



THE TINLEY BEVERAGE COMPANY INC.

Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

June 30, 2023

NOTICE TO READER

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by, and are the responsibility of the management of The Tinley Beverage Company Inc.

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

Table of Contents

June 30, 2023

	Page
Consolidated Financial Statements	
Condensed Interim Consolidated Statements of Financial Position	4
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss	5
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity	6
Condensed Interim Consolidated Statements of Cash Flows	7
Notes to Condensed Interim Consolidated Financial Statements	8-28

THE TINLEY BEVERAGE COMPANY INC.
Condensed Interim Consolidated Statements of Financial Position
As at June 30, 2023 and December 31, 2022
(Unaudited - Expressed in Canadian Dollars)

	As at June 30, 2023	As at December 31, 2022
	\$	\$
<u>Assets</u>		
Current Assets		
Cash	423,326	183,623
Accounts receivable (Note 4)	82,640	208,653
Inventories (Note 5)	332,559	418,190
Prepaid expenses (Note 7)	124,271	166,440
Total Current Assets	962,796	976,906
Non-Current Assets		
Property and equipment (Note 8)	4,963,247	5,659,104
Note receivable (Note 6)	36,938	36,001
Right-of-use assets (Note 10)	-	271,116
Security deposit	-	143,851
Total Non-Current Assets	5,000,185	6,110,072
Total Assets	5,962,981	7,086,978
<u>Liabilities</u>		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	1,298,316	915,994
Deferred revenue	451,435	252,237
Convertible note (Note 11)	913,224	614,621
Current portion of lease liabilities (Note 10)	35,442	400,493
Convertible note – embedded derivative (Note 11)	-	82,144
Total Current Liabilities	2,698,417	2,265,489
Non-Current Liabilities		
Convertible grid note (Note 12)	1,987,403	992,473
Convertible grid note – embedded derivative (Note 12)	966,846	1,610,446
Total Non-Current Liabilities	2,954,249	2,602,919
Total Liabilities	5,652,666	4,868,408
<u>Shareholders' Equity</u>		
Share capital (Note 13)	42,192,513	42,192,513
Reserve for share-based payments (Note 14)	4,398,019	5,722,629
Reserve for warrants (Note 15)	6,998,879	7,384,824
Contributed surplus	9,555,880	7,436,623
Accumulated other comprehensive loss	(321,828)	(136,757)
Accumulated deficit	(62,513,148)	(60,381,262)
Total Shareholders' Equity	310,315	2,218,570
Total Liabilities and Shareholders' Equity	5,962,981	7,086,978

Nature of operations (Note 1) Going concern (Note 2(b))
Contingencies (Note 20) Subsequent events (Note 22)

Approved on behalf of the Board of Directors

"Paul Burgis" (signed) - Director "Theodore Zittell" (signed) - Director

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

THE TINLEY BEVERAGE COMPANY INC.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the Three and Six Months ended June 30, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

	Three Months ended June 30,		Six Months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Sales	780,108	233,954	1,337,199	405,129
Cost of goods sold (Note 5)	(473,962)	(200,373)	(817,308)	(264,050)
Gross Profit	306,146	33,581	519,891	141,079
Operating Expenses				
General and administration (Note 18)	665,430	1,070,560	1,427,662	1,997,574
Share-based payments (Note 14)	325,340	72,317	408,702	172,929
Depreciation of property and equipment (Note 8)	285,424	274,408	572,651	526,469
Foreign currency translation loss (gain)	126,576	26,486	(9,920)	26,902
Depreciation of right-of-use assets (Note 10)	107,320	153,349	269,773	305,425
Sales and marketing	83,159	172,937	213,936	370,142
Product development	6,754	41,971	40,053	216,596
	1,600,003	1,812,028	2,922,857	3,616,037
Net Loss before Other Income (Expense)	(1,293,857)	(1,778,447)	(2,402,966)	(3,474,958)
Other Income (Expense)				
Change in fair value of embedded derivatives (Notes 11 and 12)	(191,376)	107,655	971,447	107,655
Interest income	887	-	1,776	-
Interest and accretion on convertible notes (Notes 11 and 12)	(353,232)	(34,620)	(743,857)	(34,620)
Gain on sale of vehicle	-	-	41,714	-
Net Loss	(1,837,578)	(1,705,412)	(2,131,886)	(3,401,923)
Other Comprehensive Income (Loss)				
Gain (loss) on translation of foreign operations	(179,143)	199,999	(185,071)	118,966
Comprehensive Loss	(2,016,721)	(1,505,413)	(2,316,957)	(3,282,957)
Weighted average number of common shares outstanding	150,859,565	149,682,824	150,859,565	148,377,061
Net Loss per Share				
Basic and diluted	(0.012)	(0.011)	(0.014)	(0.023)

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

THE TINLEY BEVERAGE COMPANY INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the Six Months ended June 30, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

	Share Capital		Reserves		Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Total
	Number of shares	Amount	Share-based payments	Warrants				
	#	\$	\$	\$				
Balance, December 31, 2021	144,112,042	41,520,254	6,052,920	8,701,200	4,993,337	(54,210,038)	(512,858)	6,544,815
Issuance of shares and warrants via private placements (Note 13)	5,530,666	581,127	-	262,307	-	-	-	843,434
Share issuance costs (Notes 13 and 15)	-	(36,638)	-	(15,620)	-	-	-	(52,258)
Issuance of shares for services	1,216,857	127,770	-	-	-	-	-	127,770
Share-based payments (Note 14)	-	-	172,928	-	-	-	-	172,928
Forfeiture of options (Note 14)	-	-	(284,331)	-	284,331	-	-	-
Expiry of warrants (Note 15)	-	-	-	(612,242)	612,242	-	-	-
Exchange loss on translation of foreign operations	-	-	-	-	-	-	118,966	118,966
Net loss for the period	-	-	-	-	-	(3,401,923)	-	(3,401,923)
Balance, June 30, 2022	150,859,565	42,192,513	5,941,517	8,335,645	5,889,910	(57,611,961)	(393,892)	4,353,732
Balance, December 31, 2022	150,859,565	42,192,513	5,722,629	7,384,824	7,436,623	(60,381,262)	(136,757)	2,218,570
Share-based payments (Note 14)	-	-	408,702	-	-	-	-	408,702
Forfeiture and expiry of options (Note 14)	-	-	(1,733,312)	-	1,733,312	-	-	-
Expiry of warrants (Note 15)	-	-	-	(385,945)	385,945	-	-	-
Exchange gain on translation of foreign operations	-	-	-	-	-	-	(185,071)	(185,071)
Net loss for the period	-	-	-	-	-	(2,131,886)	-	(2,131,886)
Balance, June 30, 2023	150,859,565	42,192,513	4,398,019	6,998,879	9,555,880	(62,513,148)	(321,828)	310,315

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

THE TINLEY BEVERAGE COMPANY INC.
Condensed Interim Consolidated Statements of Cash Flows
For the Three and Six Months ended June 30, 2023 and 2022
(Unaudited - Expressed in Canadian Dollars)

	Three Months ended June 30,		Six Months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
<u>Operating Activities</u>				
Net loss for the period	(1,837,578)	(1,705,412)	(2,131,886)	(3,401,923)
Adjustments for non-cash items:				
Share-based payments (Note 14)	325,340	72,317	408,702	172,929
Depreciation of property and equipment (Note 8)	285,424	274,408	572,651	526,469
Depreciation of right-of-use assets (Note 10)	107,320	153,349	269,773	305,425
Interest on lease obligations (Note 10)	693	23,502	7,105	51,885
Interest income	(887)	-	(1,776)	-
Gain on sale of vehicle	-	-	(41,714)	-
Change in fair value of embedded derivatives (Notes 11 and 12)	191,376	(107,655)	(971,447)	(107,655)
Interest and accretion on convertible notes (Notes 11 and 12)	353,232	34,620	743,857	34,620
	(575,080)	(1,254,871)	(1,144,735)	(2,418,250)
Changes in non-cash working capital:				
Accounts receivable (Note 4)	171,283	94,350	126,013	52,149
Inventories (Note 5)	100,104	101,182	85,631	216,864
Prepaid expenses (Note 7)	6,233	98,675	42,169	178,793
Accounts payable and accrued liabilities (Note 9)	254,823	(357,527)	382,322	123,127
Deferred revenue	180,051	60,627	199,198	(18,703)
Cash Flows provided by (used in) Operating Activities	137,414	(1,257,564)	(309,402)	(1,866,020)
<u>Investing Activities</u>				
Purchases of property and equipment (Note 8)	-	(26,561)	(23,583)	(26,561)
Proceeds from sale of vehicle	-	-	70,718	-
Construction in progress	-	(46,038)	-	(179,493)
Cash Flows provided by (used in) Investing Activities	-	(72,599)	47,135	(206,054)
<u>Financing Activities</u>				
Proceeds from private placements (Note 13)	-	-	-	829,600
Share issue costs (Note 13)	-	-	-	(38,423)
Proceeds from convertible notes (Notes 11 and 12)	-	1,782,374	741,115	1,992,296
Convertible notes issuance cost (Note 11 and 12)	-	(41,994)	-	(41,994)
Lease payments (Note 10)	-	(219,834)	(227,225)	(434,316)
Cash Flows provided by Financing Activities	-	1,520,546	513,890	2,307,163
Increase in cash for the period	137,414	190,383	251,623	235,089
Cash, beginning of period	159,390	162,261	183,623	113,840
Effects of foreign exchange on cash	126,522	87,226	(11,920)	90,941
Cash, end of period	423,326	439,870	423,326	439,870

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

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

1. Nature of Operations

Tinley Beverage Company Inc. (“Tinley”) was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated October 26, 2007. Tinley, with its subsidiaries (see Note 2(c)) (together, the “Company”), manufactures a line of liquor-inspired, non-alcoholic, cannabis-infused beverages for use in California, United States (“US”) and in Ontario, Canada. The Company also manufactures a line of liquor-inspired, non-alcoholic, non-cannabis-infused beverages, which are available in retail locations in the US and parts of Canada. The Company also manufactures cannabis-infused beverages for contract manufacturing clients. The Company’s common shares are listed on the Canadian Securities Exchange under the trading symbol “TNY” and on the OTCQB under the trading symbol “TNYBF”.

The address of the Company’s registered office is 181 Bay Street, Suite 1800, Toronto, Ontario, M5J 2T9, Canada.

2. Basis of Presentation

(a) Statement of Compliance

The Company’s condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting*. Accordingly, they do not include all of the information and disclosures required by IFRS for annual financial statements. For further information, see the Company’s audited consolidated financial statements including the notes thereto for the year ended December 31, 2022.

These condensed interim consolidated financial statements were reviewed, approved and authorized for issuance by the Board of Directors of the Company (the “Board”) on August 25, 2023.

(b) Going Concern

These condensed interim consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The application of the going concern basis is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations, or, in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future. It is not possible to predict whether future financing efforts will be successful or if the Company will attain profitable levels of operations.

For the six months ended June 30, 2023, the Company had a net loss of \$2,131,886 (2022 – \$3,401,923), incurred negative cash flow from operations of \$309,402 (2022 – \$1,866,020), and as of that date, had a working capital deficiency of \$1,735,621 (December 31, 2022 – \$1,288,583) and an accumulated deficit of \$62,513,148 (December 31, 2022 – \$60,381,262). It is not possible to predict whether financing efforts will continue to be successful in the future or, if or when the Company will attain profitable levels of operations. These conditions, including the unpredictability of the cannabis-infused beverage business, represent material uncertainties which may cast doubt on the Company’s ability to continue as a going concern.

These condensed interim consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying condensed interim consolidated financial statements. Such adjustments could be material.

(c) Basis of Consolidation

These condensed interim consolidated financial statements have been prepared in accordance with IFRS, on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed interim consolidated financial statements include the accounts of Tinley and its wholly-owned subsidiaries: Hemplify Inc., Algonquin Springs Beverage Management LLC (“Algonquin”), Beckett’s Tonics California Inc. (formerly Boardwalk Beverages, Inc.), Beckett’s Tonics Canada Inc., Tinley’s Canada Inc. and

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

Lakewood Libations Inc. (“Lakewood”), as well as certain legacy dormant entities: Bolivar Gold Corp., QBC Holdings Corp., Kulta Corp., San Lucas Gold Corp. and Colombian Mining Corp.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases.

The condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of Tinley and its subsidiaries after eliminating inter-entity balances and transactions.

(d) Significant Accounting Judgments and Estimates

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made to income as appropriate in the period they become known. Items for which actual results may differ materially from these estimates are described as follows:

Going concern

At the end of each reporting period, management exercises judgment in assessing the Company’s ability to continue as a going concern by reviewing its performance, resources and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management’s strategic planning. The assumptions used in management’s going concern assessment are derived from actual operating results along with industry and market trends. Management believes there is sufficient capital to meet the Company’s business obligations for at least the next 12 months, after taking into account expected cash flows, capital commitments, future financings and the Company’s cash position at period-end.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the condensed interim consolidated statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

Expected credit losses on financial assets

Determining an allowance for expected credit losses (“ECLs”) for all debt financial assets not held at fair value through profit or loss requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management’s judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

Determination of cash generating units

For the purpose of impairment testing, assets that cannot be tested individually are grouped at the lowest levels for which there are largely independent cash inflows. The Company determines which groups of assets (each a “Cash-Generating Unit” or a “CGU”) can generate cash flows that are largely independent of other operations within the Company. Management exercises judgment in assessing where active markets exist including an analysis of the degree of autonomy each operation has in negotiating prices with customers. The Company has identified each product line as a separate CGU, based on the nature of the business and the assessment that the CGUs generate cash flows that are largely independent of the cash flows from other assets deployed in the Company.

Impairment

Long-lived assets, including property and equipment, are reviewed for indicators of impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell, and its value-in-use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management’s best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

Share-based payment transactions and warrants

The Company measures the cost of equity-settled transactions with officers and directors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield of the share option and forfeiture rate. Similar calculations are made in order to value warrants. Such judgments and assumptions are inherently uncertain. Changes in these assumptions will affect the fair value estimates.

3. Summary of Significant Accounting Policies

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those noted in the Company’s consolidated financial statements as at and for the year ended December 31, 2022.

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

4. Accounts Receivable

Accounts receivable consisted of the following:

	June 30, 2023	December 31, 2022
	\$	\$
Trade receivables	63,663	166,330
Sales taxes recoverable	18,977	42,323
	82,640	208,653

5. Inventories

Inventories consisted of the following:

	June 30, 2023	December 31, 2022
	\$	\$
Raw materials	210,282	292,464
Finished goods	122,277	120,397
Work in process	-	5,329
	332,559	418,190

For the six months ended June 30, 2023, inventories recognized as an expense in cost of goods sold amounted to \$817,308 (2022 – \$264,050).

6. Note Receivable

On August 12, 2022, ILLA Canna LLC, a related party controlled by a director of the Company, issued the Company a secured promissory note in the amount of \$37,071 (USD \$29,000) as part of the Company's sale of a vehicle. This amount represents 50% of the sale price of the vehicle; the other 50% was paid in cash. The promissory note is secured against the purchased vehicle. The maturity date of the promissory note is August 12, 2024. Interest accrues on the principal balance of the note at the rate of 10% per annum.

The following table reflects the continuity of the note receivable for the period ended June 30, 2023:

	\$
Balance, beginning of period	36,001
Accrued interest	1,776
Payments	-
Effect of foreign exchange	(839)
Balance, June 30, 2023	36,938

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

7. Prepaid Expenses

Prepaid expenses consisted of the following:

	June 30, 2023	December 31, 2022
	\$	\$
Advances paid to suppliers	38,288	70,099
Prepaid insurance	85,983	96,341
	124,271	166,440

8. Property and Equipment

	Plant Equipment	Leasehold Improvements	Vehicles	Total
	\$	\$	\$	\$
Cost at:				
December 31, 2022	7,270,799	1,959,092	92,708	9,322,599
Additions	23,583	-	-	23,583
Dispositions	-	-	(92,585)	(92,585)
Effects of foreign exchange	(163,694)	(43,973)	(123)	(207,790)
June 30, 2023	7,130,688	1,915,119	-	9,045,807
Accumulated depreciation at:				
December 31, 2022	2,238,891	1,361,910	62,694	3,663,495
Dispositions	-	-	(62,612)	(62,612)
Depreciation	362,920	209,731	-	572,651
Effect of foreign exchange	(56,637)	(34,255)	(82)	(90,974)
June 30, 2023	2,545,174	1,537,386	-	4,082,560
Net Book Value:				
December 31, 2022	5,031,908	597,182	30,014	5,659,104
June 30, 2023	4,585,514	377,733	-	4,963,247

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

	June 30, 2023	December 31, 2022
	\$	\$
Trade payables	1,008,276	659,055
Accrued liabilities	290,040	256,939
	1,298,316	915,994

Accounts payable and accrued liabilities are principally comprised of amounts outstanding for trade purchases and other payables. The usual credit period taken for trade purchases is between 30 to 90 days.

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

The following is a maturity analysis of the trade and other payables:

	June 30, 2023	December 31, 2022
	\$	\$
Less than 1 month	603,205	414,390
1 to 3 months	261,484	123,909
Over 3 months	433,627	377,695
	1,298,316	915,994

10. Right-of-Use Assets and Lease Liability

On March 1, 2018, the Company entered into two lease agreements for the Long Beach facility, granting the Company a RUA for beverage production and bottling facilities. The leases commenced on March 1, 2018, with a term of five years and three months, ending May 31, 2023, with an option to renew for two additional 36-month periods.

On March 21, 2023, the Company decided not to renew its lease at its premises in Long Beach, California and to relocate its plant assets to Canoga Park. Management is still evaluating the costs involved and resulting impacts, potentially involving reclassification and remeasurement of certain leasehold assets.

The following is a summary of the RUA as at June 30, 2023:

Cost at:	
December 31, 2022	3,416,047
Disposition	(3,339,373)
Effect of foreign exchange	(76,674)
June 30, 2023	-
Accumulated depreciation at:	
December 31, 2022	3,144,931
Depreciation	269,773
Disposition	(3,339,373)
Effect of foreign exchange	(75,331)
June 30, 2023	-
Net book value:	
December 31, 2022	271,116
June 30, 2023	-

The following table reflects the changes in the lease payable on the Long Beach facility for the six months ended June 30, 2023:

Lease liability, beginning of period	400,493
Lease payments	(369,541)
Interest on lease obligations	7,105
Effect of foreign exchange	(2,615)
Total lease liability, end of period	35,442

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

11. Convertible Note

On June 10, 2022, the Company issued a secured convertible note (the “Gillis Note”) to the former President of Tinley’s USA branded products for \$782,272 (USD \$612,250) (the “Advance”). The principal amount of the Gillis Note is to be repaid, in cash, by the Company on the date which is one year following issuance of the Note (the “Maturity Date”), and bears interest at 12% per annum. The Gillis Note is convertible at the option of the holder into units (each being a “Unit”) at the conversion price of \$0.105 per share (the “Conversion Price”). Each Unit would consist of one common share of the Company and one-half of one Warrant, with each whole Warrant exercisable for a period of two years from the date of issuance of such Warrant at an exercise price equal to the Conversion Price.

The Gillis Note is secured against the assets of the Company and the Company’s US subsidiary, Algonquin, which security is second in priority behind the security of Blaze Life Holdings, LLC (defined hereafter in Note 12).

In the event of a Liquidity Event (defined as any one of the following events: (i) the approval by shareholders of the Corporation representing in the aggregate more than 50% of all issued and outstanding Common Shares of any offer, whether by way of a take-over bid, or otherwise, for all or any of the Common Shares; (ii) the acquisition hereafter, by whatever means (including, without limitation, by way of an arrangement, merger or amalgamation), by any person (or two or more persons acting jointly or in concert), directly or indirectly, of the beneficial ownership of Common Shares or rights to acquire Common Shares that, together with such person's then owned Common Shares and rights to acquire Common Shares, if any, represent in the aggregate more than 50% of all issued and outstanding Common Shares; or (iii) the sale by the Corporation of all or substantially all of its assets (other than to an affiliate of the Corporation in circumstances where the affairs of the Corporation are, directly or indirectly, and where holders of Common Shares remain substantially the same following the sale as existed prior to the sale)), all of the remaining indebtedness would automatically convert into Units at a 25% discount to the deemed price per common share paid in connection with the Liquidity Event, provided that such discounted deemed price shall be no less than \$0.05 per Unit.

The Gillis Note is a derivative financial instrument as the Gillis Note is denominated in US dollars, while convertible in Canadian dollars. As the conversion price in a different currency requires a variable number of shares to settle the Gillis Note, the Gillis Note is treated as having an embedded derivative that is treated as a financial liability under IFRS. On initial recognition, the derivative is recognized at fair value. The fair value of the derivative upon initial recognition was calculated to be \$384,743 using the Black Scholes valuation model. The difference between the principal amount of the Gillis Note and the derivative component of the note, has been allocated to the convertible note.

The fair value at issuance of the embedded derivative was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.11; expected life of 1.00 year; \$nil dividends; 119% volatility; risk-free interest of 3.35%; and the exercise price of \$0.105.

The fair value at December 31, 2022 of the embedded derivative was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.07; expected life of 0.44 years; \$nil dividends; 105% volatility; risk-free interest of 3.30%; and the exercise price of \$0.105.

The fair value at March 31, 2023 of the embedded derivative was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.035; expected life of 0.20 years; \$nil dividends; 123% volatility; risk-free interest of 2.90%; and the exercise price of \$0.105.

The embedded derivative is fair valued at each reporting date. The fair value as at March 31, 2023 is \$2,063 and the change in fair value resulted in a gain of \$80,081.

On June 10, 2023, the Gillis Note became due and payable on demand. The fair value of the embedded derivative was reduced to \$nil and the change in fair value resulted in a gain of \$2,063. As at June 30, 2023 the Gillis Note remains outstanding.

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

The following table reflects the continuity of the convertible note and embedded derivative as at June 30, 2023:

	Convertible Note	Embedded Derivative
	\$	\$
Balance, beginning of period	614,621	82,144
Additions	-	-
Allocation to embedded derivative	-	-
Issuance cost	-	-
Accrued interest	48,237	-
Accretion	246,645	-
Change in fair value	-	(82,144)
Effect of foreign exchange	3,721	-
Balance, June 30, 2023	913,224	-

12. Convertible Grid Note

On June 10, 2022, the Company closed a financing of up to USD \$3.5 million through the issuance of a secured convertible grid note (the “BLH Note”) to Blaze Life Holdings, LLC (“BLH”). The BLH Note bears interest at the rate of 12% per annum, and has a term of five years from the date of issuance. All indebtedness under the BLH Note, including all principal amounts advanced from time to time and accrued and unpaid interest, is convertible into Units at the option of BLH at a Conversion Price of \$0.105 per Unit. Each Unit would consist of one common share of the Company and one-half of one Warrant, with each whole Warrant exercisable for a period of two years from the date of issuance of such Warrant at an exercise price equal to the Conversion Price.

As a result of this transaction BLH became a related party.

As at March 31, 2023, the amount advanced under the BLH Note is \$4,194,170 (USD \$3.2 million) due on June 10, 2027. The assets of the Company and the Company’s US subsidiary, Algonquin, are pledged against the BLH Note.

The BLH Note provides for the automatic conversion of: (i) 33.33% of the indebtedness under the BLH Note if the closing price of the common shares on the CSE exceeds \$0.50 for five consecutive trading days; (ii) an additional 33.33% of the indebtedness under the BLH Note if the closing price of the common shares on the CSE exceeds \$0.75 for five consecutive trading days; and (iii) the remaining 33.33% indebtedness under the BLH Note if the closing price of the common shares on the CSE exceeds \$1.00 for five consecutive trading days.

In connection with the issuance of the BLH Note, the Company issued 1,216,857 common shares as an advisory fee valued at \$127,770 (USD \$100,000) to a director of the Company. The advisory fees were included in share issue costs.

The BLH Note is a derivative financial instrument as the BLH Note is denominated in US dollars, while convertible in Canadian dollars. As the conversion price in a different currency requires a variable number of shares to settle the BLH Note, the BLH Note is treated as having an embedded derivative that is treated as a financial liability under IFRS. On initial recognition, the derivative is recognized at fair value. The fair value of the derivative upon initial recognition was calculated to be \$2,398,654 using the Black Scholes valuation model. The difference between the principal amount of the BLH Note and the derivative component of the note, has been allocated to the convertible note.

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

The fair value of the embedded derivative as part of the June 10, 2022, instalment payment of \$1,277,700 (\$1,000,000 USD) was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.11; expected life of 5.00 years; \$nil dividends; 102% volatility; risk-free interest of 3.35%; and the exercise price of \$0.105.

The fair value of the embedded derivative as part of the July 4, 2022, instalment payment of \$643,350 (\$500,000 USD) was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.105; expected life of 4.94 years; \$nil dividends; 102% volatility; risk-free interest of 3.17%; and the exercise price of \$0.105.

The fair value of the embedded derivative as part of the August 4, 2022, instalment payment of \$642,700 (\$500,000 USD) was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.10; expected life of 4.85 years; \$nil dividends; 103% volatility; risk-free interest of 2.66%; and the exercise price of \$0.105.

The fair value of the embedded derivative as part of the October 24, 2022, instalment payment of \$686,100 (\$500,000 USD) was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.07; expected life of 4.63 years; \$nil dividends; 104% volatility; risk-free interest of 3.57%; and the exercise price of \$0.105.

The fair value of the embedded derivative as part of the December 13, 2022, instalment payment of \$203,205 (\$150,000 USD) was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.07; expected life of 4.49 years; \$nil dividends; 103% volatility; risk-free interest of 2.85%; and the exercise price of \$0.105.

The fair value of the embedded derivative as part of the February 1, 2023, instalment payment of \$466,235 (\$350,000 USD) was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.06; expected life of 4.36 years; \$nil dividends; 99% volatility; risk-free interest of 2.85%; and the exercise price of \$0.105.

The fair value of the embedded derivative as part of the March 16, 2023, instalment payment of \$274,880 (\$200,000 USD) was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.05; expected life of 4.24 years; \$nil dividends; 99% volatility; risk-free interest of 2.90%; and the exercise price of \$0.105.

The fair value at December 31, 2022 of the embedded derivative was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.07; expected life of 4.44 years; \$nil dividends; 101% volatility; risk-free interest of 3.30%; and the exercise price of \$0.105.

The fair value at March 31, 2023 of the embedded derivative was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.035; expected life of 4.20 years; \$nil dividends; 101% volatility; risk-free interest of 2.90%; and the exercise price of \$0.105.

The embedded derivative is fair valued at each reporting date. The fair value as at March 31, 2023 is \$773,409 and the change in fair value resulted in a gain of \$1,082,740.

The fair value at June 30, 2023 of the embedded derivative was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.04; expected life of 3.95 years; \$nil dividends; 110% volatility; risk-free interest of 3.26%; and the exercise price of \$0.105.

The embedded derivative is fair valued at each reporting date. The fair value as at June 30, 2023 is \$966,846 and the change in fair value resulted in a loss of \$193,437.

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

The following table reflects the continuity of the convertible note and embedded derivative as at June 30, 2023:

	Convertible Note	Embedded Derivative
	\$	\$
Balance, beginning of period	992,473	1,610,446
Additions	741,115	-
Allocation to embedded derivative	(245,703)	245,703
Issuance cost	-	-
Accrued interest	240,714	-
Accretion	208,261	-
Change in fair value	-	(889,303)
Effect of foreign exchange	50,543	-
Balance, June 30, 2023	1,987,403	966,846

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

13. Share Capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

Issued

Holders of the Company's common shares are entitled to receive dividends which may be declared from time to time and are entitled to one vote per share at shareholder meetings of the Company.

The following details the amounts recorded as share capital for the period:

	Number of shares	Proceeds	Share issuance costs	Allocated to reserve for warrants	Resulting share capital amount
	#	\$	\$	\$	\$
Balance, January 1, 2022	144,112,042	-	-	-	41,520,254
Issuance on private placement January 19, 2022 (a)	2,080,666	312,100	(3,912)	(93,917)	214,271
Issuance on private placement February 25, 2022 (b)	3,450,000	517,500	(32,726)	(154,556)	330,218
Issuance on debt settlement - finders' fees June 27, 2022 (c)	1,216,857	127,770	-	-	127,770
Balance, June 30, 2022	150,859,565	957,370	(36,638)	(248,473)	42,192,513
Balance, January 1, 2023	150,859,565	-	-	-	42,192,513
Balance, June 30, 2023	150,859,565	-	-	-	42,192,513

Included in the number of shares outstanding above, at no cost, are 3,000,000 common shares in escrow ("Escrow Shares") for the former Chief Executive Officer ("CEO") of the Company, who resigned on September 20, 2021. In accordance with a consulting agreement (the "Agreement") entered between the Company and the former CEO, dated October 29, 2015, the 3,000,000 Escrow Shares were originally to be issued at a price of \$0.05 per share, subject to performance based on the Company meeting a sales target within five years of the Agreement. The Company elected to extend the deadline for achieving these sales targets by two years. During the term of the Agreement, the Company is to release 1,500,000 Escrow Shares if sales exceed \$1 million over any four consecutive quarters. An additional 1,500,000 consideration shares are to be released if sales exceed \$3 million over any four consecutive quarters. The Escrow Shares were due to be returned and cancelled on October 29, 2022, however they still remain outstanding.

Share capital transactions for the six months ended June 30, 2022

- (a) On January 19, 2022, the Company closed a non-brokered private placement (the "January 2022 Offering") through the issuance of 2,080,666 Units at a price of \$0.15 per Unit, for gross proceeds of \$312,100. Each Unit is comprised of one common share of the Company and one Warrant. Each Warrant is exercisable into one common share at a price of \$0.20 until January 19, 2024.
- (b) On February 25, 2022, the Company closed a non-brokered private placement (the "February 2022 Offering") through the issuance of 3,450,000 Units at a price of \$0.15 per unit, for gross proceeds of \$517,500. Each Unit is comprised of one common share of the Company and one Warrant. Each Warrant is exercisable into one common share at a price of \$0.20 until February 25, 2024. In connection with the February 2022 Offering, the Company paid cash commissions of \$16,200 to the Agents. In addition, 108,000 Broker Warrants Type II were issued as compensation to the Agents (see Note 15 for details).
- (c) On June 27, 2022, the Company issued 1,216,857 common shares as an advisory fee valued \$127,770 (USD \$100,000) in connection with the issuance of the BLH Note (see Note 12).

Share capital transactions for the six months ended June 30, 2023

There were no share capital transactions for the six months ended June 30, 2023.

14. Reserve for Share-Based Payments

The Company maintains a stock option plan to provide additional incentive to its officers, directors, employees, and consultants in their effort to conduct business on behalf of the Company. Options granted vest over a vesting period between two to five years. All options expire on the fifth anniversary from the date of grant unless otherwise specified.

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

The following summarizes the options activities for the six months ended June 30, 2023 and 2022:

	2023		2022	
	Weighted average exercise price	Number of options outstanding	Weighted average exercise price	Number of options outstanding
	\$	#	\$	#
Outstanding, beginning of period	0.34	16,190,000	0.48	12,965,000
Granted	0.10	1,800,000	-	-
Granted	0.05	9,000,000	-	-
Expired	0.87	(100,000)	-	-
Forfeited	0.79	(300,000)	-	-
Forfeited	0.58	(900,000)	-	-
Forfeited	0.58	(100,000)	-	-
Forfeited	0.58	(250,000)	-	-
Forfeited	0.56	(150,000)	-	-
Forfeited	0.37	(200,000)	-	-
Forfeited	0.41	(1,170,000)	-	-
Forfeited	0.37	(200,000)	-	-
Forfeited	0.41	(1,375,000)	-	-
Forfeited	0.23	(100,000)	-	-
Forfeited	0.10	(200,000)	-	-
Forfeited	0.10	(500,000)	-	-
Forfeited	-	-	0.72	(50,000)
Forfeited	-	-	0.56	(250,000)
Forfeited	-	-	0.41	(75,000)
Forfeited	-	-	0.46	(350,000)
Outstanding, end of period	0.18	21,445,000	0.47	12,240,000
Exercisable, end of period	0.18	21,409,583	0.48	10,845,833

Options grants for the six months ended June 30, 2022

No options were granted during the six months ended June 30, 2022.

Options forfeited in the six months ended June 30, 2022

On June 30, 2022, 50,000 options granted on May 11, 2018 to a consultant were forfeited at an exercise price of \$0.72 per share.

On June 30, 2022, 250,000 options granted on September 4, 2019 to consultants were forfeited at an exercise price of \$0.56 per share.

On June 30, 2022, 75,000 options granted on December 23, 2019 to a consultant were forfeited at an exercise price of \$0.41 per share.

On June 30, 2022, 350,000 options granted on August 16, 2020 to a consultant were forfeited at an exercise price of \$0.46 per share.

Options grants for the six months ended June 30, 2023

On January 30, 2023, the Company granted 1,800,000 stock options to two directors and a management company

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

controlled by a director at an exercise price of \$0.10 per share. The options expire on January 30, 2028. The options vested immediately.

On June 11, 2023, the Company granted 9,000,000 stock options to certain directors, officers and consultants of the Company at an exercise price of \$0.05 per share. The options expire on June 11, 2033. The options vested immediately.

Options expired/forfeited in the six months ended June 30, 2023

On April 20, 2023, 100,000 options granted on April 20, 2018 to a former employee expired at an exercise price of \$0.87 per share.

On June 9, 2023, 300,000 options granted on August 13, 2018 to a former director were forfeited at an exercise price of \$0.79 per share.

On June 9, 2023, 900,000 options granted on November 30, 2018 to a former director and former officer were forfeited at an exercise price of \$0.58 per share.

On June 9, 2023, 100,000 options granted on December 11, 2018 to a former consultant were forfeited at an exercise price of \$0.58 per share.

On June 9, 2023, 250,000 options granted on December 14, 2018 to a former director were forfeited at an exercise price of \$0.58 per share.

On June 9, 2023, 200,000 options granted on November 14, 2019 to a former consultant were forfeited at an exercise price of \$0.37 per share.

On June 9, 2023, 1,170,000 options granted on December 23, 2019 to a former officer and former directors were forfeited at an exercise price of \$0.41 per share.

On June 9, 2023, 200,000 options granted on October 6, 2020 to a former consultant were forfeited at an exercise price of \$0.37 per share.

On June 9, 2023, 1,375,000 options granted on January 27, 2021 to a former officer, former directors and a former consultant were forfeited at an exercise price of \$0.41 per share.

On June 30, 2023, 150,000 options granted on September 4, 2019 to former employees were forfeited at an exercise price of \$0.56 per share.

On June 30, 2023, 100,000 options granted on August 17, 2021 to a former employee were forfeited at an exercise price of \$0.23 per share.

On June 30, 2023, 200,000 options granted on September 15, 2022 to former employees were forfeited at an exercise price of \$0.10 per share.

On June 30, 2023, 500,000 options granted on January 30, 2023 to former director were forfeited at an exercise price of \$0.10 per share.

Black-Scholes valuation assumptions

The grant date fair value of options was estimated using Black-Scholes with the following assumptions. Expected volatility was determined based on the historical volatility of the Company and comparable companies.

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

Options granted in 2023

Grant date	January 30, 2023	June 11, 2023
Number of options	1,800,000	9,000,000
Exercise price per share	\$0.10	\$0.05
Share price	\$0.07	\$0.04
Expected life of options	5 years	10 years
Expected volatility	99.28%	404.98%
Risk-free interest rate	3.04%	3.38%
Forfeiture rate	10%	10%

The following table summarizes information of options outstanding as at June 30, 2023:

Date of expiry	Number of options outstanding #	Number of options exercisable #	Exercise price \$	Estimated grant date fair value \$	Weighted average remaining life Years
November 30, 2023	1,150,000	1,150,000	0.58	492,179	0.42
November 30, 2023	900,000	900,000	0.58	385,183	0.42
September 4, 2024	125,000	125,000	0.56	53,087	1.18
December 23, 2024	880,000	880,000	0.41	271,507	1.48
December 23, 2024	290,000	290,000	0.41	89,474	1.48
January 27, 2026	1,025,000	1,025,000	0.41	304,018	2.58
February 24, 2026	400,000	400,000	0.47	127,417	2.66
March 9, 2026	100,000	100,000	0.50	31,864	2.69
March 9, 2026	100,000	100,000	0.70	30,356	2.69
March 9, 2026	100,000	100,000	1.00	28,609	2.69
August 17, 2026	200,000	175,000	0.23	31,354	3.13
September 29, 2026	25,000	14,583	0.17	2,869	3.25
September 15, 2027	5,850,000	5,850,000	0.10	303,999	4.21
January 30, 2028	1,300,000	1,300,000	0.10	57,720	4.59
June 11, 2033	9,000,000	9,000,000	0.05	324,000	9.96
	21,445,000	21,409,583	0.18	2,533,636	5.98

During the six months ended June 30, 2023, the Company recognized share-based payments related to the vesting of stock options of \$408,702 (2022 - \$172,929).

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

15. Reserve for Warrants

The following summarizes the warrant activities for the six months ended June 30, 2023 and 2022:

	2023		2022	
	Number of warrants outstanding	Fair value	Number of warrants outstanding	Fair value
	#	\$	#	\$
<i>Share purchase warrants</i>				
Balance, beginning of period	28,234,580	6,993,469	32,921,414	8,012,238
Expired	(3,660,984)	(379,331)	(3,700,000)	(478,848)
Issued January 19, 2022	-	-	2,080,666	92,233
Issued February 25, 2022	-	-	3,450,000	140,620
Balance, end of period	24,573,596	6,614,138	34,752,080	7,766,243
<i>Broker Warrants Type I^(a)</i>				
Balance, beginning of period	29,750	6,614	29,750	6,614
Expired	(29,750)	(6,614)	-	-
Balance, end of period	-	-	29,750	6,614
<i>Broker Warrants Type II^(b)</i>				
Balance, beginning of period	1,340,010	384,741	1,936,777	682,348
Issued February 25, 2022	-	-	108,000	13,835
Expired	-	-	(260,304)	(133,395)
Balance, end of period	1,340,010	384,741	1,784,473	562,788
Total	25,913,606	6,998,879	36,566,303	8,335,645

- (a) Broker Unit Purchase Warrants Type I are exercisable for one common share and one-half of one warrant exercisable into one common share.
- (b) Broker Unit Purchase Warrants Type II are exercisable for one common share and one warrant exercisable into one common share.

Warrant activities for the six months ended June 30, 2022

On January 19, 2022, the Company issued 2,080,666 Warrants, at an exercise price of \$0.20 per share, in connection with the January 2022 Offering as disclosed in Note 13(a).

On February 25, 2022, the Company issued 3,450,000 Warrants, at an exercise price of \$0.20 per share, in connection with the February 2022 Offering as disclosed in Note 13(b). In addition, 108,000 Broker Warrant Type II were issued as compensation to the Agents, to acquire one Unit at an exercise price of \$0.15 per Unit until February 25, 2024. Each Unit is comprised of one common share and one Warrant, exercisable into one common share at \$0.20 per share for a period of 24 months.

Warrants expired in the six months ended June 30, 2022

On June 30, 2022, 3,700,000 Warrants issued on June 30, 2020 at an exercise price of \$0.70 per share expired. On the same day, 260,304 Broker Warrant Type II issued on June 30, 2020 at an exercise price of \$0.50 also expired.

Warrant activities for the six months ended June 30, 2023

There were no warrant activities for the six months ended June 30, 2023.

Warrants expired in the six months ended June 30, 2023

On June 10, 2023, 3,660,984 Warrants issued on June 10, 2021 at an exercise price of \$0.42 per share expired. On the same day, 29,750 Broker Warrant Type I issued on June 10, 2021 at an exercise price of \$0.33 also expired.

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

Black-Scholes valuation assumptions

The fair value of warrants issued was estimated using Black-Scholes with the following assumptions. Expected volatility was determined based on the historical volatility of the Company and comparable companies.

Share purchase warrants issued in 2022

Issuance date	February 25, 2022	January 19, 2022
Number of warrants	3,450,000	2,080,666
Exercise price	\$0.20	\$0.20
Share price	\$0.14	\$0.145
Expected life of warrants	2 years	2 years
Expected volatility	96.86%	96.31%
Risk-free interest rate	1.53%	1.27%

Broker Warrants Type II issued in 2022

Issuance date	February 25, 2022
Number of warrants	108,000
Exercise price	\$0.15
Unit price	\$0.140
Expected life of warrants	2 years
Expected volatility	96.86%
Risk-free interest rate	0.72%

The following table summarizes information of warrants outstanding as at June 30, 2023:

	Number of warrants outstanding	Exercise price	Weighted average remaining life
	#	\$	\$
<i>Share purchase warrants</i>			
October 14, 2023	12,437,805	0.20	0.29
November 23, 2023	2,222,300	0.60	0.40
December 8, 2023	2,257,825	0.60	0.44
January 19, 2024	2,080,666	0.20	0.56
February 25, 2024	3,450,000	0.20	0.66
March 30, 2024	2,125,000	0.50	.75
Balance, end of period	24,573,596	0.30	0.43

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

	Number of warrants outstanding	Exercise price	Weighted average remaining life
	#	\$	\$
<i>Broker Warrants Type II</i>			
October 14, 2023	764,169	0.15	0.29
November 23, 2023	155,561	0.45	0.40
December 8, 2023	158,048	0.45	0.44
February 25, 2024	108,000	0.15	0.66
March 30, 2024	154,232	0.40	0.75
Balance, end of period	1,340,010	0.25	0.40

16. Related Party Transactions

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executives and non-executive directors, officers and any employees. Compensation provided to key management personnel for the six months ended June 30, 2023 and 2022 were as follows:

	Three Months ended June 30,		Six Months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Short-term employee benefits, including salaries and consulting fees	113,250	211,207	275,635	394,165
Share-based compensation	288,789	25,722	370,076	48,107
	402,039	236,929	645,711	442,272

- (i) During the three and six months ended June 30, 2023, the Company incurred consulting fees with the Chief Executive Officer (“CEO”) and director of \$54,000 and \$108,000 (2022 – \$78,000) for services rendered. As at June 30, 2023, \$70,000 (December 31, 2022 – \$27,425) was outstanding and included in accounts payable and accrued liabilities.
- (ii) During the three and six months ended June 30, 2023, the Company incurred consulting fees with the Chief Financial Officer (“CFO”) of \$45,000 and \$90,000 (2022 – \$60,000) for services rendered. As at June 30, 2023, no balance (December 31, 2022 – \$16,950) was outstanding.
- (iii) During the six months ended June 30, 2023, the Company incurred wage expenses with the former President of Tinley’s USA branded products of \$41,635 (2022 – \$179,875) for services rendered. As at June 30, 2023, no balance (December 31, 2022 – \$nil) was outstanding.
- (iv) During the three and six months ended June 30, 2023, the Company incurred director fees with directors who are not part of key management of \$14,250 and \$36,000 (2022 - \$nil) for services rendered. As at June 30, 2023, \$20,500 (December 31, 2022 – \$12,000) was outstanding and included in accounts payable and accrued liabilities.
- (v) During the six months ended June 30, 2022, the Company incurred consulting fees with a former director of \$76,290 for services rendered. As at June 30, 2022, no balance was outstanding.

Other related party transactions

- (vi) During the three and six months ended June 30, 2023, directors who are not part of key management and a management company controlled by a director received stock-based compensation of \$135,000 and \$214,920 (2022 – \$13,310).

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

17. Capital Risk Management

When managing capital, the Company's objective is to ensure it continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the beverage production.

The Board of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

As at June 30, 2023, the Company considers its capital to be share capital, reserve for share-based payments, reserve for warrants, and contributed surplus, and reduced by accumulated deficit and accumulated other comprehensive loss, totaling \$310,315 (December 31, 2022 – \$2,218,570).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements, and there were no changes in the Company's approach to capital management for the six months ended June 30, 2023.

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

18. General and Administrative Expenses

The Company's general and administration expenses incurred for the three and six months ended June 30, 2023 and 2022 are as follows:

	Three Months ended June 30,		Six Months ended June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Payroll and salaries	79,571	350,169	419,621	739,216
Corporate costs and administration	212,030	343,669	444,860	602,552
Professional fees	124,815	237,397	203,799	427,598
Consulting and management fees	199,283	60,415	259,034	113,763
Occupancy cost	49,038	42,846	91,161	48,122
Interest on lease liabilities	693	23,502	7,105	51,885
Travel and promotion	-	12,562	2,082	14,438
	665,430	1,070,560	1,427,662	1,997,574

19. Financial Instruments and Risk Management

Fair value

The carrying amount of cash, trade receivables, trade and other payables and lease payable on the condensed interim consolidated statements of financial position approximate their fair value due to the relatively short-term maturity of these financial instruments.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Cash is held with Canadian and US chartered banks which are closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments is minimal. The maximum exposure to credit risk at period-end is limited to the accounts receivable balance. No ECL has been recorded as at June 30, 2023.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow from its financing and revenue activities.

As at June 30, 2023, the Company had a cash balance of \$423,326 (December 31, 2022 – \$183,623) to settle current liabilities of \$2,698,417 (December 31, 2022 – \$2,265,489). The undiscounted contractual maturity of all financial liabilities for the period ended June 30, 2023 is as follows:

	Total	Within 1 year	1 to 3 years	3 to 5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,298,316	1,298,316	-	-
Convertible note	913,224	913,224	-	-
Convertible grid note	6,661,091	-	-	6,661,091
Lease payable	35,442	35,442	-	-
Total	8,908,073	2,246,982	-	6,661,091

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any instruments subject to interest rate risk as at June 30, 2023.

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

Foreign currency risk

The Company operates in Canada and the US and is exposed to foreign exchange risk with respect to USD. The Company normally raises funds in Canadian dollars for its operations in the US. Foreign exchange risk arises on cash, trade receivables and trade payables from operations in the US. The Company believes that its results of operations and cash flows would be affected by a sudden change in foreign exchange rates.

As at June 30, 2023, and December 31, 2022 the Company had the following financial assets and financial liabilities in USD:

	June 30, 2023	December 31, 2022
	\$	\$
Cash	295,530	128,564
Trade receivables	44,545	121,789
Note receivable	27,898	26,580
Trade and other payables	(579,579)	(240,583)
Convertible note	(689,746)	(653,313)
Convertible grid note	(3,515,025)	(2,783,216)
Lease obligations	(26,769)	(295,698)
Net exposure to USD	(4,443,146)	(3,695,877)

Had the value of the USD increased or decreased by 1%, the net loss and comprehensive loss would have increased or decreased by USD \$44,431 (December 31, 2022 – USD \$36,959), respectively, as a result of this exposure.

20. Contingencies

Although the possession, cultivation, and distribution of cannabis for recreational and medical use is permitted in the State of California, cannabis is a Schedule-I controlled substance and its use remains a violation of federal law in the US.

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations in that specific state or local jurisdiction. While management of the Company believes that the Company is in compliance with applicable local and state regulations as at June 30, 2023, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

21. Comparative figures

Certain comparative figures for the convertible debentures have been adjusted to align with the accounting treatment for the December 31, 2022 consolidated statements of financial position.

The carrying value of the embedded derivatives on the convertible note and convertible grid note as at June 30, 2022 have been adjusted by \$360,278 and \$948,846 to \$360,278 from \$nil and 948,846 from \$nil, respectively.

The carrying value of the convertible note and convertible grid note as at June 30, 2022 have been adjusted by \$366,188 and \$871,475 to \$365,192 from \$731,380 and \$63,089 from \$808,386, respectively.

The carrying value of the equity component of the convertible notes as at June 30, 2022 has been adjusted by \$379,686 to \$nil from \$379,686.

The change in fair value of embedded derivatives for the six months ended June 30, 2022 has been adjusted by \$107,655 to \$107,655 from \$nil.

Interest and accretion expense for the six months ended June 30, 2022, that was previously included in general and administrative expenses, has been moved to other income (expense) and reclassified as interest and accretion on

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
June 30, 2023
(Expressed in Canadian Dollars)

convertible notes. The interest and accretion amount increased by \$4,525 from \$30,095 to \$34,620. The general and administration expense decreased by \$30,095.

The net impact of the above changes to shareholders' equity as at June 30, 2022 was an adjustment of \$276,556 to \$4,353,732 from \$4,630,288.

22. Subsequent Events

On August 7, 2023, 250,000 options granted on November 30, 2018 to a former consultant were forfeited at an exercise price of \$0.58 per share.

On August 7, 2023, 350,000 options granted on September 15, 2022 to a former consultant were forfeited at an exercise price of \$0.10 per share.