THE TINLEY BEVERAGE COMPANY INC.

Unaudited Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Three Months Ended March 31, 2019 and 2018

NOTICE TO READER

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

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of 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 Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

THE TINLEY BEVERAGE COMPANY INC.
Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at March 31, 2019	As at December 31, 2018
	$	$
Assets		
Current Assets		
Cash	**2,806,959**	3,633,275
Investments (Note 4)	**202,391**	704,933
Accounts receivable (Note 5)	**47,210**	46,154
Inventories (Note 6)	**93,188**	47,555
Prepaid expenses	**305,079**	132,416
Total Current Assets	**3,454,827**	4,564,333
Non-Current Assets		
Property and equipment (Note 7)	**2,338,795**	2,090,888
Right of use assets (Notes 3(a) and 9)	**2,588,473**	-
Security deposits	**141,929**	144,892
Intangible assets	**12,500**	12,500
Total Assets	**8,536,524**	6,812,613
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8)	**197,115**	185,873
Lease payable – current (Note 9)	**524,305**	-
Total Current Liabilities	**721,420**	185,873
Non-Current Liabilities		
Lease payable (Note 9)	**2,304,074**	-
Deferred lease liabilities	**113,424**	113,626
Total Liabilities	**3,138,918**	299,499
Shareholders' Equity		
Share capital (Note 10)	**27,887,385**	27,611,385
Reserve for share-based payments (Note 11)	**3,160,088**	2,696,343
Reserve for warrants (Note 12)	**6,872,702**	6,872,702
Accumulated other comprehensive loss	**(143,269)**	(222,579)
Accumulated deficit	**(32,379,300)**	(30,444,737)
Total Shareholders' Equity	**5,397,606**	6,513,114
Total Liabilities and Shareholders' Equity	**8,536,524**	6,812,613

Nature of operations (Note 1)
Going concern (Note 2(b))
Commitments (Note 15)
Subsequent events (Note 18)

Approved on behalf of the Board of Directors:

"Jeffrey Maser" (signed)
Director

"David Ellison" (signed)
Director

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

THE TINLEY BEVERAGE COMPANY INC.

Unaudited Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
	$	$
Sales	**232**	4,027
Cost of goods sold (Note 6)	**(979)**	(6,344)
Gross margin	**(747)**	(2,317)
Operating Expenses		
Sales and marketing	**166,527**	163,492
General and administration (Note 16)	**869,983**	367,464
Product development	**49,538**	118,382
Share-based payments (Note 11)	**463,745**	278,100
Foreign exchange (gain) loss	**176,338**	(71,212)
	1,726,131	856,226
Net Loss before Other Income	**(1,726,878)**	(858,543)
Other Income		
Interest and other income	**2,388**	7,435
Net Loss	**(1,724,490)**	(851,108)
Other Comprehensive Income (Loss)		
(Loss) gain on translation of foreign operations	**(111,290)**	24,115
Total Comprehensive Loss	**(1,835,780)**	(826,993)
Weighted Average Number of Common Shares Outstanding	**91,087,034**	81,697,056
Net Loss per Share		
Basic and Diluted	**(0.019)**	(0.010)

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

THE TINLEY BEVERAGE COMPANY INC.
Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

	Share Capital		Reserves					
	Number of shares	Amount	Shares to be issued	Share-based payments	Warrants	Accumulated deficit	Accumulated other comprehensive loss	Total
	#	$	$	$	$	$	$	$
Balance, January 1, 2018	**80,013,794**	**23,958,573**	**-**	**2,154,407**	**5,322,984**	**(26,783,831)**	**(31,977)**	**4,620,156**
Share-based payments (Note 11)	-	-	-	278,100	-	-	-	278,100
Shares issued on exercise of warrants (Note 10)	2,021,492	704,229	-	-	(198,856)	-	-	505,373
Shares issued on exercise of options (Note 10)	100,000	51,338	-	(21,338)	-	-	-	30,000
Exchange gain on translation of foreign operations	-	-	-	-	-	-	24,115	24,115
Net loss for the period	-	-	-	-	-	(851,108)	-	(851,108)
Balance, March 31, 2018	**82,135,286**	**24,714,140**	**-**	**2,411,169**	**5,124,128**	**(27,634,939)**	**(7,862)**	**4,606,636**
Balance, Janaury 1, 2019 as previously reported	**87,827,034**	**27,611,385**	**-**	**2,696,343**	**6,872,702**	**(30,444,737)**	**(222,579)**	**6,513,114**
Impact on adoption of IFRS 16 (Note 3(a))	-	-	-	-	-	(210,073)	210,073	-
Balance, January 1, 2019 as restated	**87,827,034**	**27,611,385**	**-**	**2,696,343**	**6,872,702**	**(30,654,810)**	**(12,506)**	**6,513,114**
Issuance of units from private placements (Notes 10 and 12)	600,000	276,000	-	-	-	-	-	276,000
Share-based payments (Note 11)	-	-	-	463,745	-	-	-	463,745
Exchange (loss) on translation of foreign operations	-	-	-	-	-	-	(130,763)	(130,763)
Net loss for the period	-	-	-	-	-	(1,724,490)	-	(1,724,490)
Balance, March 31, 2019	**88,427,034**	**27,887,385**	**-**	**3,160,088**	**6,872,702**	**(32,379,300)**	**(143,269)**	**5,397,606**

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

THE TINLEY BEVERAGE COMPANY INC.
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

	2019	2018
	$	$
Operating Activities		
Net loss for the period	**(1,724,490)**	(851,108)
Adjustments for non-cash items:		
Share-based payments – options (Note 11)	**463,745**	278,100
Amortization (Notes 7 and 16)	**2,129**	**-**
Amortization for right-of-use assets (Notes 9 and 16)	**154,518**	**-**
Interest on lease obligations	**86,839**	-
Interest	**4,427**	(5,219)
Unrealized foreign exchange loss	**176,338**	8,334
	(836,494)	(569,893)
Changes in non-cash working capital:		
Accounts receivable (Note 5)	**(1,057)**	12,305
Inventories (Note 6)	**(45,633)**	(135,985)
Prepaid expenses	**(172,664)**	(352,839)
Accounts payable and accrued liabilities (Note 8)	**9,582**	76,543
Cash Flows (used in) Operating Activities	**(1,046,266)**	(969,869)
Investing Activities		
Purchases of equipment (Note 7)	**(8,686)**	(23,635)
Advances made on facility construction (Note 7)	**(284,123)**	-
Proceeds from redemptions of investments	**498,115**	-
Cash Flows from (used in) Investing Activities	**205,306**	(23,635)
Financing Activities		
Proceeds from private placements (Note 10)	**276,000**	**-**
Lease payments	**(205,292)**	**-**
Proceeds from exercise of warrants (Note 10)	**-**	505,373
Proceeds from exercise of options (Note 10)	**-**	30,000
Cash Flows from Financing Activities	**70,708**	535,373
(Decrease) in cash	**(770,252)**	(458,131)
Effects of foreign exchange on cash	**(56,064)**	14,130
Cash, beginning of period	**3,633,275**	3,584,780
Cash, end of period	**2,806,959**	3,140,779

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

1. NATURE OF OPERATIONS

The Tinley Beverage Company Inc. ("Tinley" or the "Company") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated October 26, 2007. The Company manufactures a line of liquor-inspired, non-alcoholic, cannabis-infused beverages for use in California, United States ("US"). The Company also manufactures the "Hemplify" and "Tinley's Tonics" line of products, which are available in retail locations in California and online throughout the US. The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada. The Company's common shares are currently listed on the Canadian Securities Exchange under the trading symbol "TNY" and on the OTCQX® under the trading symbol "TNYBF".

2. BASIS OF PRESENTATION

(a) Statement of Compliance

The Company's unaudited 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 unaudited 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, 2018.

These unaudited condensed interim consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors of the Company on May 30, 2019.

(b) Going Concern

These unaudited 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. As at March 31, 2019, the Company had not yet achieved profitable operations, had accumulated losses of $32,379,300 and 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.

These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. In assessing whether the going concern assumption was appropriate, management took into account all relevant information available about the future, which was at least, but not limited to, the 12-month period following March 31, 2019. Subsequent to the period-end, the Company completed a private placement of units ("Units"), which closed in two (2) tranches. The Company issued and sold a total of 14,817,107 Units and a price of $0.60 per Unit for total gross proceeds of $8,890,263 (see Note 18).

These unaudited 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 unaudited condensed interim consolidated financial statements. Such adjustments could be material.

(c) Basis of Presentation

The unaudited 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 unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PRESENTATION (continued)

(d) Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the accounts of Tinley and its wholly-owned subsidiaries: Hemplify Inc., Algonquin Springs Beverage Management LLC, Lakewood Libations, Inc. and Boardwalk Beverages, Inc., as well as certain legacy dormant entities: Bolivar Gold Corp., QBC Holdings Corp., Kulta Corp., San Lucas Gold Corp. and Colombian Mining Corp. (collectively the "Company").

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

(e) Significant Accounting Judgments and Estimates

The preparation of these unaudited condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the unaudited condensed interim consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited condensed interim consolidated financial statements include estimates, which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the unaudited condensed interim consolidated financial statements and may require accounting adjustments based on future occurrences.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where the assumptions and estimates are significant to the financial statements were the same as those applied to the Company's audited consolidated financial statements for the year ended December 31, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Adoption of New Accounting Standards

The Company adopted the following amendments and new standards effective January 1, 2019:

IFRS 16 *'Leases'* ("IFRS 16") was issued in January 2016 and replaces IAS 17 *'Leases'* ("IAS 17") as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated amortization and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease.

The Company has applied IFRS 16 with an initial application date of January 1, 2019, in accordance with the transitional provisions specified in IFRS 16. The Company applied the simplified transition approach and did not restate comparative amounts to the year prior to adoption. In respect of these lease commitments, the Company recognized right-of-use assets of approximately $2,801,000, current lease liabilities of $518,000 and non-current lease liabilities of $2,493,000 as at January 1, 2019. Pursuant to the application of the simplified transition approach, the Company recognized the cumulative effect of initially applying IFRS 16 as an adjustment recorded a one-time adjustment to increase the opening accumulated deficit as at January 1, 2019 of $210,073.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Adoption of New Accounting Standards (continued)

The Company has recognized lease liabilities and right-of-use assets at the date of initial application for leases previously classified as operating leases in accordance with IAS 17. The Company has elected to measure the right-of-use assets at the carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application. For the lease previously classified as a finance lease under IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application is equal to the carrying amount of the leased asset and lease liability immediately before the date of initial application.

The adjustments are due to the recognition of right-of-use assets and lease obligations for lease contracts previously classified as operating leases under IAS 17 prior to the date of initial application. The weighted average incremental borrowing rate applied to the lease liabilities recognized at the date of initial application is 12%.

IFRIC 23 '*Uncertainty over income tax treatments'* ("IFRIC 23") clarifies the application of recognition and measurement requirements in IAS 12 *'Income Taxes'*, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances. IFRIC 23 was effective for the Company's fiscal year beginning on January 1, 2019, and the Company adopted this interpretation as of its effective date. The Company has not assessed any significant impact as a result of the adoption of this standard.

(b) Recent Accounting Pronouncements

At the date of authorization of these unaudited condensed interim consolidated financial statements, the IASB and IFRS Interpretations Committee have issued the following new and revised Standards and Interpretations which are effective for annual periods beginning on or after January 1, 2020:

IAS 1 *'Presentation of Financial Statements'* and IAS 8 – *'Accounting Policies, Changes in Accounting Estimates and Errors'* were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

4. INVESTMENTS

As at March 31, 2019, the Company had invested in short-term guaranteed investment certificates ("GICs") of $101,541 and fixed-income securities of $100,850 (December 31, 2018 – $100,988 and $603,945), respectively, which are measured at amortized cost. These investments were held to in order to collect contractual cash flows which are solely payments of principal and interest on the principal amount outstanding.

5. ACCOUNTS RECEIVABLE

	March 31, 2019	December 31, 2018
	$	$
Sales taxes recoverable	**33,076**	27,894
Trade receivables	**14,134**	18,260
	47,210	46,154

The age of trade receivables is 90 days past due.

(Expressed in Canadian Dollars)

6. INVENTORIES

As at March 31, 2019, inventories consisted of the following:

	March 31, 2019	December 31, 2018
	$	$
Raw materials	**88,168**	42,430
Finished goods	**5,020**	5,125
	93,188	47,555

For the three months ended March 31, 2019, inventories recognized as an expense in cost of good sold amounted to $979 (2018 – $6,344).

7. PROPERTY AND EQUIPMENT

	Machinery and equipment	**Construction in progress**	**Total**
	$	$	**$**
Cost at:			
December 31, 2018	81,926	2,017,011	**2,098,937**
Additions	8,686	284,123	**292,809**
Effects of foreign exchange on translation	(1,676)	(41,251)	**(42,927)**
March 31, 2019	88,936	2,259,883	**2,348,819**
Accumulated amortization at:			
December 31, 2018	8,049	-	**8,049**
Amortization (Note 17)	2,129	-	**2,129**
Effect of foreign exchange on translation	(154)	-	**(154)**
March 31, 2019	10,024	-	**10,024**
Net book value:			
December 31, 2018	73,877	2,017,011	**2,090,888**
March 31, 2019	78,912	2,259,883	**2,338,795**

As at March 31, 2019, the balance of construction in progress of $2,259,883 (December 31, 2018 – $2,017,011) was related to engineering and consulting on the design requirements and construction plans of the Company's new bottling facility in Long Beach, California (the "Long Beach facility"), for cannabis beverage production. As the Long Beach Facility is not yet available for use, no amortization or specific asset allocation has been taken on this group of capital expenditures.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2019	December 31, 2018
	$	$
Trade payables	**125,383**	94,747
Accrued liabilities	**71,732**	91,126
	197,115	185,873

Accounts payables and accrued liabilities of the Company 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.

(Expressed in Canadian Dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (continued)

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

	March 31, 2019	December 31, 2018
	$	$
Less than 1 month	**62,285**	135,071
1 to 3 months	**97,775**	49,724
Over 3 months	**37,055**	1,078
	197,115	185,873

9. LEASE PAYABLE

On March 1, 2018, the Company entered into two (2) lease agreements for the Long Beach facility in California, for beverage production and bottling facilities. The leases commenced on March 1, 2018, with a term of five (5) years and three (3) months, ending May 31, 2023, with an option to renew for two (2) additional 36-month periods. On adoption of IFRS 16, the lease of the Long Beach facility had been recognized as a right-of-use asset.

	Lease facility
	$
Cost at:	
January 1, 2019	**2,801,068**
Additions	**-**
Effects of foreign exchange on translation	**(57,287)**
March 31, 2019	**2,743,781**
Accumulated amortization at:	
January 1, 2019	**-**
Amortization (Note 17)	**154,518**
Effect of foreign exchange	**790**
March 31, 2019	**155,308**
Net book value:	
January 1, 2019	**2,801,068**
March 31, 2019	**2,588,473**

10. SHARE CAPITAL

Authorized share capital

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

	March 31, 2019	December 31, 2018
	$	$
Issued: 88,427,034 common shares (December 31, 2018 – 87,827,034)	**27,887,385**	27,611,385

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 (1) vote per share at shareholder meetings of the Company.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL (continued)

Share capital transactions for the three months ended March 31, 2019

On February 20, 2019, the Company closed a non-brokered private placement of 600,000 common shares at a price of $0.46 per share, for gross proceeds of $276,000.

Share capital transactions for the three months ended March 31, 2018

During the three months ended March 31, 2018, 2,021,492 common shares were issued as a result of the exercise of warrants for cash proceeds of $505,373.

During the three months ended March 31, 2018, 100,000 common shares were also issued as a result of the exercise of options for cash proceeds of $30,000.

11. 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 (2) to five (5) years. All options expire on the fifth anniversary from the date of grant unless otherwise specified.

Option grants for the three months ended March 31, 2019

On January 22, 2019, the Company granted 500,000 stock options an Investor Relations consulting firm, at an exercise price of $0.58. The options will vest in six-month tranches of 120,000 options per 6-month tranche.

Option grants for the three months ended March 31, 2018

On January 23, 2018, the Company granted 275,000 options to a number of its employees and consultants at an exercise price of $1.20. 200,000 options will expire on January 23, 2020, and 75,000 options will expire on January 23, 2021. The options vested immediately on grant.

The following is a summary of stock options activities for the three months ended March 31, 2019 and 2018:

	March 31, 2019		March 31, 2018	
	Weighted exercise price	**Number of options**	Weighted exercise price	Number of options
	$	**#**	$	#
Outstanding, beginning of period	**0.49**	**7,210,500**	0.28	3,010,500
Granted	**0.58**	**500,000**	1.20	275,000
Exercised	**-**	**-**	0.30	(100,000)
Expired	**0.33**	**(75,000)**	-	-
Outstanding, end of period	**0.50**	**7,635,500**	0.38	3,185,500
Exercisable, end of period	**0.36**	**3,309,553**	0.35	2,635,500

(Expressed in Canadian Dollars)

11. RESERVE FOR SHARE-BASED PAYMENTS (continued)

The estimated fair value of the options granted during the three months ended March 31, 2019 and 2018 was determined using the Black-Scholes valuation model with the following assumptions. Expected volatility was determined based on historical volatility of the Company and comparable companies.

Grant date	**January 17, 2019**	**January 23, 2018**	**January 23, 2018**
Number of options	500,000	200,000	75,000
Exercise price	$0.58	$1.20	$1.20
Share price	$0.59	$1.18	$1.18
Expected life of options	2 years	2 years	3 years
Expected volatility	104%	143%	130%
Risk-free interest rate	1.90%	1.80%	1.85%

The following table summarizes information of options outstanding as at March 31, 2019:

Date of expiry	**Number of options outstanding**	**Number of options exercisable**	**Exercise price**	**Weighted average remaining life**
	#	**#**	**$**	**Years**
January 23, 2020	100,000	100,000	1.20	0.82
December 23, 2020	910,500	910,500	0.11	1.73
January 17, 2021	500,000	120,000	0.58	1.80
January 27, 2021	25,000	25,000	0.11	1.83
August 4, 2021	350,000	350,000	0.08	2.35
November 3, 2021	600,000	600,000	0.44	2.60
July 12, 2022	600,000	600,000	0.35	3.28
November 22, 2022	350,000	200,000	0.68	3.65
April 20, 2023	100,000	10,000	0.87	4.06
May 11, 2023	150,000	41,786	0.72	4.12
August 13, 2023	300,000	58,333	0.79	4.37
November 30, 2023	2,300,000	258,427	0.58	4.67
November 30, 2023	1,000,000	-	0.58	4.67
December 11, 2023	100,000	10,145	0.58	4.70
December 14, 2023	250,000	25,362	0.58	4.71
	7,635,500	**3,309,553**	**0.50**	**3.62**

12. RESERVE FOR WARRANTS

The following summarizes the warrant activities for the three months ended March 31, 2019 and 2018:

	March 31, 2019		March 31, 2018	
	Number of warrants outstanding	**Fair value**	Number of warrants outstanding	Fair value
	#	**$**	#	$
Balance, beginning of period	**5,661,600**	**6,872,702**	2,446,635	5,322,984
Exercised	**-**	**-**	(2,021,492)	(198,856)
Balance, end of period	**5,661,600**	**6,872,702**	425,143	5,124,128

(Expressed in Canadian Dollars)

12. RESERVE FOR WARRANTS (continued)

The following table summarizes information of warrants outstanding as at March 31, 2019:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average
	#	$	Years
April 6, 2020	5,257,200	1.35	1.02
April 6, 2020	404,400	1.00	1.02
	5,661,600	**1.33**	**1.02**

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

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 during the three months ended March 31, 2019 and 2018 were as follows:

	Three months ended March 31, 2019	Three months ended March 31, 2018
	$	$
Short-term employee benefits, including salaries and consulting fees	**98,000**	117,044
Share-based compensation	**324,511**	47,550
	422,511	164,594

(i) During the three months ended March 31, 2019, Jeffrey Maser, the Chief Executive Officer ("CEO") of the Company, was paid consulting fees of $39,000 (2018 – $39,000) for services rendered. As at March 31, 2019, no balance (December 31, 2018 – $nil) was owed to the CEO for compensation on services rendered.

(ii) During the three months ended March 31, 2019, David Berman, the Chief Financial Officer ("CFO") of the Company, was paid consulting fees of $20,000 (2018 – $16,800) for services rendered. As at March 31, 2019, no balance (December 31, 2018 – $nil) was owed to the CEO for compensation on services rendered.

(iii) During the three months ended March 31, 2019, directors considered to be part of key management were paid fees of $39,000 (2018 – $61,244) for services rendered. As at March 31, 2019, an amount of $37,083 (December 31, 2018 – $27,287) owing to these directors was included in accounts payable and accrued liabilities.

14. 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 Directors 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 March 31, 2019, the Company considers its capital to be share capital, reserve for share-based payments, reserve for warrants, and accumulated other comprehensive loss, totaling $5,397,606 (December 31, 2018 – $6,513,114).

14. CAPITAL RISK MANAGEMENT (continued)

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 during the three months ended March 31, 2019 and the year ended December 31, 2018.

15. COMMITMENTS

As at March 31, 2019, the Company is committed to minimum annual lease payments for its Long Beach facility as follows:

	Total	**Within 1 year**	**1 to 3 years**	**3 to 5 years**
	$	$	$	$
Lease obligations	3,623,158	625,388	1,723,720	1,274,050

The Company has entered into a contract to complete the build-out and installation of the Long Beach facility by June 30, 2019. As at March 31, 2019, $2,114,621 was paid and included in construction in progress, and the Company is further committed to progress payments of approximately $3,299,368 on completion of this project. The contract is denominated in USD for a total of USD $4,039,612.

16. GENERAL AND ADMINISTRATION EXPENSES

The Company's general and administration expenses incurred for the three months ended March 31, 2019 and 2018 were as follows:

	Three months ended March 31, 2019	Three months ended March 31, 2018
	$	$
Corporate costs and administration	**220,377**	178,394
Amortization	**156,647**	1,343
Professional fees	**139,035**	73,403
Payroll and salaries	**122,825**	-
Consulting and management fees	**98,176**	102,026
Rent	**80,699**	-
Travel and promotional	**52,224**	12,298
	869,983	367,464

17. FINANCIAL RISK MANAGEMENT

Fair value

The carrying amount of cash, trade receivables, investments and trade and other payables on the unaudited 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 reputable Canadian and US chartered banks and in various liquid guaranteed interest-bearing instruments 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 year-end is limited to the accounts receivable balance.

17. FINANCIAL RISK MANAGEMENT (continued)

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 primarily from its financing activities. As at March 31, 2019, the Company had a cash balance of $2,806,959 (December 31, 2018 – $3,633,275) to settle current liabilities of $721,420 (December 31, 2018 – $185,873). All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms. Management believes there is sufficient capital in order to meet short-term business obligations, after taking into consideration the cash flows requirements from operations and the Company's cash position as at the reporting date.

Foreign currency risk

The Company operates in Canada and the US and is exposed to foreign exchange risk with respect to USD. The Company raises funds in Canadian dollars for its operations in the US. Foreign exchange risk arises on cash 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. The Company mitigates this risk by maintaining sufficient USD-denominated cash to meet its USD-denominated obligations. As at March 31, 2019, the Company had cash of USD $1,707,778 (December 31, 2018 – USD $2,045,482) and trade account receivables of USD $10,578 (December 31, 2018 – USD $13,385) available to use against trade and other payables of USD $64,489 (December 31, 2018 – USD $71,606).

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a 12-month period:

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, accounts receivable and accounts payable that are denominated in USD. As at March 31, 2019, had the Canadian dollar weakened/strengthened by 10% against the USD with all other variables held constant, the impact on the Company's net loss and other comprehensive loss for the three months ended March 31, 2019 would have been approximately $95,126 as a result of foreign exchange gains (losses) on translation of USD-denominated financial instruments.

18. SUBSEQUENT EVENTS

On April 30, 2019, the Company closed the first tranche of a non-brokered private placement through the issuance of 9,028,699 Units at a price of $0.60 per Unit, for gross proceeds of $5,417,219. Each Unit consists of one (1) common share and one half (1/2) warrant. Each warrant entitles the holder to purchase one (1) common share at a price of $0.90 per common share, for a period of 24 months from closing.

On May 10, 2019, the Company completed the second tranche of the non-brokered private placement through issuance of 5,788,408 Units and a price of $0.60 per Unit, for total gross proceeds of $3,473,044. Each Unit was comprised of one (1) common share of and one half (1/2) warrant. Each warrant entitles the holder to purchase one (1) common share at a price of $0.90 per common share, for a period of 24 months from closing.