HILL INCORPORATED

(PREVIOUSLY HILL STREET BEVERAGE COMPANY INC.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three-month period and year ended June 30, 2023

The following management's discussion and analysis ("**MD&A**") provides a review of the activities, results of operations and financial condition of Hill Incorporated Inc., previously Hill Street Beverage Company Inc., (the "**Company**", **"We"** or "**Hill**") for the three and twelve-month periods ended June 30, 2023, in comparison with the three and twelve months ended June 30, 2022. These comments should be read in conjunction with the audited consolidated financial statements for the years ended June 30, 2023 and 2022 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 23, 2023. Additional information relating to Hill is available on SEDAR.

All amounts are stated in Canadian dollars unless otherwise identified.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the Company website at www.hillincorporated.com, or at the Company's profile on http://www.sedarplus.ca./

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'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 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's views as of October 23, 2023 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 revenues, volumes, operating efficiencies, or costs may be based on, among other things, the following material factors and assumptions: sales volumes will increase over time; no material changes in basic consumer preferences; manufacturing and packaging efficiencies will improve over time; the cost of input materials for manufacturing will increase over time; competitive activity from competitors will continue; foreign currency exchange rates will change; there will likely be material changes to the regulatory environment in which Hill 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'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's various other public filings as and when released by Hill. The forward-looking statements included in this MD&A are made only as of October 23, 2023 and, except as required by applicable securities laws, Hill does not undertake to publicly update such forward-looking statements to reflect new information, future events or otherwise.

BUSINESS HIGHLIGHTS FOR THE FISCAL 2023 YEAR END

- ***Full Fiscal Year DehydraTECH Licensing Revenues Nearly Tripled vs. Year Ago, Finishing 288% of Adjusted FY 2022 as New Licensees and New Product Launches Continued***
- ***We Continued to Execute on the Transformed Vin(Zero) Business Model & Its More Efficient Supply and Distribution Patterns***
- ***Consolidated Gross Profit Continued to Show Strong Growth at +20% vs. Year Ago, Building on the +37% Gross Profit Gain for Full Year FY 2022***
- ***Cash Flows from Operations Improved Significantly With a 59% Improvement***
- ***We Completed Our Balance Sheet Transformation, Delivering More Streamlined Financials and Eliminating Items Not Relevant for Our Focused Growth Agenda***

DehydraTECH Licensing Revenues Nearly Tripled as New Licensees and New Launches Hit the Market Throughout the Fiscal Year

FY 2023 set a new revenue record and saw the continued advance of our DehydraTECH licensing business across all the key metrics - number of licensees, states in operation, product form factors available, and product penetration depth across states and licensees.

During the year ended June 30, 2023, 1906 Drops expanded to Michigan, Pennsylvania, Ohio, Missouri, New York, and New Jersey, bringing the footprint of the DehydraTECH-powered, #1 fast-acting cannabis edible in the United States to ten states.

Key commercialization partner and licensee Dehydr8, LLC ("**Dehydr8**") managed multiple launches with strong consumer brands across Michigan, Massachusetts, and Oregon:

- In our original Michigan pilot market, we launched a wide range of DehydraTECH-powered consumer products with Dehydr8 throughout the year to create a robust portfolio of options for consumers:

    - "***High TeHC***" fast-acting gummies in a range of effects and flavors, including ***Kick***, ***Boost***, ***ReGen***, ***Relax***, ***Sleep*** and ***Now-and-Later*** extended THC release SKUs, as well as our exciting multi-serve THC powder. The multi-serve THC powder format allows

consumers to enjoy the fast-acting benefits of DehydraTECH however they want – as an additive to the many foods or drinks that they already buy, or on its own as a tasty edible option.
    - Evolution Edibles' "***Tidal Wave***" line of 20 mg THC gummies, combining 10mg of fast-acting technology with 10mg of traditional distillate to create a gummy with both fast-acting and long lasting benefits;
    - Lume Cannabis Co. "***Now***" line of fast-acting THC gummies with multiple effects and flavors;
    - "***Releaf"*** K-Cup coffee pods for THC-infused coffee;
    - "***Loco Cocoa***" THC-infused hot cocoa mix.

- **Neo Alternatives** launched their "***Root 66***" brand of products utilizing DehydraTECH in Massachusetts, including dissolvable "***Micro Mints***", and soluble multi-use THC honey powder.

- **Folium Farms** launched their "***Aleafiate***" brand of fast-acting gummies and multi-serve THC honey powder utilizing DehydraTECH in Oregon.

- Beyond Dehydr8's significant operational advances in Michigan, Massachusetts and Oregon, they continue to conduct extensive R&D and product development work with both single-state LPs and MSOs, and we are anticipating that their efforts in this critical business development phase will result in important new DehydraTECH licensees and product launches across multiple US states in calendar 2023 and 2024.

- New licensee **ArcataX, LLC** began B2B DehydraTECH operations for consumer brands in California, the largest cannabis sales market in the US, powering the launch of "**Nanna's Delights**" THC-infused DehydraTECH brownie mix in California. Additionally, we are working with ArcataX on R&D for additional new products, as we look to launch targeted B2B marketing activities in California in 2024.

As we've communicated, the continued growth of our DehydraTECH licensing business is a function of four key factors:

1) **new licensees** - increasing our base of active licensees and brands;
2) **new states** – new state launches expanding the geographic coverage for active licensees or brands;
3) **new product form factors** – innovation to expand the number of DehydraTECH-powered consumer product forms and types in market to fill consumer needs and occasions; and
4) **deeper penetration of products across operations** – driving deeper penetration of the breadth of product forms and brands across current and new states.

Following is a summary of the significant advances we have made against these key factors since we acquired the exclusive global rights to the DehydraTECH technology at the end of 2020 until the close of FY 2023.

	31-Dec-20	31-Mar-21	30-Jun-21	30-Sept-21	31-Dec-21	31-Mar-22	30-Jun-22	30-Sept-22	31-Dec-22	30-Mar-23	30-June-23
Total Active Customers In-Mkt	1	1	1	1	4	4	4	6	7	8	8
Total States Active	4	4	4	4	6	7	7	9	11	12	13
Total Product Forms Active	3	3	3	3	6	6	6	7	7	8	10
Product Penetration Depth*	7	7	7	7	11	12	12	18	21	23	26

*Product forms x brands x states available

The thirteen states where we currently have active operating partners represent a total population of 150MM[1] and an addressable market of approximately $25.6B USD in estimated 2023 cannabis sales[2]. That footprint covers states generating over two-thirds of the addressable market of $31.8B USD in projected total U.S. cannabis sales for 2023[3].

We Continued to Execute the Transformed Vin(Zero) Business Model

As outlined in earlier communications, we transformed our Vin(Zero) business model at the end of FY 2022, with major adjustments across all the key areas of production planning, shipping and logistics, warehousing, sales and retail distribution. These changes have led to several key positive financial impacts:

- shortened our order-to-cash cycle;
- reduced the level of working capital that we hold in finished goods inventory;
- reduced warehousing and transportation costs with streamlined distribution;
- Reduced the need for more expensive temperature-controlled containers for our products as our forecasting, operations planning, and inventory logistics models create a more efficient shipping cycle.

As also previously communicated, this new streamlined commercial model creates a new and different cadence to the business, where more dramatic periodic swings on the recognized revenues are planned, and the business must be looked at across longer time frames. We now place procurement orders less frequently, but more rapidly convert those orders to revenues on the P&L and cash on the balance sheet.

See Results of Operations for an annual breakdown.

[1] US Census Bureau, https://www.census.gov/quickfacts/fact/table/US/PST045221
[2] MJBiz Factbook 2023
[3] MJBiz Factbook 2023

We Completed Our Balance Sheet Transformation

Significant advances have been made to improve the overall financial operating health of the Company, reducing both receivables and payables and eliminating items that are not relevant for our more focused growth agenda. The following chart provides a snapshot of the Company's streamlined balance sheet is provided below, with corresponding notes.

In 000's	June 30, 2023	June 30, 2022	Notes
Assets			
Cash	1,195	1,153	1
Accounts Receivable	516	1,344	1/2
Inventory	15	20	-
Prepaid expenses and misc.	-	80	-
Assets held for sale	-	103	3
Property and equipment	-	149	3
Intangible Assets	2,770	3,308	-
Total Assets	***4,496***	***6,157***	
Liabilities			
Accounts payable	333	988	1
CEBA loan	60	54	-
Lease liability	-	71	3
Note payable	2,469	2,289	-
Total Liabilities	***2,862***	***3,402***	
Total Shareholders' Equity	***1,634***	***2,755***	**-**

Note 1: The Company has reduced its year-over-year trade payables by 66% while maintaining consistent cash reserves.

Note 2: As of Oct 23, 2023, the Company has collected over 80% of its receivables that were outstanding as at June 30, 2023. The remaining 20% is expected to be collected by Nov 30, 2023.

Note 3: As part of the Company's focused efforts on DehydraTECH expansion in the United States, Hill exited its lease of the Canadian Lucknow cannabis R&D facility in February 2023. This allowed the Company to eliminate under-utilized assets while allocating additional resources to drive additional growth in the US.

OTHER KEY DEVELOPMENTS

On May 30, 2023, the Company consolidated its issued share capital on a ratio of 75 pre-consolidation common shares to 1 post-consolidation common share (the "**Share Consolidation**"). As such, the current and comparative references in this MD&A to the common shares, weighted average number of common shares, loss per share, stock options and warrants have been restated to give effect to this Share Consolidation. The Share Consolidation was approved by the Company's shareholders on May 2, 2023.

On May 30, 2023, the Company changed its name from Hill Street Beverage Company Inc., to "Hill Incorporated". The name change serves to better reflect the Company's evolution from an alcohol-free beverage company solely to a company holding a portfolio of bioscience-driven, technology-powered consumer solutions in the alcohol-free beverage and cannabis industries. The name change was approved by the Company's shareholders on May 2, 2023.

On May 2, 2023, the Company held its Annual General and Special Meeting of Shareholders.

On March 22, 2023, the Company became eligible for electronic clearing and settlement through the Depository Trust Company in the United States, more commonly known as DTC Eligibility.

On February 21, 2023, the Company was listed for trading on the OTCQB (located in the United States) under the symbol “HSEEF”.

On January 10, 2023, the Company successfully sold its bottling and canning line of equipment for net proceeds of $143,601 (US$107,165). The Company recorded a gain on sale of assets held for sale of $40,512.

On December 22, 2022, the Company closed a non-brokered private placement for gross proceeds of $700,000 (the “**Offering**“). The Company issued 233,333 units (the “**Units**“) at a price of $3.00 per Unit. Each Unit consists of one Common Share and one common share purchase warrant (the “**Warrants**“) of the Company. Each Warrant is exercisable to acquire one common share of the Company (a “**Common Share**“) for a period of 24 months following the closing date of the Offering at an exercise price of $3.75 per Common Share, subject to adjustment in certain events and acceleration by the Company in the event that the volume weighted average trading price of the Common Shares on the TSX Venture Exchange is greater than or equal to CDN$6.00 for a period of ten consecutive days, provided that the accelerated time of expiry shall not be less than 60 days from the date that the Company gives notice exercising such right.

On November 18, 2022, the Company, with the approval of the TSX Venture Exchange, amended the expiry date of 150,012 warrants (the “**Amended Warrants**”) from November 18, 2022 to March 17, 2023. In addition, the exercise price of the Amended Warrants was re-priced to $3.75 (as adjusted after the Share Consolidation).

On October 12, 2022, the Company appointed Matthew Jewell as its Chief Financial Officer.

In September 2022, the Company withdrew its “(V)ia Regal” line of cannabis-infused grape-based sparkling beverages from the Canadian market due to slow category development of the Canadian and global ready-to-drink cannabis beverage market, regulatory challenges in the promotion and marketing of a premium cannabis product in Canada, and a business model that required significant inventory of bulk alcohol-free wine and the associated cost and shelf-life risk of that inventory.

DESCRIPTION OF BUSINESS

Hill Incorporated is a progressive bioscience implementation company that is dedicated to building pathways to better and healthier living by leveraging our deep CPG expertise to commercialize leading-edge technologies to craft superior cannabis solutions and non-alcoholic beverage products globally. The Company has fundamentally transformed its legacy business model to embrace a more profitable and more scalable global growth agenda.

The Company currently operates two lines of business:

1. Hill Street Beverages

This business unit represents the Company's legacy alcohol-free consumer beverage marketing and distribution business. It includes Vin(Zero) alcohol-free wine in Canada, and on a smaller scale, in the United States. Vin(Zero) uses only the finest craft ingredients and a proprietary process to remove alcohol from high-quality wines, delivering all the flavour, savour & splendour that you expect from fine wines, without the alcohol. Vin(Zero) has a simple mission of bringing consumers better quality experiences that taste better and are better for you. The products are 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

Our Hill Avenue Cannabis business unit is pioneering the space where craft consumer products meet bioscience by combining our deep CPG commercialization expertise with our rights to use Lexaria Bioscience Corp's ground-breaking DehydraTECH patent portfolio for product development, licensing and B2B and B2C sales of cannabis ingredients or products on a global scale. DehydraTECH is a revolutionary, patented biodelivery technology that is scientifically proven to consistently and rapidly deliver precise doses of bioactive substances like cannabinoids into the bloodstream, for unparalleled bioavailability and onset time. For additional detail about Hill Avenue Cannabis or DehydraTECH technology, visit www.dehydratech-thc.com.

DehydraTECH technology was first developed in 2014 by Lexaria Bioscience Corp., a global innovator in drug delivery platforms. Today, the DehydraTECH intellectual property portfolio consists of 28 granted patents and approximately 50 patents pending worldwide. Hill Avenue Cannabis acquired the exclusive global rights to use and commercialize the DehydraTECH technology to power THC-infused cannabis products in late 2020.

Hill Avenue Cannabis is the DehydraTECH technology licensing, product development and commercialization partner to progressive cannabis brands worldwide who are committed to bringing exceptional, best-in-class cannabis products to market. Hill Avenue Cannabis also provides DehydraTECH-enabled business-to-business (B2B) solutions for both cannabis extractors and ingredient suppliers and consumer packaged goods (CPG) manufacturers whose products are infused with cannabis and or hemp extracts.

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 minutes vs. 60-120 minutes
- **Masks unwanted tastes** – eliminating the need for sugar-filled edibles

The evolution of Hill Avenue Cannabis has fundamentally changed the Company business model in several significant ways – geographically, operationally, and financially.

- **Geographical Impact**

  When Hill Avenue Cannabis acquired the global rights to the DehydraTECH technology for use with THC products, it also acquired pre-existing DehydraTECH licensing agreements with certain US brands and LPs. Thus, Hill Avenue immediately entered licensing into the U.S. cannabis market, generating revenues from licensing partners already operating across four U.S. states.

  Since the DehydraTECH rights were acquired in December 2020, the Company has expanded its licensing to an operating footprint in the U.S. that now covers thirteen states with a total population of 150MM[4] and an addressable market of approximately $25.6B USD in estimated 2023 cannabis sales[5]. That footprint covers states generating over two-thirds of the addressable market of $31.8B USD in projected total U.S. cannabis sales for 2023[6].

  Operational Impact

  The DehydraTECH licensing business is a B2B business model that utilizes the Company's prior CPG product development and commercialization knowledge to accelerate its agenda of becoming a premium cannabis biodelivery technology and ingredient solutions provider to companies looking to market premium, progressive cannabis edibles.

  By combining Hill's strengths with those of DehydraTECH creator Lexaria's and Hill's downstream DehydraTECH licensees, the Company has created an ecosystem with robust capabilities in bioscience, food science, new product format and recipe development, as well as commercial manufacturing and operations for a range of consumer product form factors.

- **Financial Impact**

  The overall financial efficiency of the DehydraTECH technology licensing business is superior to the legacy beverage business, bringing significantly higher margins than the beverage business.

[4] US Census Bureau, https://www.census.gov/quickfacts/fact/table/US/PST045221
[5] MJBiz Factbook 2023
[6] MJBiz Factbook 2023

FULL-YEAR FY 2023 RESULTS OF CONSOLIDATED OPERATIONS

Results for the year ended	June 30, 2023	June 30, 2022	June 30, 2021
	$	$	$
Gross Revenue	3,283,806	3,660,008	2,753,481
Chargebacks & listing fees	(399,998)	(447,685)	(558,567)
Net Revenue	2,883,808	3,212,323	2,194,914
Cost of sales	(1,035,617)	(1,675,231)	(1,071,284)
Gross profit	1,848,191	1,537,092	1,123,630
Expenses			
Accretion expense	6,377	10,715	111,350
Bad debt expense	134,843	-	353
Bank charges and interest	14,956	16,542	17,490
Consulting fees	41,787	1,044	58,654
Depreciation	313,847	338,668	253,072
Donations, dues & licenses	3,961	6,515	(31)
Filing and transfer agent fees	121,685	47,992	127,906
Insurance	270,651	166,223	115,962
Interest on convertible loan	-	-	50,808
Interest on promissory note	236,520	204,444	111,055
Management fees	78,087	157,196	100,021
Marketing	95,485	221,371	251,992
Office and miscellaneous	284,265	130,822	158,806
Professional fees	408,631	447,337	516,723
Stock-based compensation	255,794	357,313	486,112
Travel and meal allowance	61,797	45,537	21,890
Wages and salaries	901,701	1,308,575	1,064,050
Selling and delivery	398,563	559,959	625,832
	3,628,950	4,020,253	4,072,045
Loss before other income (expenses)	(1,780,759)	(2,483,161)	(2,948,415)
Other (expenses) income			
Foreign exchange (loss) gain	(87,927)	901	(5,393)
Gain on settlement of liability	-	2,288	137,480
Gain (loss) on fair value of consideration	-	69,308	(259,216)
Gain on favourable interest rate	-	-	6,541
Gain on termination of lease	7,868	-	-
Gain on sale of assets held for sale	40,512	-	-
Impairment of assets held for sale	-	(54,055)	-
Impairment of intangible assets	(237,195)	(5,629)	-
Impairment of property and equipment	(90,013)	-	-
Write-off of inventory	-	(115,906)	(17,258)
Other income	40,312	8,319	30
	(326,443)	(94,774)	(137,816)
Net loss and comprehensive loss	(2,107,202)	(2,577,935)	(3,086,231)

FOR THE YEAR ENDED JUNE 30, 2023

CONSOLIDATED NET REVENUES

For the Year Ended		JUNE 30, 2023	JUNE 30, 2022
Non-alcoholic beverage sales	$	2,028,144	2,926,843
DehydraTECH licensing income		1,164,601	518,786
Other income		91,061	214,379
Chargebacks and listing fees		(399,998)	(447,685)
	$	2,883,808	3,212,323

For the year ended June 30, 2023, consolidated net revenues decreased by 10% from $3,212,323 to $2,883,808 compared to the year ended June 30, 2022. The decrease in net revenue over the same period last year was driven primarily by the timing of production orders and revenue shifts associated with the transformed, more efficient alcohol-free business model, as previously communicated. Sales revenues to our distributor are now spread further apart with less frequent, but significant volume per order, as we optimize the timing and efficiency of our supply chain.

Q4 FY2022 record quarterly non-alcoholic beverage revenues of $981,053 showed the initial impact of clearing our working capital inventories and converting those to revenue and cash. Q2 FY2023 new record revenues of $1,237,941 showed the impact of our first major push to efficiently secure more inventory and convert those to sales and cash prior to the winter shipping period, which is more costly. Q3 and Q4 FY 2023 non-alcoholic beverage revenues then declined as expected, as we adjusted retail pricing and merchandising from the summer 2022 price increase and worked through the more financially efficient inventory. As we move into FY 2024, the Company has already received a substantial Vin(Zero) order that will arrive in calendar 2023, which will be reflected in the Company's consolidated financial statements for the six-month period ended December 31, 2023.

Chargebacks are fees charged by retailers and distributors for marketing programs and discounts, as well as other fees or penalties. Chargebacks for the year ended June 30, 2023 were $399,998, compared to $447,685 for the prior year. These figures fluctuate based on the number of retailer programs that are going on during the time period.

Non-Alcoholic Beverage Sales

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Gross Revenue	2,028,144	2,926,843	2,548,229	2,613,923
Chargebacks	(399,998)	(447,685)	(558,567)	(883,068)
Net Revenue	1,628,146	2,479,158	1,989,662	1,730,855
CoGS	(1,035,617)	(1,675,231)	(1,071,284)	(1,004,806)
Gross Profit	592,529	803,927	918,378	726,049
GP %	29%	28%	36%	28%

DehydraTECH Licensing Revenue

	June 30, 2023	Mar 31, 2023	Dec 31, 2022	Sept. 30, 2022	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021
Adjusted Licensing Revenue*	250,095	416,972	322,699	174,835	138,111	76,723	58,859	130,345

**Licensing Revenue has been adjusted to reflect licensing revenues, net of actual bad debts recognized in subsequent periods that would relate to the previous year's income.*

For the year ended June 30, 2023, DehydraTECH licensing revenues ("**DehydraTECH Revenues**"), increased a robust 188% to $1,164,601 compared to adjusted $404,038 ($518,786, less bad debts of $114,748) for the year ended June 30, 2022. The increase in DehydraTECH revenues was due to increased sales and activity among Hill's licensees and sublicensees, including new product launches and expansion into additional US states.

COST OF SALES/DIRECT COSTS

Consolidated cost of sales were $1,035,617 or 32% of gross revenue for the year ended June 30, 2023, compared to $1,675,231 or 46% of gross revenue, for the year ended June 30, 2022. The decrease in cost of sales is mainly due to the decline in non-alcoholic beverage sales associated with the new business model.

GROSS PROFIT

Despite the decline in consolidated net revenue driven by the timing of alcohol-free revenues from the new business cadence, gross profit for the year still increased +20% to $1,848,191, continuing the trend of impressive growth in this key metric. Gross profit increased +37% in FY 2022.

The growth in gross profit for this year shows the dramatic financial impact of the DehydraTECH business on the consolidated financials and gross profit margins.

OPERATING EXPENSES

Ordinary operating expenses include selling, delivery and marketing expenses, employee expenses, interest, insurance, professional fees, and other general and administrative expenses. For the year ended June 30, 2023, operating expenses were lower at $3,628,950, compared to $4,020,253 for the year ended June 30, 2022.

OPERATING EXPENSES – ONE TIME

Included in operating expenses are the following one-time transactions:

- During the year ended June 30, 2023, the Company wrote off $134,843 to bad debt expense as the result of a customer amount owing being deemed uncollectible.

- During the year ended June 30, 2023, the Company incurred significant one-time professional fees associated with outsourced human capital, increased HR fees due to employee placement, and listing of the Company's stock on the OTCQB, contributing to professional fees being higher than normal.

OPERATING EXPENSES - NON-CASH

For the year ended June 30, 2023, the Company incurred non-cash expenses totaling $947,381 which includes expenses related to the vesting of stock options, restricted share units, depreciation, bad debt, accretion expense, and accrued interest. For the year ended June 30, 2022, the Company incurred non-cash expenses of $911,140. The increase is mainly due to recognition of bad debt expense, offset by decreases in depreciation and amortization.

OTHER INCOME (EXPENSES)

For the year ended June 30, 2023, the Company incurred other expenses totaling $326,443. This includes a write-off of property and equipment, as well as intangibles, amounting to $90,013 and $237,195, respectively. Additionally, there was a foreign exchange loss of $87,927, offset by a gain on assets held for sale of $40,512, a gain on termination of lease of $7,868 and other income of $40,312. For the year ended June 30, 2022, the Company incurred other expenses totaling $94,774. This includes a write-down of $115,906 related to inventory for (V)ia Regal cannabis-infused beverages and a $54,055 loss on impairment for a canning and bottling line held for sale. This is partially offset by a $69,308 for a gain on fair value of consideration on shares owed to Lexaria as deferred payment for the DehydraTECH rights acquisition.

NET EARNINGS

The Company improved its net earnings by 18%, recording a net loss of $2,107,202 for the year ended June 30, 2023, compared to a loss of $2,577,935 for the year ended June 30, 2022. The improvement in net earnings was driven primarily by a 20% increase in gross profit, attributable to increased DehydraTECH revenue. In addition, operating expenses were slightly lower by 8% due to a reduction of wages and salaries, stock-based compensation and expenses related to the Lucknow lease termination. There was also a 244% increase in other income and expenses, mainly due to the impairment loss of property and equipment, as well as intangibles.

The basic and diluted loss per share for the year ended June 30, 2023 was $0.67 per share, compared to $0.90 for the year ended June 30, 2022, a 26% improvement.

SELECTED QUARTERLY INFORMATION

The following table summarizes certain financial information of the Company for the quarters indicated below:

	June 30, 2023	Mar 31, 2023	Dec 31, 2022	Sept. 30, 2022	June 30, 2022	Mar 31, 2022	Dec 31, 2021	Sept 30, 2021
Gross Revenue	$608,095	$468,297	$1,826,912	$380,502	$1,434,354	$988,549	$576,622	$660,483
Net Revenue	$484,028	$468,297	$1,577,833	$353,650	$1,217,904	$880,943	$508,737	$604,739
Direct Costs	$169,487	$14,877	$738,156	$113,097	$746,451	$406,183	$252,280	$270,317
Gross Profit	$314,541	$453,420	$839,677	$240,553	$471,453	$474,760	$256,457	$334,422
Net Loss (gain)	$983,019	$263,295	$215,017	$645,871	$845,206	$433,693	$699,476	$599,560
Total Assets	$4,495,982	$5,180,124	$5,806,265	$5,434,740	$6,157,841	$6,504,174	$6,551,448	$7,125,001
Total Liabilities	$2,861,811	$2,720,838	$3,126,245	$3,287,575	$3,401,537	$3,225,247	$3,241,881	$3,161,015
Shareholder Equity	$1,634,171	$2,459,286	$2,680,020	$2,147,165	$2,756,304	$3,278,927	$3,309,567	$3,963,986

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 two main lines of business. The Company’s alcohol-free beverage business requires significant periodic investments in finished goods production orders that are not necessary in the DehydraTECH licensing business. As discussed, we have dramatically reduced the order-to-cash cycle and the level of working capital on this business.

Additional investments are being made to support the Company's DehydraTECH licensing business to monetize the DehydraTECH intellectual property rights and, if and when the Company considers appropriate, invest in product R&D and concept development on cannabis-infused edible products utilizing our patented DehydraTECH technology as the backbone.

WORKING CAPITAL

As of June 30, 2023, the Company had a positive working capital of $1,225,533 compared to a positive working capital of $1,530,006 at June 30, 2022.

Balances for the Period Ended	June 30, 2023	June 30, 2022
Cash and cash equivalents	$1,195,415	$1,153,195
Accounts receivable	$515,955	$1,343,994
Total Cash + Accounts receivable	$1,711,370	$2,497,189

CASH FLOWS

During the year ended June 30, 2023, Hill had a significant 59% improvement in cash flows from operations, with negative cash flow of $718,195 compared to negative cash flow of $1,748,980 during the year ended June 30, 2022. This significant improvement as compared to the previous year demonstrates how our consolidated gross profit growth does not require commensurate cost increases, as well as the Company's increased focus on overall cost and cash management.

The amount of cash provided by investing activities for the year ended June 30, 2023 was $137,564 compared to cash used of $100,903 in the year ended June 30, 2022. This positive cash flow was mainly due to proceeds from the sale of equipment totaling $143,601. Additionally, cash generated from financing activities during the year ended June 30, 2023, amounted to $622,851 compared to $280,937 in the twelve months ended June 30, 2022. This increase over the prior year was primarily due to the Company's private placement completed in the fiscal year ended June 30, 2023.

The Company is prioritizing the push to achieve positive quarterly cash flow without additional fundraising through its revenue generating and cost containment.

CONTRACTUAL OBLIGATIONS

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

Contractual Obligations	Payments due in:				Total
	1 year	2-3 years	4-5 years	Over 5 years	
Accounts payable and accrued liabilities	$332,665	-	-	-	$332,665
CEBA loan	$60,000	-	-	-	$60,000

Note payable	$107,947	$284,339	$409,209	$1,667,651	$2,469,146
Total	$500,612	$284,339	$409,209	$1,667,651	$2,861,811

SHARE CAPITAL

The Company is authorized to issue an unlimited number of Common Shares of which 3,244,403 Common Shares are issued and outstanding as of the date hereof.

During the year ended June 30, 2023:

- 29,332 of the restricted share units ("**RSUs**") previously granted were redeemed by various employees for common shares of the Company. The fair value of RSUs redeemed, being $80,500, was reclassified to share capital from reserves.
- On December 22, 2022, the Company issued 233,333 units at a price of $3.00 per unit for gross proceeds of $700,000 (the "**December 2022 Private Placement**"). Each unit consists 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 $3.75 per share, exercisable for a period of 24 months from the date of issuance. The warrants were assigned a value of $256,034, determined by reference to their proportionate fair value using a Black-Scholes Option Pricing Model. In connection to the private placement, the Company paid $5,225 in cash for share issuance costs.
- On March 7, 2023, the Company issued 9,200 shares upon the exercise of warrants by a director. The exercise price of such warrant exercise was valued at $34,500, but the Company waived the receipt of the exercise price in lieu of the Company's payment of the equal amount of board compensation owing to such director. The shares issued were valued at $45,483, representing the sum of the board compensation owing to the director of $34,500 and the transfer of previously recognized warrants reserve of $10,983.

On July 1, 2022, the Company granted 6,666 RSUs to an employee of the Company. Each RSU entitles the holder to receive one common share of the Company upon the vesting of such RSU. The RSUs vested immediately upon grant.

On October 12, 2022, the Company granted 13,333 RSUs to an officer of the Company. Each RSU entitles the holder to receive one common share of the Company upon the vesting of such RSU. The RSUs vested on October 12, 2023.

On April 27, 2023, the Company granted 13,343 RSUs to a director of the Company. Each RSU entitles the holder to receive one common share of the Company upon the vesting of such RSU. The RSUs vested on June 30, 2023.

On April 27, 2023, 93,333 stock options were granted to certain directors of the Company at an exercise price of $3.75 per share, expiring on April 25, 2028. All of these stock options vested on June 30, 2023.

CAPITAL RESOURCES

As of June 30, 2023, the Company did not have commitments for capital expenditures.

OFF-BALANCE SHEET ARRANGEMENTS

The Company 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 the year ended June 30,	**2023**	**2022**
Total salaries, benefits and management fees	$691,110	$1,083,946
Stock-based compensation	$242,285	$356,629
Management and director compensation	$933,395	$1,440,575

Included in accounts payable and accrued liabilities as at June 30, 2023 is $76,236 (June 30, 2022: $504,665) payable to directors and officers of the Company for officer wages, including vacation payable. The amount is non-interest bearing and unsecured.

On December 23, 2022, an officer invested a total of $32,124 in the December 2022 Private Placement.

On March 7, 2023, the Company issued 9,200 shares for the exercise of warrants that had an exercise price of $34,500 in lieu of board compensation to be paid to a director of the Company.

During the year ended June 30, 2022, a related party of the Company exercised 86,093 warrants in the Company at an exercise price of $3.75 per warrant, which warrants were originally issued in a private placement financing of the Company on May 4, 2020.

FOURTH QUARTER FY 2023 RESULTS OF OPERATIONS

Results for the Quarter Ended	June 30, 2023	June 30, 2022	June 30, 2021
	$	$	$
Gross Revenue	608,095	1,434,354	718,755
Chargebacks & listing fees	(124,067)	(216,450)	(199,561)
Net Revenue	484,028	1,217,904	519,194
Direct Costs	(169,487)	(746,451)	(261,583)
Gross profit	314,541	471,453	257,611
Expenses			
Accretion expense	-	2,898	13,098
Bad debt expense	16,192	-	353
Bank charges and interest	3,093	8,259	(3,889)
Consulting fees	17,724	(3,017)	35,843
Depreciation	74,969	80,219	158,157
Donations, dues & licenses	980	4,880	1,730
Filing and transfer agent fees	51,966	7,030	55,153
Insurance	59,615	44,230	51,834
Interest on convertible loan	-	-	4,931
Interest on promissory note	60,569	54,353	49,722
Management fees	(32,603)	28,389	(15,979)
Marketing	17,516	46,105	61,696
Office and miscellaneous	86,032	38,921	106,770
Professional fees	187,634	149,771	130,363
Stock-based compensation	123,404	175,970	362,883
Travel and meal allowance	20,523	20,692	13,045
Wages and salaries	237,065	333,197	337,434
Selling and delivery	64,281	201,260	142,786
	988,960	1,193,157	1,505,930
Loss before other income (expenses)	(674,419)	(721,704)	(1,248,319)
Other (expenses) income			
Foreign exchange (loss) gain	(93,046)	(6,469)	(18,876)
Gain on settlement of liability	-	1,130	71,497
Gain (loss) on fair value of consideration	-	20,945	(258,048)
Impairment of assets held for sale	-	(37,417)	-
Impairment of intangible assets	(237,195)	(5,629)	-
Impairment of property and equipment	745	-	-
Write-off of inventory	-	(95,327)	(15,723)
Other income	20,896	(735)	-
	(308,600)	(123,502)	(221,150)
Net loss and comprehensive loss	(983,019)	(845,206)	(1,469,469)

REVENUES

Net revenues for the three months ended June 30, 2023, were $484,028 compared to $1,217,904 for the same period a year ago. This 60% decrease reflects the changes in the Vin (Zero) business model, including the shift of warehouse inventories to sales and additional large alcohol-free sale at the end of Q4 2022.

Gross revenues for the three months ended June 30, 2023, were $608,095 compared to $1,434,354 for the three months ended June 30, 2022. This represents a decrease of 58%, driven by the large alcohol-free sales at the end of Q4 2022.

COST OF SALES/DIRECT COSTS

Direct costs for the three months ended June 30, 2023 were $169,487 or 28% of gross revenue, compared to $746,451 or 52% for the three months ended June 30, 2022. The year-over-year decrease was driven by the previously mentioned large alcohol-free sales in Q4 2022 coupled with higher freight costs associated with that business. The Company also absorbed cost increases beginning in Q4 2022 on alcohol-free finished goods, as a result of both higher input wine and other material costs.

OPERATING EXPENSES

Ordinary operating expenses include selling, delivery and marketing expenses, employee expenses, interest, insurance, professional fees, and other general and administrative expenses. For the three months ended June 30, 2023, operating expenses were slightly lower at $988,960 compared to $1,193,157 for the three months ended June 30, 2022.

OPERATING EXPENSES – ONE TIME

During the three months ended June 30, 2023, the Company wrote off $16,192 to bad debt expense as the result of a customer amount owing being deemed uncollectible.

OPERATING EXPENSES - NON-CASH

For the three months ended June 30, 2023, the Company incurred non-cash expenses totaling $275,134 which includes expenses related to the vesting of stock options, restricted share units, depreciation, bad debt, accretion expense, and accrued interest. For the three months ended June 30, 2022, the Company incurred non-cash expenses of $313,440. The decrease is mainly due to the reduction of stock-based compensation.

OTHER INCOME (EXPENSES)

For the three months ended June 30, 2023, the Company incurred other expenses totaling $308,600. This includes a write-off of intangibles amounting to $237,195. Additionally, there was a foreign exchange loss of $93,046. These expenses were partially offset by other income of $20,896, and an impairment of property and equipment recovery of $745. For the three months ended June 30, 2022, the Company incurred other expenses totaling $123,502. This includes a write-down of $95,327 related to inventory of (V)ia Regal cannabis-infused beverages and a $37,417 loss on impairment for a canning and bottling line held for sale.

These expenses were partially offset by a gain of $20,945 on fair value of consideration on shares owed to Lexaria Canpharm ULC as deferred payment for the DehydraTECH rights acquisition.

The basic and diluted loss per share for the three months ended June 30, 2023, was $0.30 per share, compared to $0.28 for the three months ended June 30, 2022.

NET EARNINGS

The Company recorded a net loss of $983,019 for the three months ended June 30, 2023, compared to a net loss of $845,206 for the same period in 2022. The increase in net loss was driven by the impairment of intangible assets.

OUTLOOK

Both the Company's alcohol-free beverage and DehydraTECH licensing businesses have global growth potential in on-trend consumer categories. We made significant advances in fiscal year 2023 in transforming our alcohol-free beverage operating model for Vin(Zero). The changes have fundamentally shifted the cadence of Hill's revenues across quarters, but we expect it to drive more efficient financial metrics that are critical for the Company's business. We will leverage the streamlined distribution process and capitalize on marketing initiatives and global distribution opportunities with the intention of continually increasing revenues while maintaining or improving current margins.

We have also expanded our US commercial operations on a state-by-state basis for DehydraTECH licensing and have developed a broad portfolio of consumer form factors with an expanded ecosystem of partners. We will work with this DehydraTECH ecosystem and partners to not only grow within the territories where the Company currently operates, but to also leverage the intellectual capital and network the Company has built to both grow with current licensees and engage new ones as appropriate to build out our geographic and consumer product form factors roadmap.

Heading into calendar year 2024, the Company is ready to continue to scale these playbooks into new territories and new consumer products as it pursues its growth agenda.

OUTSTANDING SHARE DATA

As of October 23, 2023, the Company has the following securities issued and outstanding:

Security Designation	Number issued and outstanding
Common Shares	3,244,403
Warrants to purchase Common Shares	800,646
Incentive Stock Options	186,579
Restricted Share Units	159,624
Fully Diluted	**4,391,252**

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.

GOING CONCERN

As at June 30, 2023, the Company had not yet achieved profitable operations, had a net loss of $2,107,202 (June 30, 2022: $2,577,935), accumulated deficit of $24,330,773 (June 30, 2022: $22,223,571), 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.