

HILL STREET BEVERAGE COMPANY INC.
(formerly Avanco Capital Corp.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2018 AND 2017

(Expressed in Canadian dollars)

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

	Notes	December 31, 2018	June 30, 2018
		\$	\$
ASSETS			
Current			
Cash		1,080,669	2,111,046
Accounts receivable	7	562,813	271,434
Inventory	8	985,234	281,010
Prepaid expenses		360,475	178,567
Total current assets		2,989,191	2,842,057
Equipment	9	8,035	3,694
TOTAL ASSETS		2,997,226	2,845,751
LIABILITIES			
Current			
Accounts payable and accrued liabilities	12	743,463	1,247,667
Loans payable	10	-	139,867
TOTAL LIABILITIES		743,463	1,387,534
SHAREHOLDERS' EQUITY			
Share capital	11	19,964,805	6,444,931
Shares to be issued		-	1,947,160
Reserve	11	803,772	-
Deficit		(18,514,814)	(6,933,874)
TOTAL SHAREHOLDERS' EQUITY		2,253,763	1,458,217
TOTAL LIABILITIES AND EQUITY		2,997,226	2,845,751
Nature of operations and going concern (Note 1)			
"Paul Rosen"		"Jack Fraser"	
Director		Director	

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

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

	Notes	Three Months Ended		Six Months Ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
		\$	\$	\$	\$
Gross Revenue	5/15	527,652	599,048	1,321,519	972,088
Chargebacks & listing fees	5	(132,296)	(473,563)	(414,574)	(643,849)
Net Revenue		395,356	125,485	906,945	328,239
Direct Costs		(169,569)	(244,532)	(464,444)	(364,909)
Gross profit (loss)		225,787	(119,047)	442,501	(36,670)
Expenses					
Marketing, products and packaging		452,121	51,250	713,041	72,549
Accretion expense		-	10,074	-	14,692
Bad debts		-	-	161	-
Bank charges and interest		713	30,384	4,230	60,804
Consulting fees		30,000	1,217	59,650	12,515
Depreciation	8	376	481	643	962
Donations, dues & licenses		60,789	58,870	135,046	83,981
Filing and transfer agent fees		9,493	-	94,270	-
Management fees	12	24,500	-	24,500	-
Office and miscellaneous		19,629	19,054	45,632	29,976
Professional fees		288,462	17,451	481,476	26,491
RTO expenses		1,445	-	120,940	-
Stock-based compensation	11/12	262,117	-	483,136	-
Travel and meal allowance		29,444	6,405	53,154	8,684
Wages and salaries	12	321,055	113,309	596,732	236,353
Warehousing costs		138,254	12,023	238,298	27,913
		1,638,398	320,518	3,050,909	574,920
Loss before other income (expense)		(1,412,611)	(439,565)	(2,608,408)	(611,590)
Other income (losses)					
Charges related to public company listing		-	-	(8,921,869)	-
Foreign exchange gain (loss)		(1,168)	160	(16,055)	5,658
Write-off of inventory		(59,449)	-	(67,456)	-
Other income		30,208	-	32,848	-
		(30,409)	160	(8,972,532)	5,658
Loss and comprehensive loss for the period		(1,443,020)	(439,405)	(11,580,940)	(605,932)
Basic and diluted (loss per common share)		(0.02)	(0.87)	(0.15)	(1.21)
Weighted average number of common shares outstanding		87,112,165	503,718	76,224,512	502,298

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

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Common Shares		Shares to be issued	Reserve	Deficit	Total
	Shares	Amount				
		\$	\$	\$	\$	\$
As at June 30, 2017	500,878	3,500,748	-	50,799	(4,280,888)	(729,341)
Shares issued for cash	15,368	161,364	-	-	-	161,364
Equity component of convertible note	-	-	-	19,578	-	19,578
Net loss for the period	-	-	-	-	(605,932)	(605,932)
As at December 31, 2017	516,246	3,662,112	-	70,377	(4,886,820)	(1,154,331)
Conversion convertible note	87,535	919,118	-	(48,109)	-	871,009
Equity component of convertible note	-	22,268	-	(22,268)	-	-
Shares issued for cash	179,417	1,883,879	-	-	-	1,883,879
Shares issued as finders' fees	6,838	71,799	-	-	-	71,799
Share issued costs	-	(114,245)	-	-	-	(114,245)
Shares subscription received	-	-	1,947,160	-	-	1,947,160
Net loss for the period	-	-	-	-	(2,047,054)	(2,047,054)
As at June 30, 2018	790,036	6,444,931	1,947,160	-	(6,933,874)	1,458,217
Shares return to treasury	(790,036)	-	-	-	-	-
Shares issued on acquisition	51,635,093	9,036,141	-	106,383	-	9,142,524
Company balance prior to RTO	6,800,000	395,540	-	236,648	(411,533)	220,655
RTO adjustment	-	(395,540)	-	(236,648)	411,533	(220,655)
Shares issued for cash	27,242,061	4,767,361	(1,947,160)	-	-	2,820,201
Shares issued as finders' fees	468,000	81,900	-	-	-	81,900
Share issued costs	-	(560,748)	-	214,253	-	(346,495)
Share issued for consulting fees	419,982	73,497	-	-	-	73,497
Exercise of warrants	547,125	121,723	-	-	-	121,723
Stock based compensation	-	-	-	483,136	-	483,136
Net loss for the period	-	-	-	-	(11,580,940)	(11,580,940)
As at December 31, 2018	87,112,261	19,964,805	-	803,772	(18,514,814)	2,253,763

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

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)**Condensed Interim Consolidated Statements of Cash Flows**

(Expressed in Canadian Dollars)

For the Six-Month Period Ended	December 31, 2018	December 31, 2017
	\$	\$
OPERATING ACTIVITIES		
Net (loss) for the period	(11,580,940)	(605,932)
Items not affecting cash:		
Depreciation	643	962
Accretion expense	-	14,692
Accrued interest	2,836	30,307
Bad debt	161	-
Charges related to public company listing	8,921,869	-
Stock based compensation	483,136	-
Write-off of inventory	67,456	-
	(2,104,839)	(559,971)
Changes in non-cash working capital items:		
Accounts receivable	(287,740)	(96,487)
Inventory	(771,680)	52,898
Prepaid	(178,408)	-
Accounts payable and accrued liabilities	(432,307)	211,591
Deferred revenue	-	24,044
	(3,774,974)	(367,925)
INVESTING ACTIVITIES		
Equipment	(4,984)	(64)
	(4,984)	(64)
FINANCING ACTIVITIES		
Proceeds from private placement	2,820,202	161,364
Proceeds from exercise of warrants	121,723	-
Share issued costs	(264,595)	-
Cash received on completion of RTO	214,954	-
Cash received from loans	-	250,000
Repayment of loans	(139,867)	-
Interest payment	(2,836)	(5,750)
	2,749,581	405,614
CHANGE IN CASH	(1,030,377)	37,625
CASH, BEGINNING OF YEAR	2,111,046	31,622
CASH, END OF PERIOD	1,080,669	69,247

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

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Hill Street Beverage Company Inc. (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, as well as through retail stores and 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”) (Note 5). 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 480 University Ave. Suite 1401, Toronto, Ontario, M5G 1V2.

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 December 31, 2018, the Company had not yet achieved profitable operations, had a working capital of \$2,245,728 (June 30, 2018: \$1,454,523), accumulated deficit of \$18,514,814 (June 30, 2018: \$6,933,874), 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 condensed interim 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 operation profit to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. The success of the Company’s endeavors cannot be predicted at this time. There is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

2. BASIS OF PREPARATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed interim consolidated financial statements for the six month period ended December 31, 2018 were authorized for issuance by the Board of Directors on February 27, 2019.

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

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.

These consolidated financials incorporate the financial statements of the Company and its wholly controlled subsidiary, Hill Street Marketing Inc., a company 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. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiary. All significant intercompany transactions and balances have been eliminated.

Use of Estimates and Judgments

The preparation of these condensed interim consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

In particular, information about significant areas of estimation uncertainty and judgment considered by management in preparing the financial statements includes:

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

2. BASIS OF PREPARATION

Use of Estimates and Judgments (continued)

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 our 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.

Judgment

- The Company assesses the collectability of receivables on an ongoing basis. A provision for the impairment of receivables involves significant management judgment and includes the review of individual receivables based on individual customer creditworthiness, current economic trends and analysis of historical bad debts.
- From time to time, certain claims, suits, and complaints may arise in the ordinary course of operations against the Company which require management to make certain estimates, judgments, and assumptions about the suit. In the opinion of management, any provisions related to such claims, if any, will be accrued when the claims meet the recognition criteria for contingent liabilities. Management is not aware of any material contingent liabilities which require recording in the condensed interim consolidated financial statements.
- Impairment indicators include a significant decline in an asset's market value, significant changes in the technologies, market, economic or legal environment in which the assets are operated, evidence of obsolescence or physical damage of an asset, significant changes in the planned use of an asset, or ongoing under-performance of an asset. Application of these factors to the facts and circumstances of a particular asset requires a significant amount of judgment.

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

2. BASIS OF PREPARATION

Use of Estimates and Judgments (continued)

- The Company is required to make an assessment of whether trade receivables are collectible. Accordingly, management establishes an allowance for estimated losses arising from non-payment and other revenue adjustments, taking into consideration customer creditworthiness, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.
- The Company regularly reviews inventory quantities on hand and records a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, damaged, if they have become obsolete, or if their selling prices or estimated forecast of product demand decline. If actual market conditions are less favourable than previously projected, or if liquidation or the inventory no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions may be required.
- The Company regularly reviews inventory quantities on hand and records a provision for those inventories no longer deemed to be fully recoverable. The cost of inventories may no longer be recoverable if those inventories are slow moving, damaged, if they have become obsolete, or if their selling prices or estimated forecast of product demand decline. If actual market conditions are less favourable than previously projected, or if liquidation or the inventory no longer deemed to be fully recoverable is more difficult than anticipated, additional provisions may be required.
- The assumption that the Company is a going concern and will continue in operation for the foreseeable future and at least one year.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The Canadian dollar is considered to be the functional currency of the Company.

Transactions denominated in currencies other than the Canadian dollar are translated using the exchange rate in effect on the transaction date or at an average rate. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated at historical rates. Exchange gains or losses on translation are recorded in the statements of operations and comprehensive loss.

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition, Accounts Receivable and Allowance for Doubtful Accounts

The Company records a sale when: it has transferred the risk and rewards of ownership of the goods to the buyer; the Company has no continuing managerial involvement over the goods; it is probable the consideration will be received by the Company; and the amount of revenue and cost related to the transaction can be measured reliably. For transactions with retail stores and distributors, the Company's terms are primarily "FOB destination point", which designates that the Company will pay shipping costs and remain responsible for the goods until the buyer takes possession. Sales to consumers through online store is recorded when the product is purchased.

Product returns, promotional allowance, chargebacks, money program and discounts provided to consumers are deducted from gross revenue to arrive at sales.

Accounts receivable consist of amounts due from customers and are recorded upon the sale of product to customers. Credit terms are extended to customers in the normal course of business and no collateral is required. The Company estimates an allowance for doubtful accounts based on historical losses, the existing economic conditions and the financial stability of its customers. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

Cost of Goods Sold

Cost of Goods Sold include the cost of finished goods inventory sold during the year, freights, adjusted for inventory at the end of each reporting periods.

Inventory

Inventory comprises of finished goods. Inventory is valued at the lower of cost and net realizable value. Cost is determined on an average cost basis. The Company utilizes a weighted average cost calculation to determine the value of ending inventory. Average cost is determined separately for domestic and export non-alcohol drinks.

Operating segments

The Company operates in one industry segment, the sale of non-alcoholic drinks products. All Company's sales are within Canada, with a small volume sold in the United States.

Machinery and equipment

Machinery and equipment are carried at cost less accumulated depreciation.

The depreciation rates of the major asset categories are calculated based on the declining balance method as follows:

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Machinery and equipment (continued)

Computer Hardware	Declining-Balance	33.33%
Computer Software	Declining-Balance	33.33%
Equipment	Declining-Balance	20%

The Company records one-half of the calculated depreciation in the year of acquisition.

Deferred income

Advance payments received for use of the Company's assets are initially recorded in deferred income. The income is recognized when the goods are transferred to the buyer.

Impairment

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss, or any reversal of a previously-recognized impairment loss, is recognized immediately in profit or loss.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares were granted.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock, and any related amount recorded in warrants reserve is transferred to capital stock.

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options granted to employees is measured as grant date, using the Black-Scholes option pricing model, and is recognized immediately that the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

The fair value of the options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

If and when the stock options are exercised, the applicable amounts of equity reserves are transferred to share capital.

4. NEW STANDARDS NOT YET ADOPTED

The following new standards, and amendments to standards and interpretations, are not yet effective for the current period and have not been applied in preparing these condensed interim consolidated financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below

- i) *IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018. Partial replacement of IAS 39 Financial Instruments: Recognition and Measurement. This standard is effective for annual periods beginning on or after January 1, 2018. The Company will adopt IFRS 9 effective July 1, 2018. The Company has evaluated the impact of this standard and does not expect it to have a material impact.*
- ii) *IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Company will adopt IFRS 15 effective July 1, 2018. The Company is currently evaluating the impact of this standards.*

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

4. NEW STANDARDS NOT YET ADOPTED (continued)

- iii) *IFRS 16, "Leases", was issued in January 2016, and replaces IAS 17, "Leases" ("IAS 17"). IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Certain leases will be exempt from these requirements. IFRS 16 is effective for periods beginning on or after January 1, 2019. The Company has evaluated the impact of this standard and does not expect it to have a material impact.*

5. REVERSE TAKEOVER TRANSACTION

On July 24, 2018, the Company completed the RTO with Hill Street Marketing Inc. pursuant to which the Company acquired all of the outstanding securities of Hill Street Marketing Inc. As part of the transaction, the Company changed its name to Hill Street Beverage Company Inc.

The terms of transaction were as follows:

- An exchange of common shares of the Company and Hill Street Marketing Inc. at a ratio of 65.358 shares of the Company share for every one share of Hill Street Marketing Inc. (51,635,093 common shares of the Company issued);
- Share purchase warrants and stock options of the Company were issued to/exchanged with holders of Hill Street Marketing Inc. convertible securities.

The acquisition of Hill Street Marketing Inc. was accounted for as reverse takeover transaction that was not a business combination and effectively a capital transaction of the Company. Hill Street Marketing Inc. has been treated as the accounting parent (legal subsidiary) and the Company has been treated as the accounting subsidiary (legal parent) in these consolidated financial statements. As Hill Street Marketing Inc. was deemed to be the acquirer for accounting purposes, its assets, liabilities and operations since incorporation are included in these consolidated financial statements at their historical carrying values. Hill Street Beverage Company Inc. results of operations have been included from the date of the RTO. The legal capital continues to be that of Hill Street Beverage Company Inc, the legal parent. These consolidated financial statements are a continuation of those of Hill Street Marketing inc. which was incorporated on December 3, 2008.

The purchase price of \$9,142,524 was calculated based on a share value of \$0.175 and the fair value of 680,000 stock options based on the Black-Scholes option pricing model.

Weighted-average assumptions used in the option-pricing model are as follows:

Risk-free interest rate	2.02% - 2.28%
Expected life	1 – 8.67 years
Expected volatility	100%
Expected dividends	Nil

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

5. REVERSE TAKEOVER TRANSACTION (continued)

	\$	
Cost of acquisition		
6. Deemed issuance, of 51,635,093 x \$0.175	9,036,141	NET
Fair value of stock options deemed granted	106,383	
<hr/>		
Allocated as follows:		
Cash	214,954	
Accounts receivable	3,800	
Prepaid	3,500	
Liabilities	(1,600)	
	220,654	
Allocated to public listing expense	8,921,870	
	9,142,524	

REVENUE

For the Six-Month Period Ended		December 31, 2018	December 31, 2017
Gross revenue	\$	1,321,519	972,088
Chargebacks		(408,171)	(569,905)
Listing fees		(6,403)	(73,944)
	\$	906,945	328,239

Gross revenue includes distribution and online sales net of distribution fees, chargebacks and listing fees.

7. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

As at		December 31, 2018	June 30, 2018
Trade receivables	\$	247,358	92,271
GST receivables		315,455	179,163
	\$	562,813	271,434

An allowance for doubtful accounts of \$Nil (June 30, 2018: \$Nil) has been provided against these accounts receivable amounts, which the Company has determined represents a reasonable estimate of amounts that may be uncollectible.

8 INVENTORY

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

As at		December 31, 2018	June 30, 2018
Finished goods	\$	985,234	281,010

9. EQUIPMENT

		Computer Equipment		Computer Software		Equipment		Total
Cost								
Balance at June 30, 2017	\$	2,015	\$	992	\$	16,059	\$	19,066
Additions		2,300		552		-		2,852
Write-off		(350)		-		(12,864)		(13,214)
Balance at June 30, 2018		3,965		1,544		3,195		8,704
Additions		440		-		4,544		4,984
Balance at Dec. 31, 2018	\$	4,405	\$	1,544	\$	7,739	\$	13,688
Accumulated depreciation								
Balance at June 30, 2017	\$	1,563	\$	992	\$	7,838	\$	10,393
Write-offs		-		-		(6,278)		(6,278)
Depreciation for the year		476		92		327		895
Balance at June 30, 2018		2,039		1,084		1,887		5,010
Depreciation for the period		327		74		242		643
Balance at Dec. 31, 2018	\$	2,366	\$	1,158	\$	2,129	\$	5,653
Carrying amount at June 30, 2018	\$	1,926	\$	460	\$	1,308	\$	3,694
Carrying amount at Dec. 31, 2018	\$	2,039	\$	386	\$	5,610	\$	8,035

10. LOANS PAYABLE

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

The Company has the following loans payable as at December 31 and June 30, 2018:

As at	December 31, 2018	June 30, 2018
	\$	\$
Woolly Goat	-	89,867
Smart Alec Investments Ltd.	-	50,000
<hr/>		
Total balance at end of period	-	139,867

Woolly Goat

On October 22, 2013, the Company entered into a loan agreement with Woolly Goat, whereby the Company borrowed \$300,000. The loan will bear interest at 20% per annum and will be repaid \$11,029 monthly in 36 equal monthly installments of blended principal and interest.

Effective July 1, 2015, the lender agreed to the following proposed amendment to the loan agreement, the annual interest rate on the loan to be changed from 20% to 10%, no monthly payments are to be made by the Company from June 30, 2015 until August 2016; all interest accrued during this time will be added to the outstanding amount of the loan when payments recommence. During the six month period ended December 31, 2018, the Company accrued or paid interest of \$1,498 (December 31, 2017: \$8,500). On August 1, 2018, the Company repaid the full balance of the outstanding loan of \$89,867.

Smart Alec Investment Ltd.

On February 12, 2014, the Company entered into a loan agreement with Smart Alec Investment Ltd., whereby the Company borrowed \$50,000. The loan will bear interest at 12% per annum and will be repaid in 12 equal monthly installments of interest only, calculated monthly for a period of 12 months. The principal will be repaid in full at the termination of the loan. During the six month period ended December 31, 2018, the Company accrued or paid interest of \$1,338 (December 31, 2017: \$3,000). On August 21, 2018, the Company repaid the full balance of the outstanding loan of \$50,000.

11. SHARE CAPITAL

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

a) Authorized

Unlimited number of common shares with no par value.

b) Issued and outstanding

At December 31 and June 30, 2018, the issued and outstanding share capital is comprised of 87,112,261 and 790,036 common shares, respectively.

During the period ended December 31, 2018 the Company issued the following shares:

The Company cancelled 790,036 units and issued 51,635,093 units at \$0.175 per unit for a value of \$9,036,141 to the former security holders of Hill Street Marketing Inc. pursuant to the amalgamation agreement (Note 5).

The Company issued 27,242,061 units at a price of \$0.175 per unit for gross proceeds of \$4,767,361. Each unit consisted of one common share and one-half common share purchase warrant, with each whole warrant exercisable into one common share of the Company at an exercise price of \$0.35 per share, exercisable for a period of 24 months from the date of issuance. In connection to the private placement, 468,000 shares valued at \$81,900 were issued to a consultant as finder's fees. The Company paid \$264,595 in cash and issued 1,906,944 full share warrants as finder's fees, with each whole warrant exercisable into one common share of the Company at an exercise price of \$0.175 per share, exercisable for a period of 24 months from the date of issuance. The finder's warrants were valued at \$214,253 using the Black-Scholes option pricing model which assumed a risk-free rate of 2.02%; estimated life of 2 years; volatility of 100% and dividend yield of 0%.

The Company issued 419,982 units at a deemed price of \$0.175 per unit for a total of \$73,497 in exchange for consulting services with unrelated parties.

The Company issued 547,125 units for the exercise of warrants at \$0.10-\$0.35 per unit for gross proceeds of \$121,723.

During the year ended June 30, 2018 the Company issued the following shares:

In the year ended June 30, 2018, the Company issued 194,785 units at \$10.50 per unit for gross cash proceeds of \$2,045,243. Each unit consisted of one common share and one-half common share purchase warrant, with each whole warrant exercisable into one common share of the Company at an exercise price of \$18.00 per share, exercisable for a period of 24 months from the date of issuance. In connection to the private placement, 6,838 shares valued at \$71,800 were issued to a consultant as finder's fees. Other share issuance costs totaled \$42,446.

On January 31, 2018, 87,535 shares valued at \$919,115 were issued to settle the convertible note and its accrued interest.

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

11. SHARE CAPITAL (continued)

b) Escrow shares

Nil (June 30, 2018: Nil) were held in escrow at December 31, 2018.

c) Stock options

The continuity of options for the period ended December 31, 2018 is summarized below:

Expiry	Exercise Price	June 30, 2018	Granted	Exercised	Expired / Cancelled	December 31, 2018	Exercisable
	\$						
July 24, 2019	0.15	-	204,000	-	-	204,000	204,000
	\$						
July 31, 2023	0.175	-	7,934,510	-	-	7,934,510	661,209
	\$						
March 22, 2027	0.10	-	476,000	-	-	476,000	476,000
Total		-	8,614,510	-	-	8,614,510	1,341,209
							\$
Weighted average exercise price		-	\$ 0.17	-	-	\$ 0.17	0.14
						4.69	
Weighted average remaining contractual life						years	

The following grants were made during the period ended December 31, 2018:

7,934,510 options 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 \$483,136 was recorded in the period ended December 31, 2018 based on vesting periods.

Pursuant to the amalgamation agreement, the Company will have deemed to have granted 680,000 Avanco stock options at July 24, 2018. The 680,000 Avanco stock options were fair valued using the Black-Scholes Pricing Model for fair value of \$106,383.

Weighted-average assumptions used in the option-pricing model are as follows:

Risk-free interest rate	2.02% - 2.28%
Expected life	1 – 8.67 years
Expected volatility	100%
Expected dividends	Nil

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

11. SHARE CAPITAL (continued)

d) Warrants

Warrants transactions are summarized as follows:

Expiry	Exercise Price	June 30, 2018	Granted	Exercised	Expired / Cancelled	December 31, 2018	Exercisable
Dec 15, 2019	\$ 18.0	7,685	-	-	(7,685)	-	-
Jan 12, 2020	\$ 18.0	14,881	-	-	(14,881)	-	-
Jan 31, 2020	\$ 18.0	43,767	-	-	(43,767)	-	-
Feb 9, 2020	\$ 18.0	78,247	-	-	(78,247)	-	-
March 24, 2019	\$ 0.10	-	400,000	(232,800)	-	167,200	167,200
July 24, 2020	\$ 0.30	-	8,674,800	(114,000)	-	8,560,800	8,560,800
July 24, 2020	\$ 0.175	-	1,906,944	(33,550)	-	1,873,394	1,873,394
July 24, 2020	\$ 0.35	-	13,621,031	(166,775)	-	13,454,256	13,454,256
Total		144,580	24,602,775	(547,125)	(144,580)	24,055,650	24,055,650
Weighted average exercise price		\$ 18.00	0.31	0.22	18.00	0.32	0.32
Weighted average remaining contractual life						1.56	
						years	

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:

During six month period ended December 31,	2018	2017
	\$	\$
Management wages and other benefits to President	45,946	30,486
Management wages and other benefits to CIO	69,801	31,652
Management wages to former COO	-	31,652

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

Management wages to VP of Sales	70,655	30,000
Management wages to CEO	108,126	45,000
Management wages to CMO	70,738	-
Management wages to CFO	58,110	-
Management wages to VP, Strategic Partnerships	69,866	21,388
Management fees paid to Directors of the Company	24,500	-
Total salaries, benefits and management fees	517,742	190,178
Stock-based compensation	474,306	-
Total salaries and other short-term benefits	992,048	190,178

12. RELATED PARTY TRANSACTIONS (continued)

Included in accounts payable as at December 31, 2018 is \$190,683 (June 30, 2018: \$127,040) payable to Directors and Officers of the Company for management wages. The amount is non-interest bearing, unsecured and due on demand.

13. FINANCIAL INSTRUMENTS

Financial instruments are classified into one of the following categories: fair value through profit or loss, held-to-maturity investments, available-for-sale, loans and receivables and other financial liabilities. The following table summarizes information regarding the carrying values of the Company's financial instruments:

Financial instruments	Category	December 31, 2018	June 30, 2018
		\$	\$
Cash	FVTPL	1,080,669	2,111,046
Accounts receivable	Receivables	562,813	271,434
Accounts payable	Other liabilities	743,463	1,247,667
Loans payable	Other liabilities	-	139,867

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

As at December 31, 2018, the financial instruments recorded at fair value on the statements of financial position is cash which is measured using Level 1 of the fair value hierarchy.

The recorded amounts for accounts receivable, accounts payables and loans approximate their fair values due to their short-term nature and based on market rates of interest for similar instruments. The convertible note which bears an interest of 11% per annum with a maturity date of December 31, 2019 was accounted for at amortized costs using the effective interest rate method with the effective rate of 15% per annum.

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

13. FINANCIAL INSTRUMENTS (continued)

Credit Risk

Credit risk is the risk of potential loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its revenue generated during the year. The carrying value of these financial assets represents the Company's maximum exposure to credit risk. As at December 31, 2018, the Company had \$562,813 (June 30, 2018 - \$271,434) financial assets that may subject to credit risk defaults.

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 and loans payable. The Company manages its liquidity risk through the management of its capital structure as described in Note 14. 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.

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 classified as held-to-maturity, loans or receivables and other financial liabilities. The Company's interest bearing debt is not subject to interest rate cash flow risk as the loans bear interest at fixed rates.

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, 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.

Hill Street Beverage Company Inc. (formerly Avanco Capital Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the Six-Month Period Ended December 31, 2018
(Expressed in Canadian Dollars-unaudited)

14. CAPITAL MANAGEMENT

The Company considers capital to be the elements of 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.

15. 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 three month period ended December 31, 2018:

The Company issued 419,982 units at a deemed price of \$0.175 per unit for a total of \$73,497 in exchange for consulting services with unrelated parties.

The Company issued 1,906,944 finder's fees purchase warrants at a fair value of \$214,253.

During the three month period ended December 31, 2017:

There were no significant non-cash transactions during the three month period ended September 30, 2017.