interest expense on the lease liability is included in Bank charges and Interest in the consolidated statements of operations and comprehensive loss. The carrying amount of the Company's lease liability is summarized in the table below.

	<b>Lease liability</b>
<b>Balance, June 30, 2019</b>	-
Additions	53,019
Interest expense	1,378
Lease payments	(3,531)
<b>Balance, June 30, 2020</b>	50,866
Interest expense	2,517
Lease payments	(15,932)
<b>Balance, March 31, 2021</b>	37,451
<b>Current portion</b>	19,590
<b>Non-current portion</b>	17,861

**10. LOANS PAYABLE**

The Company has the following loans payable as at March 31, 2021 and June 30, 2020:

<b>As at</b>	<b>March 31, 2021</b>	<b>June 30, 2020</b>
	\$	\$
CEBA loan	40,589	22,885
Convertible debenture	860,892	770,485
Due to Lexaria Canpharm Corp. (Note 8)	500,000	-
Note payable	1,994,334	-
<b>Total long term debt</b>	<b>3,395,815</b>	<b>793,370</b>

**Hill Street Beverage Company Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three and Nine Months Period Ended March 31, 2021 and 2020**  
(Expressed in Canadian Dollars)

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**10. LOANS PAYABLE (continued)**

Canada Emergency Business Account

	<b>CEBA loan</b>
Proceeds	\$40,000
Benefit from favorable interest rate	(\$17,939)
Initial carrying amount	\$22,061
Accretion Expense	\$824
<b>Balance at June 30, 2020</b>	<b>\$22,885</b>
Proceeds	\$20,000
Benefit from favorable interest rate	(\$6,541)
Accretion Expense	\$4,245
<b>Balance at March 31, 2021</b>	<b>\$40,589</b>

The Company received a loan in the aggregate amount of \$60,000 pursuant to the Canada Emergency Business Account (“CEBA”). The CEBA provides zero-interest, partially forgivable loans of up to \$60,000 to small businesses that have experienced diminished revenues due to COVID-19 but face ongoing non-deferrable costs, such as rent, utilities, insurance, taxes and employment costs. If the balance of the loan is repaid on or before December 31, 2022, 25% on the first \$40,000 plus 50% percent on above \$40,000 and up to \$60,000 will be forgiven. The loan bears no interest until December 31, 2022, at which point if unpaid, it will convert to a three-year term loan bearing interest at 5% per annum. The loan was initially measured at its fair value of \$22,061 and is subsequently measured at amortized cost, using an effective interest rate of 23%. During the nine-month period ended March 31, 2021, \$4,245 (March 31, 2020: \$Nil) of interest expense related to the CEBA loan was recognized and included in accretion expense in the consolidated statements of operations and comprehensive loss.

The Company received a benefit of \$6,541 (June 30, 2020: \$17,939) due to the below-market interest rate on the CEBA loan. This benefit was initially recognized as a deferred gain and was recognized as income as the Company used the proceeds from the loan to fund its operational expenditures.

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**10. LOANS PAYABLE (continued)**

Convertible debenture

Proceeds	\$1,022,500
Transaction costs	(\$8,500)
Net proceeds	\$1,014,000
Conversion feature	(\$136,130)
Warrants	(\$136,130)
Debenture liability	\$741,740
Initial measurement of debenture liability	\$741,740
Interest Expense	\$10,085
Accretion Expense	\$18,660
<b>Balance, June 30, 2020</b>	<b>\$770,485</b>
Interest Expense	\$45,877
Accretion Expense	\$94,007
Conversion of convertible debt into shares	(\$19,502)
Loss on conversion of debt	\$1,168
Interest payment reclassified to accounts payable	(\$31,143)
<b>Balance, March 31, 2021</b>	<b>\$860,892</b>

On May 1, 2020, the Company issued \$1,022,500 principal amount of convertible debenture units. Each unit is comprised of \$1.00 principal amount of secured convertible debentures and 20 common share purchase warrants. Each warrant entitles the holder to purchase one common share in the capital of the Company at a price of \$0.05 per share for a period of two years from the date of issuance. The convertible debentures bear interest at 6% per annum, payable semi-annually on November 1 and May 1 in each year.

The outstanding principal and any accrued and unpaid interest may, at the option of the holder, be converted at any time prior to maturity into common shares in the capital of the Company at a conversion price of \$0.05 per share for the first year of the term and \$0.10 thereafter. The principal subscribers in the financing were the Company's CEO and HoldCo St. Catharines Ltd., the Company's largest shareholder.

The loan was initially measured at its fair value of \$741,740, calculated by discounting the future cash flows using a market interest rate of 25%. The loan is subsequently measured at amortized cost using the effective interest method, at an effective interest rate of 23%. During the nine-month period ended March 31, 2021, the Company recognized \$45,877 (March 31, 2020: \$Nil) in interest expense and \$94,007 (March 31, 2020: \$Nil) in non-cash accretion expense, which are included in the consolidated statements of operations and comprehensive loss.

On February 11, 2021, the principal amount of \$22,500 were converted into 450,000 common shares at conversion price of \$0.05 per share. The debt conversion resulted in a loss of \$1,168 during the nine-month period ended March 31, 2021.

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**10. LOANS PAYABLE (continued)**  
Convertible debenture (continued)

At issuance, the equity component of the convertible debenture was measured at \$272,260. The equity component was allocated between the conversion feature and warrants based on their relative fair values, measured using the Black-Scholes option pricing model. A value of \$136,130 was assigned to both the conversion feature and the warrants, both of which are included in reserves on the consolidated statements of financial position. Significant assumptions used to value the conversion feature and attached warrants are presented in the following table.

Stock Price	\$0.045
Exercise Price	\$0.05
Expected life	2 years
Volatility	93%
Dividends	\$0
Risk-free rate	0.37%

Promissory note

On December 9, 2020, in consideration of the value received in connection with purchase asset agreement entered with Lexaria Canpharm UCL, the Company promised to pay the principal sum of \$2,000,000. The principal amount shall bear interest at the rate of 10% per annum and shall accrue and be calculated quarterly-annually. The principal amount and any accrued interest shall be repayable by the Company in quarterly installments in an amount equal to 5% of the Gross Sales realized from cannabis infused product sold by the Company or its licenses utilizing the acquired technology. During the nine-month period ended March 31, 2021, the Company recognized \$61,333 (March 31, 2020: \$Nil) in interest expenses. As at March 31, 2021, the Company reclassified a principal repayment of \$5,666 to accounts payable.

**11. SHARE CAPITAL**

a) Authorized

Unlimited number of common shares with no par value.

b) Issued and outstanding

At March 31, 2020 and June 30, 2020, the issued and outstanding share capital is comprised of 142,170,150 and 112,060,380 common shares, respectively.

***During the period ended March 31, 2021 the Company issued the following shares:***

On September 14, 2020, the Company issued 144,229 shares in lieu of severance obligations to a former senior officer valued at \$12,259. A provision of \$12,259 was included in accounts payable and accrued liabilities on the consolidated statements of financial position as at June 30, 2020.



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**11. SHARE CAPITAL (continued)**

b) Issued and outstanding

On November 18, 2020, the Company issued 17,019,000 units at a price of \$0.05 per unit for gross proceeds of \$850,950. Each 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 \$20,933 in cash for share issuance cost.

On December 9, 2020, the Company issued 6,031,363 units valued to \$753,920 pursuant to licensing agreement entered with Lexaria Canpharm UCL. (Note 8).

On February 11, 2021, the Company issued 450,000 common shares pursuant to the partial conversion of \$22,500 principal amount of the convertible debt. In relation to the conversion of convertible debt, \$2,998 was reclassified from reserves to share capital (Note 10).

The Company issued 6,465,178 shares for 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 year ended June 30, 2020 the Company issued the following shares:***

On December 19, 2019, the Company issued 13,324,998 units at a price of \$0.06 per unit. Each 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 December 19, 2019 issuance of units is split into two components:

- 1) The Company issued 8,666,665 units for cash proceeds as part of a private placement. Proceeds of \$520,000 were allocated as follows: \$436,235 to share capital and \$83,765 to warrant reserves. The Company paid \$76,914 in transaction costs in connection with the private placement.
- 2) The Company issued 4,658,333 units for services valued at \$279,500. The Company allocated \$234,476 to share capital and \$45,024 to warrant reserves.

On May 4, 2020, the Company issued 1,584,801 shares in lieu of severance obligations to former senior officers valued at \$126,784. The shares issued were valued at \$83,567 and a \$43,217 gain on settlement was recorded in the consolidated statements of operations and comprehensive loss. A provision of \$12,259 has also been recorded for the contingent payment of 144,229 shares in connection with the settlement of severance obligations. The provision is included in accounts payable and accrued liabilities on the consolidated statements of financial position.

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**11. SHARE CAPITAL (continued)**

b) Issued and outstanding

The Company issued 680,000 shares for the exercise of options for gross proceeds of \$78,200. The shares issued were valued at \$169,200, representing the sum of the proceeds of \$78,200 and the transfer of previously recognized option reserves of \$91,000.

The Company issued 187,250 shares for the exercise of warrants, with the exercise price of \$37,450, settled by offsetting against an amount payable to the exercising party. The shares issued were valued at \$59,350, representing the sum of the exercise price of \$37,450 and the transfer of previously recognized warrant reserves of \$21,900.

c) Stock options

The continuity of options for the period ended March 31, 2021 is summarized below:

Granted	Expiry	Exercise Price	June 30, 2020	Granted	Expired / Forfeited	March 31, 2021	Exercisable
July 31, 2018	July 31, 2023	\$ 0.175	6,564,314	-	(3,472,194)	3,092,120	2,576,767
Jan. 31, 2020	Jan. 31, 2021	\$ 0.175	518,027	-	(518,027)	-	-
July 24, 2020	Dec 31, 2021	\$ 0.175	-	1,036,054	(345,351)	690,703	690,703
Dec. 17, 2020	Dec. 27, 2021	\$ 0.175	-	63,750	-	63,750	63,750
Feb. 8, 2021	Feb. 22, 2022	\$ 0.175	-	1,220,519	-	1,220,519	1,220,519
May 23, 2019	May 23, 2024	\$ 0.21	215,000	-	-	215,000	125,417
May 1, 2020	May 1, 2025	\$ 0.05	3,740,000	-	(300,000)	3,440,000	1,290,000
Dec. 17, 2020	Dec. 17, 2021	\$ 0.05	-	75,000	-	75,000	75,000
Feb. 24, 2021	Feb. 24, 2026	\$ 0.095	-	4,800,000	-	4,800,000	-
Total			11,037,341	7,195,323	(4,635,572)	13,597,092	6,042,156
Weighted average exercise price				\$ 0.12	\$ 0.17	\$ 0.11	\$ 0.15
Weighted average remaining contractual life						3.47 years	

During the nine-month period ended March 31, 2021, 1,036,054 options held by a former Officer of the Company, previously granted on July 31, 2018, were vested immediately during the period and the expected life were reduced to December 31, 2021. \$4,712 was recorded as result of the modification of the award.

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**11. SHARE CAPITAL (continued)**

c) Stock options (continued)

***During the year ended June 30, 2020 the Company granted the following stock options:***

On May 1, 2020, 3,740,000 options were granted to officers, directors, and consultants at an exercise price of \$0.05 per share. The options shall vest equally 12.50% quarterly over a two-year term. The fair value of the options at grant date was \$122,100, of which \$59,214 (March 31, 2020: \$Nil) was recorded during the nine-month period ended March 31, 2020 based on the vesting terms. A total of 225,000 of unvested options were forfeited during the periods ended March 31, 2021.

Previously recorded stock-based compensation of \$5,179 (March 31, 2020: \$Nil) related to the forfeited options was reversed during the nine-month period ended March 31, 2021.

On February 24, 2021, 4,800,000 options were granted to officers, directors, and consultants at an exercise price of \$0.095 per share. The options shall vest equally 33.33% yearly over a three-year term. The fair value of the options at grant date was \$329,024, of which \$42,506 (March 31, 2020: \$Nil) was recorded during the nine-month period ended March 31, 2021.

***During the year ended June 30, 2019 the Company granted the following stock options:***

On July 31, 2018, 7,934,510 options were granted to officers and directors at an exercise price of \$0.175 per share. The options shall vest equally 8.33% quarterly over a three-year term. The fair value of the options at grant date was \$1,289,012, of which \$85,611 (March 31, 2020: \$285,047) was recorded in the nine-month period ended March 31, 2021 based on vesting periods. A total of 1,086,272 and 21,250 of unvested options were forfeited during the periods ended March 31, 2021 and June 30, 2020, respectively. Previously recorded stock-based compensation of \$68,969 (March 31, 2020: \$Nil) related to the forfeited options was reversed during the nine-month period ended March 31, 2021.

On May 23, 2019, 215,000 options were granted to officers and directors at an exercise price of \$0.21 per share. The options shall vest equally 8.33% quarterly over a three-year term. The fair value of the options at grant date was \$33,699, of which \$5,334 (March 31, 2020: \$16,884) was recorded in the nine-month period ended March 31, 2021 based on vesting periods.

On May 13, 2019, the expected life of 10,000 fully vested options held by a former employee of the Company, previously granted on July 31, 2018, were reduced to one year from the date of employee's death and a total of 50,000 of unvested options were cancelled during the year ended June 30, 2019.

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**11. SHARE CAPITAL (continued)**

c) Options

An additional stock-based compensation was recorded in the amount of \$2,877 as a result of the modification of the award.

On July 17, 2019, 690,702 options held by a former employee of the Company, previously granted on July 31, 2018, were vested immediately during the period and the expected life were reduced to one year from the date of employment termination. An additional stock-based compensation was recorded in the amount of \$33,121 as a result of the modification of the award.

The following weighted average assumptions were used in the option pricing models of stock options granted during the years ended March 31, 2021 and June 30, 2020:

	<b>March 31, 2021</b>	<b>June 30, 2020</b>
Share price	\$0.10	\$0.045
Risk-free interest rate	0.73%	0.43%
Expected life	5 years	5 years
Expected volatility	87.34%	100%
Expected dividends	Nil	Nil

June 30, 2020 volatility is based on peer companies. Expected life is considered to be the time to expiry.

d) Warrants

Warrants transactions are summarized as follows:

Granted	Expiry	Exercise Price	June 30, 2020	Granted	Expired / Cancelled	Exercised	Mar. 31, 2021
July 24, 2018	Dec 31, 2020	\$ 0.30	8,560,800	-	(8,560,800)	-	-
July 24, 2018	July 24, 2020	\$ 0.175	1,194,210	-	(1,194,210)	-	-
July 24, 2018	Dec 31, 2020	\$ 0.35	13,454,249	-	(7,989,071)	(5,465,178)	-
Sept 18, 2018	Dec 31, 2020	\$ 0.35	16,775	-	(16,775)	-	-
June 5, 2019	June 5, 2022	\$ 0.20	2,500,000	-	-	-	2,500,000
June 7, 2019	June 7, 2021	\$ 0.40	4,241,654	-	-	-	4,241,654
Dec 19, 2019	Dec 19, 2021	\$ 0.13	13,324,998	-	-	-	13,324,998
May 1, 2020	May 1, 2022	\$ 0.05	20,450,000	-	-	(1,000,000)	19,450,000
Nov 18, 2020	Nov. 18, 2022	\$ 0.13	-	17,019,000	-	-	17,019,000
<b>Total</b>			<b>63,742,686</b>	<b>17,019,000</b>	<b>(17,760,856)</b>	<b>(6,465,178)</b>	<b>56,535,652</b>
Weighted average exercise price				0.13	0.11	0.09	0.13
Weighted average remaining contractual life						1.10 years	

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**11. SHARE CAPITAL (continued)**

d) Warrants (continued)

During the nine-month period ended March 31, 2021, the Company received approval from the TSXV Exchange to extend the expiry dates and reduce the exercise price of the following warrants:

- 5,934,780 share purchase warrants at an exercise price of \$0.30 per share extended to December 31, 2020, which were schedule to expire on July 24, 2020. The exercise price was reduced to \$0.10.
- 13,454,249 share purchase warrants at an exercise price of \$0.35per share extended to December 31, 2020, which were schedule to expire on July 24, 2020. The exercise price was reduced to \$0.10.
- 16,775 share purchase warrants at an exercise price of \$0.35 per share extended to December 31, 2020, which were schedule to expire on July 24, 2020. The exercise price was reduced to \$0.10.

For details on warrants granted in the current year, refer to Note 10.

The following weighted-average assumptions used in the option-pricing model of warrants issued during the period March 31, 2021 and June 30, 2020:

	<b>March 31, 2021</b>	<b>June 30, 2020</b>
Share price	\$0.085	\$0.045
Risk-free interest rate	0.27%	1.69%
Expected life	2 years	2 years
Expected volatility	111.28%	84%
Expected dividends	Nil	Nil

June 30, 2020, volatility is based on peer companies. Expected life is considered to be the time to expiry.

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**12. RELATED PARTY TRANSACTIONS**

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

<b>During the Nine-Month Period ended March 31,</b>	<b>\$</b>	<b>\$</b>
	<b>2021</b>	<b>2020</b>
Total salaries, benefits and management fees	737,370	841,341
Stock-based compensation	92,942	323,728
Total salaries and other short-term benefits	830,312	1,165,069

Included in accounts payable as at March 31, 2021 is \$560,810 (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 December 23, 2019, management and board members participated in a non-brokered private placement financing of units (“Units”) for gross proceeds of \$250,000 at a price of \$0.06 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 \$0.13 per share for a period of two years from closing, subject to acceleration.

On November 18, 2020, management and board members participated in a non-brokered private placement financing of units (“Units”) for gross proceeds of \$373,500 at a price of \$0.05 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 \$0.13 per share for a period of two years from closing, subject to acceleration.

As at March 31, 2021, the company had \$860,892 (June 30, 2020: \$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. Each Unit is comprised of \$1.00 principal amount of secured convertible debentures and 20 common share purchase.

On February 11, 2021, the Company issued 450,000 common shares to the former CEO of the Company pursuant to the partial conversion of \$22,500 principal amount of the convertible debt. (Note 10).

**13. CANADA EMERGENCY WAGE SUBSIDY**

The Company applied for and received the Canada Emergency Wage Subsidy (“CEWS”), which provides up to 75% of an employee’s wages, up to a maximum of \$847 per week. The initial program was in place for a 12-week period, from March 15 to June 6, 2020 and included three distinct claiming periods. The Company received \$25,548 each for the first and second reporting periods.

During the nine-month period ended March 31, 2021, the company received \$83,727 (March 31, 2020: \$Nil) for the period from May 10 to November 21, 2020.

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**14. FINANCIAL INSTRUMENTS**

The following table summarizes the classification and measurement for each financial instrument:

<b>Financial instrument</b>	<b>Measurement</b>
Cash and cash equivalents	Fair value through profit or loss ("FVTPL")
Accounts receivable	Amortized cost
Other receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
CEBA Loan	Amortized cost
Convertible debenture	Amortized cost

Financial instruments are initially recognized at fair value on the consolidated statements of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the consolidated statements of operations and comprehensive loss. Financial assets and liabilities classified at amortized cost are measured at amortized cost using the effective interest method.

Financial assets

The Company classifies its financial assets into the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognized when the contractual rights to cash flows from the financial asset receipt or when the contractual rights to those assets are transferred.

*Amortized cost*

Financial assets measured at amortized cost are financial assets held within a business model whose objective is to collect contractual cash flows, with the cash flows representing solely payments of principal and interest. These assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial assets are measured at amortized cost using the effective interest method, less any impairment losses. Financial assets measured at amortized cost include accounts receivable and other receivable. The amortized cost of these assets is representative of their fair value due to the short-term nature of these receivables.

*FVTPL*

Financial instruments are classified as FVTPL when they are held for trading. A financial instrument is held for trading if it was acquired for the purpose of sale in the near term. Financial instruments classified as FVTPL are measured at fair value, with any changes in fair value recognized in net loss.

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**14. FINANCIAL INSTRUMENTS (continued)**

Financial liabilities

Management determines the classification of its financial liabilities at initial recognition.

*Amortized cost*

Financial liabilities measured at amortized cost are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, there are presented as non-current liabilities.

The fair value hierarchy that prioritizes the inputs used to measure fair value is as follows:

- 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.

The fair value of cash is determined based on Level 1 inputs which consist of quoted prices in active markets for identical assets. As at March 31, 2021 and June 30, 2020, the Company believes that the carrying values of cash and cash equivalents approximate the fair values because of their nature and relatively short maturity dates or durations.

**15. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT**

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

Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its trade receivables. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. As at March 31, 2021, the Company had \$395,431 (June 30, 2020 - \$406,851) financial assets that may be subject to credit risk defaults (note 5). Cash is deemed to have a nominal risk as it is primarily held at a tier 1 Canadian chartered bank.



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**15. FINANCIAL RISK EXPOSURE AND RISK MANAGEMENT (continued)**

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations with respect to financial liabilities as they fall due. The Company's financial liabilities consist of its accounts payable CEBA loans payable and convertible debentures. The Company manages its liquidity risk through the management of its capital structure as described in Note 18. The Company's accounts payable have contractual maturities of 30 days or are due on demand, do not generally bear interest and are subject to normal trade terms. As at March 31, 2021, the Company held \$1,597,738 (June 30, 2020 - \$987,100) in accounts payable and accrued liabilities.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, investment fluctuations, and equity prices. Market conditions will cause fluctuations in the fair values of financial assets classified as fair value through profit or loss, and cause fluctuations in the fair value of future cash flows for assets or liabilities measured at fair value. As at March 31, 2021, the Company holds \$1,000,000 (June 30, 2020: \$1,022,500) of interest-bearing debt, however there is no cash flow interest rate risk because the interest rate is fixed at 10% (Note 10).

Foreign exchange risk

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

**16. CAPITAL MANAGEMENT**

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

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**17. SUPPLEMENTAL CASH FLOW INFORMATION**

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

*During the nine-month period ended March 31, 2021:*

On September 14, 2020, the Company issued 144,229 shares in lieu of severance obligations to former senior officers valued at \$12,259 (Note 11).

On December 9, 2020, the Company issued 6,031,363 units valued to \$753,920 pursuant to licensing agreement entered with Lexaria Canpharm UCL. (Note 8).

On February 11, 2021, the Company issued 450,000 common shares pursuant to the partial conversion of \$22,500 principal amount of the convertible debt. In relation to the conversion of convertible debt, \$2,998 was reclassified from reserves to share capital (Note 10).

*During the nine-month period ended March 31, 2020:*

On December 19, 2019, two unrelated parties participated in the unbrokered private placement and offered investor relations services. No cash was exchanged in these transactions totaling \$279,500.

**18. SUBSEQUENT EVENTS**

On April 9, 2021, the Company issued 42,548,545 units at a price of \$0.08 per unit for gross proceeds of \$3,403,884. Each 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. In connection with the offering, the Company paid finders of \$8,320 and disused 52,000 finder's warrants. Each finder's warrant will entitle the holder to purchase one common share of the Company at a price of \$0.08 for 24 months from the date of closing.

On May 9, 2021, the Company granted 3,378,500 stock options to certain officers, directors, and consultants of the Company. The stock options are exercisable for a period of 5 years from the date of grant at a price of \$0.09 per share.

On May 9, 2021, the Company received approval from the TSXV Exchange to reduce the exercise price of the following options at the discretion of the Board of Directors:

- 3,092,120 stock options at an exercise price of \$0.175 per share. The amended stock options will now be exercisable at \$0.075 per share with their original maturity date unchanged.
- 690,703 stock options at an exercise price of \$0.175 per share. The amended stock options will now be exercisable at \$0.075 per share with their original maturity date unchanged.

**Hill Street Beverage Company Inc.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the Three and Nine Months Period Ended March 31, 2021 and 2020**  
(Expressed in Canadian Dollars)

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**18. SUBSEQUENT EVENTS (continued)**

- 63,750 stock options at an exercise price of \$0.175 per share. The amended stock options will now be exercisable at \$0.075 per share with their original maturity date unchanged.
- 1,220,519 stock options at an exercise price of \$0.175 per share. The amended stock options will now be exercisable at \$0.075 per share with their original maturity date unchanged.
- 215,000 stock options at an exercise price of \$0.21 per share. The amended stock options will now be exercisable at \$0.075 per share with their original maturity date unchanged.

In addition, subsequent to March 31, 2021, the Company issued 20,000,000 common shares pursuant to pursuant to a right of conversion of \$1,000,000 worth of convertible debentures at \$0.05 per common share.