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**THE TINLEY BEVERAGE COMPANY INC.**

**Unaudited Condensed Interim Consolidated Financial Statements**

**(Expressed in Canadian Dollars)**

**For the Three and Nine Months Ended September 30, 2019 and 2018**

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## **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 Chartered Professional Accountants of Canada 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 September 30, 2019	As at December 31, 2018
	\$	\$
<b><u>Assets</u></b>		
<b>Current Assets</b>		
Cash	2,555,193	3,633,275
Investments (Note 4)	1,110,293	704,933
Accounts receivable (Note 5)	31,729	46,154
Inventories (Note 6)	433,083	47,555
Prepaid expenses	211,923	132,416
<b>Total Current Assets</b>	<b>4,342,221</b>	<b>4,564,333</b>
<b>Non-Current Assets</b>		
Property and equipment (Note 7)	6,789,019	2,090,888
Right-of-use assets (Notes 3(a) and 9)	2,299,715	-
Security deposits	140,654	144,892
Intangible assets	12,500	12,500
<b>Total Assets</b>	<b>13,584,109</b>	<b>6,812,613</b>
<b><u>Liabilities</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	123,200	185,873
Lease payable – current (Note 9)	576,677	-
<b>Total Current Liabilities</b>	<b>699,877</b>	<b>185,873</b>
<b>Non-Current Liabilities</b>		
Lease payable (Note 9)	2,035,143	-
Deferred lease liabilities	130,420	113,626
<b>Total Liabilities</b>	<b>2,865,440</b>	<b>299,499</b>
<b><u>Shareholders' Equity</u></b>		
Share capital (Note 10)	34,096,154	27,611,385
Reserve for share-based payments (Note 11)	3,867,599	2,696,343
Reserve for warrants (Note 12)	8,985,124	6,872,702
Accumulated other comprehensive loss	(54,831)	(222,579)
Accumulated deficit	(36,175,377)	(30,444,737)
<b>Total Shareholders' Equity</b>	<b>10,718,669</b>	<b>6,513,114</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>13,584,109</b>	<b>6,812,613</b>

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 and nine months ended September 30, 2019 and 2018****(Expressed in Canadian Dollars)**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Sales</b>	<b>21,664</b>	52,921	<b>22,665</b>	69,660
<b>Cost of goods sold</b> (Note 6)	<b>(74,125)</b>	(112,445)	<b>(80,543)</b>	(129,093)
Gross margin	<b>(52,461)</b>	(59,524)	<b>(57,878)</b>	(59,433)
<b>Operating Expenses</b>				
General and administration (Note 16)	<b>1,280,779</b>	617,520	<b>3,211,699</b>	1,603,906
Share-based payments (Note 11)	<b>328,123</b>	69,312	<b>1,171,256</b>	423,541
Sales and marketing	<b>191,868</b>	163,238	<b>568,317</b>	454,937
Foreign exchange (gain) loss	<b>(65,127)</b>	130,197	<b>360,867</b>	77,992
Product development	<b>81,538</b>	66,061	<b>149,933</b>	254,423
	<b>(1,817,181)</b>	(1,046,328)	<b>(5,462,072)</b>	(2,814,799)
<b>Loss before Other Income</b>	<b>(1,869,642)</b>	(1,105,852)	<b>(5,519,950)</b>	(2,874,232)
<b>Other Income</b>				
Interest and other income	<b>11,642</b>	13,306	<b>15,137</b>	28,665
<b>Net Loss</b>	<b>(1,858,000)</b>	(1,092,546)	<b>(5,504,813)</b>	(2,845,567)
<b>Other Comprehensive Income (Loss)</b>				
Gain (loss) on translation of foreign operations	<b>(17,428)</b>	39,200	<b>(6,826)</b>	17,476
<b>Total Comprehensive Loss</b>	<b>(1,875,428)</b>	(1,053,346)	<b>(5,511,639)</b>	(2,828,091)
<b>Weighted Average Number of Common Shares</b>				
<b>Outstanding</b>	<b>106,244,141</b>	87,827,034	<b>99,407,009</b>	85,671,420
<b>Net Loss per Share</b>				
Basic and Diluted	<b>(0.018)</b>	(0.012)	<b>(0.055)</b>	(0.033)

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 nine months ended September 30, 2019 and 2018**

**(Expressed in Canadian Dollars)**

	Share Capital		Reserves			Accumulated other comprehensive loss	Total
	Number of shares	Amount	Share-based payments	Warrants	Accumulated deficit		
	#	\$	\$	\$	\$		
<b>Balance, January 1, 2018</b>	<b>80,013,794</b>	<b>23,958,573</b>	<b>2,154,407</b>	<b>5,322,984</b>	<b>(26,783,831)</b>	<b>(31,977)</b>	<b>4,620,156</b>
Issuance of units from private placements (Notes 10 and 12)	5,257,200	3,366,524	-	2,168,886	-	-	5,535,410
Share issue costs (Notes 10 and 12)	-	(635,901)	-	(357,129)	-	-	(993,030)
Share-based payments (Note 11)	-	-	423,541	-	-	-	423,541
Shares issued on exercise of warrants (Note 10)	2,456,040	878,486	-	(269,675)	-	-	608,811
Shares issued on exercise of options (Note 10)	100,000	51,338	(21,338)	-	-	-	30,000
Exchange gain on translation of foreign operations	-	-	-	-	-	17,476	17,476
Net loss for the period	-	-	-	-	(2,845,567)	-	(2,845,567)
<b>Balance, September 30, 2018</b>	<b>87,827,034</b>	<b>27,619,020</b>	<b>2,556,610</b>	<b>6,865,066</b>	<b>(29,629,398)</b>	<b>(14,501)</b>	<b>7,396,797</b>
<b>Balance, January 1, 2019 as previously reported</b>	<b>87,827,034</b>	<b>27,611,385</b>	<b>2,696,343</b>	<b>6,872,702</b>	<b>(30,444,737)</b>	<b>(222,579)</b>	<b>6,513,114</b>
Impact on adoption of IFRS 16 (Note 3(a))	-	-	-	-	(225,827)	174,574	(51,253)
<b>Balance, January 1, 2019 as restated</b>	<b>87,827,034</b>	<b>27,611,385</b>	<b>2,696,343</b>	<b>6,872,702</b>	<b>(30,670,564)</b>	<b>(48,005)</b>	<b>6,461,861</b>
Issuance of units from private placements (Notes 10 and 12)	15,417,107	7,397,724	-	2,338,665	-	-	9,736,389
Share issue costs (Notes 10 and 12)	-	(912,955)	-	(226,243)	-	-	(1,139,198)
Share-based payments (Note 11)	-	-	1,171,256	-	-	-	1,171,256
Exchange (loss) on translation of foreign operations	-	-	-	-	-	(6,826)	(6,826)
Net loss for the period	-	-	-	-	(5,504,813)	-	(5,504,813)
<b>Balance, September 30, 2019</b>	<b>103,244,141</b>	<b>34,096,154</b>	<b>3,867,599</b>	<b>8,985,124</b>	<b>(36,175,377)</b>	<b>(54,831)</b>	<b>10,718,669</b>

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 and nine months ended September 30, 2019 and 2018**  
**(Expressed in Canadian Dollars)**

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b><u>Operating Activities</u></b>				
Net loss for the period	(1,858,000)	(1,092,546)	(5,504,813)	(2,845,567)
Adjustments for non-cash items:				
Share-based payments (Note 11)	328,123	69,312	1,171,256	423,541
Amortization (Notes 7 and 16)	175,637	1,388	182,409	4,103
Amortization for right-of-use assets (Notes 9 and 16)	162,148	-	472,137	-
Interest on lease obligations	84,703	-	255,252	-
Interest	(6,803)	6,206	(3,475)	3,000
Unrealized foreign exchange (gain) loss	(65,127)	-	360,867	-
	(1,179,319)	(1,015,640)	(3,066,367)	(2,414,923)
Changes in non-cash working capital:				
Accounts receivable (Note 5)	13,306	(25,362)	14,425	(30,872)
Inventories (Note 6)	(72,360)	26,811	(385,528)	(118,982)
Prepaid expenses	44,828	45,291	(79,508)	15,872
Accounts payable and accrued liabilities (Note 8)	(325,595)	15,378	(64,331)	(95,931)
<b>Cash Flows (used in) Operating Activities</b>	<b>(1,519,140)</b>	<b>(953,522)</b>	<b>(3,581,309)</b>	<b>(2,644,836)</b>
<b><u>Financing Activities</u></b>				
Proceeds from private placements (Note 10)	-	-	9,166,263	5,055,000
Share issue costs (Note 10)	-	-	(569,072)	(512,620)
Lease payments	(218,078)	-	(632,051)	-
Proceeds from exercise of warrants (Note 10)	-	-	-	608,810
Proceeds from exercise of options (Note 10)	-	-	-	30,000
<b>Cash Flows (used in) from Financing Activities</b>	<b>(218,078)</b>	<b>-</b>	<b>7,965,140</b>	<b>5,181,190</b>
<b><u>Investing Activities</u></b>				
Additions of capital assets (Note 7)	(1,988,691)	(194,175)	(5,037,553)	(253,064)
Net proceeds from (purchases) redemptions of investments (Note 4)	(900,000)	400,000	(401,885)	400,000
<b>Cash Flows (used in) from Investing Activities</b>	<b>(2,888,691)</b>	<b>205,825</b>	<b>(5,439,438)</b>	<b>146,936</b>
<b>(Decrease) increase in cash</b>	<b>(4,625,909)</b>	<b>(747,697)</b>	<b>(1,055,607)</b>	<b>2,683,290</b>
Effects of foreign exchange on cash	410,989	53,760	(22,475)	21,091
Cash, beginning of period	6,770,113	6,983,098	3,633,275	3,584,780
<b>Cash, end of period</b>	<b>2,555,193</b>	<b>6,289,161</b>	<b>2,555,193</b>	<b>6,289,161</b>

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

# THE TINLEY BEVERAGE COMPANY INC.

## Notes to the Unaudited Condensed Interim Consolidated Financial Statements

September 30, 2019 and 2018

(Expressed in Canadian Dollars)

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### 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 “Tinley™ Tonics” and “Tinley™ ’27” 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 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 (the “Board”) of the Company on November 27, 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 September 30, 2019, the Company had not yet achieved profitable operations, had accumulated losses of \$36,175,377 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.

On April 30, 2019, the Company closed the first tranche (“Tranche 1”) of a non-brokered private placement (“Private Placement Offering”) through the issuance of 9,028,699 units (“Units”) at a price of \$0.60 per Unit, for gross proceeds of \$5,417,219. On May 10, 2019, the Company completed the second tranche (“Tranche 2”) of the Private Placement Offering through issuance of 5,788,408 Units at a price of \$0.60 per Unit, for total gross proceeds of \$3,473,044.

Subsequent to period-end, the Company closed a non-brokered Private Placement Offering through the issuance of 1,250,000 Units at a price of \$0.40 per Unit, for gross proceeds of \$500,000. The Company subsequently raised a further \$850,000 through the issuance of 2,125,000 Units, under the same terms of offering. As a result, the Company believes that it has sufficient cash flows to fund its continuing operations for the 12-months period ending September 30, 2020.

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.

**THE TINLEY BEVERAGE COMPANY INC.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**September 30, 2019 and 2018**  
**(Expressed in Canadian Dollars)**

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**2. BASIS OF PRESENTATION (continued)**

**(c) Basis of Presentation**

These 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.

**(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, and Boardwalk Beverages, Inc., as well as certain legacy dormant immaterial 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 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 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.

*Fair value of financial assets and financial liabilities*

Fair value of financial assets and financial liabilities on the unaudited 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.

*Intangible assets*

Purchased intangible assets are recognized as assets in accordance with IAS 38 ‘Intangible Assets’, where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably. Intangible assets acquired are initially recognized at cost of purchase and are subsequently carried at cost less accumulated amortization, if applicable, and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Licenses and trade names have an indefinite useful life and are tested for impairment annually.



**THE TINLEY BEVERAGE COMPANY INC.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**September 30, 2019 and 2018**  
**(Expressed in Canadian Dollars)**

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**2. BASIS OF PRESENTATION (continued)**

**(e) Significant Accounting Judgments and Estimates (continued)**

*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 buildings, 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.

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine if the value of goodwill has been impaired, the CGU to which goodwill has been allocated must be valued using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

*Income taxes*

Income taxes and tax exposures recognized in the unaudited condensed interim 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.

**THE TINLEY BEVERAGE COMPANY INC.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**September 30, 2019 and 2018**  
**(Expressed in Canadian Dollars)**

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**2. BASIS OF PRESENTATION (continued)**

**(e) Significant Accounting Judgments and Estimates (continued)**

*Expected credit losses on financial assets*

Determining an allowance for expected credit losses 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those noted in the Company's audited consolidated financial statements for the year ended December 31, 2018, unless otherwise noted below.

**(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 12 months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset ("RUA") and a lease liability. The RUA is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the RUA 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 RUAs of approximately \$2,854,000, current lease liabilities of \$528,000 and non-current lease liabilities of \$2,552,000 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 approximately \$226,000.

The Company has recognized lease liabilities and RUA 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 RUAs 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 RUA 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 RUAs 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%.

**THE TINLEY BEVERAGE COMPANY INC.**  
**Notes to the Unaudited Condensed Interim Consolidated Financial Statements**  
**September 30, 2019 and 2018**  
**(Expressed in Canadian Dollars)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(a) Adoption of New Accounting Standards (continued)**

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. The Company has assessed there was no significant impact on its unaudited condensed interim consolidated financial statements, 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 September 30, 2019, the Company held investments in fixed-income securities of \$1,110,293 (December 31, 2018 – \$100,988 in short-term guaranteed investment certificates and \$603,945 in fixed-income securities), 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**

	<b>September 30, 2019</b>	December 31, 2018
	\$	\$
Sales taxes recoverable	<b>25,487</b>	27,894
Trade receivables	<b>6,242</b>	18,260
	<b>31,729</b>	46,154

The age of trade receivables is 90 days past due.

**6. INVENTORIES**

As at September 30, 2019, inventories consisted of the following:

	<b>September 30, 2019</b>	December 31, 2018
	\$	\$
Raw materials	<b>258,174</b>	42,430
Work-in-process	<b>23,129</b>	-
Finished goods	<b>151,780</b>	5,125
	<b>433,083</b>	47,555

For the nine months ended September 30, 2019, inventories recognized as an expense in cost of good sold amounted to \$80,543 (2018 – \$129,093).

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**7. PROPERTY AND EQUIPMENT**

	<b>Buildings, machinery and equipment</b>	<b>Construction in progress</b>	<b>Vehicle</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Cost at:</b>				
December 31, 2018	81,926	2,017,011	-	<b>2,098,937</b>
Additions	215,703	4,648,252	173,598	<b>5,037,553</b>
Reclassification on build-out completion	6,665,263	(6,665,263)	-	-
Effects of foreign exchange on translation	(157,921)	-	-	<b>(157,921)</b>
<b>September 30, 2019</b>	<b>6,804,971</b>	<b>-</b>	<b>173,598</b>	<b>6,978,569</b>
<b>Accumulated amortization at:</b>				
December 31, 2018	8,049	-	-	<b>8,049</b>
Amortization (Note 16)	177,506	-	4,903	<b>182,409</b>
Effect of foreign exchange on translation	(908)	-	-	<b>(908)</b>
<b>September 30, 2019</b>	<b>184,647</b>	<b>-</b>	<b>4,903</b>	<b>189,550</b>
<b>Net book value:</b>				
December 31, 2018	73,877	2,017,011	-	<b>2,090,888</b>
<b>September 30, 2019</b>	<b>6,620,324</b>	<b>-</b>	<b>168,695</b>	<b>6,789,019</b>

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>September 30, 2019</b>	December 31, 2018
	\$	\$
Trade payables	<b>53,563</b>	94,747
Accrued liabilities	<b>69,637</b>	91,126
	<b>123,200</b>	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.

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

	<b>September 30, 2019</b>	December 31, 2018
	\$	\$
Less than 1 month	<b>18,755</b>	135,071
1 to 3 months	<b>48,517</b>	49,724
Over 3 months	<b>55,928</b>	1,078
	<b>123,200</b>	185,873

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**9. RIGHT-OF-USE ASSETS**

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 RUAs as follows:

	<b>Lease facility</b>
	<b>\$</b>
<b>Cost at:</b>	
January 1, 2019	2,853,572
Additions	-
Effects of foreign exchange on translation	(79,983)
<b>September 30, 2019</b>	<b>2,773,590</b>
<b>Accumulated amortization at:</b>	
January 1, 2019	-
Amortization (Note 16)	473,876
Effect of foreign exchange	(1,739)
<b>September 30, 2019</b>	<b>472,137</b>
<b>Net book value:</b>	
January 1, 2019	2,853,572
<b>September 30, 2019</b>	<b>2,299,715</b>

The following table reflects the breakdown of the lease payable on the Long Beach facility as at September 30, 2019:

	<b>\$</b>
Current	576,677
Non-current	2,035,143
	<b>2,611,820</b>

**10. SHARE CAPITAL**

*Authorized share capital*

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

	<b>September 30, 2019</b>	December 31, 2018
	<b>\$</b>	<b>\$</b>
Issued: 103,244,141 common shares (December 31, 2018 – 87,827,034)	<b>34,096,154</b>	27,611,385

*Issued*

Holder 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.

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**10. SHARE CAPITAL (continued)**

*Share capital transactions for the nine months ended September 30, 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.

On April 30, 2019, the Company closed Tranche 1 of the Private Placement Offering 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. In consideration of the services provided by agents (the "Agents") and in connection with Tranche 1 of the Private Placement Offering, the Company paid cash commissions of \$307,739 to the Agents.

On May 10, 2019, the Company completed Tranche 2 of the Private Placement Offering 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 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. In consideration of the services provided by the Agents in connection with Tranche 2 of the Private Placement Offering, the Company paid cash commissions of \$261,333 to the Agents.

*Share capital transactions for the nine months ended September 30, 2018*

On April 6, 2018, the Company closed a brokered private placement of 5,055,000 Units at a price of \$1.00 per Unit, for gross proceeds of \$5,055,000. Each Unit was comprised of one (1) common share and one (1) warrant. Each warrant entitles the holder to purchase one (1) common share at a price of \$1.35 per common share, for a period of 24 months from closing of the offering. In conjunction with the brokered offering, the Company paid a cash commission to the Agents of \$404,400 and share issuance costs of \$108,220. The Company also paid corporate finance fee to the Agents, in the form of 202,200 Units, comprised of one (1) common share and one (1) warrant exercisable at \$1.35 for 24 months.

During the nine months ended September 30, 2018, 2,456,040 common shares were issued as a result of the exercise of warrants for cash proceeds of \$608,810.

During the nine months ended September 30, 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 nine months ended September 30, 2019*

On January 22, 2019, the Company granted 500,000 stock options to an investor relations consulting firm, at an exercise price of \$0.58. The options expire on January 22, 2021. The options vest over 18 months as follows: 120,000 options vested immediately on grant, 120,000 options vesting after six (6) and 12 months, with the remaining 140,000 options vesting after 18 months from the date of grant.

On April 10, 2019, the Company granted 300,000 stock options to a consultant at an exercise price of \$0.70. The options expire on April 10, 2021. The options vest 1/3 on August 10, 2019, December 10, 2019 and April 10, 2020.

On September 4, 2019, the Company granted 625,000 stock options to a number of its employees and consultants at an exercise price of \$0.56. The options expire on September 4, 2024. The options vest quarterly over three (3) years until fully vested.

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**11. RESERVE FOR SHARE-BASED PAYMENTS (continued)**

*Option grants for the nine months ended September 30, 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 expire on January 23, 2020, and 75,000 options expire on January 23, 2021. The options vested immediately on grant.

On April 20, 2018, the Company granted 100,000 options to an employee at an exercise price of \$0.87. The options expire on April 20, 2023. The options vest over three (3) years as follows: 10,000 options vested immediately on grant, and 30,000 options vesting on each anniversary until fully vested.

On May 11, 2018, the Company granted 150,000 options to a number of its advisory board members at an exercise price of \$0.72. The options expire on May 11, 2023. The options vest quarterly over three (3) years until fully vested.

On August 1, 2018, the Company granted 150,000 options to an employee at an exercise price of \$0.61. The options expire on August 1, 2023 and vest over three (3) years as follows: 50,000 options vest on each anniversary until fully vested.

On August 13, 2018, the Company granted 300,000 options to a director at an exercise price of \$0.79. The options expire on August 13, 2023. The options vest quarterly over three (3) years until fully vested.

The following is a summary of stock options activities for the nine months ended September 30, 2019 and 2018:

	September 30, 2019		September 30, 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
Granted	0.70	300,000	0.87	100,000
Granted	0.56	625,000	0.72	150,000
Granted	-	-	0.61	150,000
Granted	-	-	0.79	300,000
Exercised	-	-	0.30	(100,000)
Expired	0.33	(75,000)	1.20	(75,000)
<b>Outstanding, end of period</b>	<b>0.51</b>	<b>8,560,500</b>	0.40	3,810,500
<b>Exercisable, end of period</b>	<b>0.41</b>	<b>4,100,516</b>	0.33	2,883,000

*Black-Scholes valuation assumptions*

The estimated fair value of the options granted during the nine months ended September 30, 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	September 4, 2019	April 10, 2019	January 17, 2019	August 13, 2018
Number of options	625,000	300,000	500,000	300,000
Exercise price	\$0.56	\$0.70	\$0.58	\$0.79
Share price	\$0.56	\$0.67	\$0.59	\$0.55
Expected life of options	5 years	2 years	2 years	5 years
Expected volatility	177%	109%	104%	135%
Risk-free interest rate	1.15%	1.58%	1.90%	2.22%

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**11. RESERVE FOR SHARE-BASED PAYMENTS (continued)**

*Black-Scholes valuation assumptions (continued)*

<b>Grant date</b>	<b>August 1, 2018</b>	<b>May 11, 2018</b>	<b>April 20, 2018</b>	<b>January 23, 2018</b>	<b>January 23, 2018</b>
Number of options	150,000	150,000	100,000	200,000	75,000
Exercise price	\$0.61	\$0.72	\$0.87	\$1.20	\$1.20
Share price	\$0.61	\$0.72	\$0.88	\$1.18	\$1.18
Expected life of options	5 years	5 years	5 years	2 years	3 years
Expected volatility	135%	129%	130%	143%	130%
Risk-free interest rate	2.25%	2.21%	2.17%	1.80%	1.85%

The following table summarizes information of options outstanding as at September 30, 2019:

<b>Date of expiry</b>	<b>Number of options outstanding</b>	<b>Number of options exercisable</b>	<b>Exercise price</b>	<b>Weighted average remaining life</b>
	<b>#</b>	<b>#</b>	<b>\$</b>	<b>Years</b>
January 23, 2020	100,000	100,000	1.20	0.32
December 23, 2020	910,500	910,500	0.11	1.23
January 17, 2021	500,000	240,000	0.58	1.30
January 27, 2021	25,000	25,000	0.11	1.33
April 10, 2021	300,000	100,000	0.70	1.53
August 4, 2021	350,000	350,000	0.08	1.85
November 3, 2021	600,000	600,000	0.44	2.10
July 12, 2022	600,000	600,000	0.35	2.78
November 22, 2022	350,000	200,000	0.68	3.15
April 20, 2023	100,000	40,000	0.87	3.56
May 11, 2023	150,000	69,293	0.72	3.61
August 13, 2023	300,000	113,043	0.79	3.87
November 30, 2023	3,300,000	643,750	0.58	4.17
December 11, 2023	100,000	27,199	0.58	4.20
December 14, 2023	250,000	66,850	0.58	4.21
September 4, 2024	625,000	14,881	0.56	4.93
	<b>8,560,500</b>	<b>4,100,516</b>	<b>0.51</b>	<b>3.19</b>

**12. RESERVE FOR WARRANTS**

The following summarizes the warrant activities for the nine months ended September 30, 2019 and 2018:

	<b>September 30, 2019</b>		<b>September 30, 2018</b>	
	<b>Number of warrants outstanding</b>	<b>Fair value</b>	<b>Number of warrants outstanding</b>	<b>Fair value</b>
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Balance, beginning of period	5,661,600	6,872,702	2,446,635	5,322,984
Issued	4,514,350	978,862	5,257,200	1,533,547
Issued	2,894,204	563,435	404,400	278,210
Issued	910,196	570,125	64,995	-
Exercised	-	-	(2,456,040)	(269,675)
Expired	-	-	(55,590)	-
<b>Balance, end of period</b>	<b>13,980,350</b>	<b>8,985,124</b>	<b>5,661,600</b>	<b>6,865,066</b>



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**12. RESERVE FOR WARRANTS (continued)**

*Warrant activities for the nine months ended September 30, 2019*

On April 30, 2019, the Company issued 4,514,350 warrants, at an exercise price of \$0.90, in conjunction with closing of Tranche 1 of the Private Placement Offering, as disclosed in Note 10. In addition, 505,917 broker warrants were issued as compensation to Agents, to acquire Units for a period of 24 months from the closing date at an exercise price of \$0.60 per Unit. Each broker warrant entitles the Agents to acquire one (1) common share and one half (1/2) warrant, exercisable into one (1) common share at \$0.90 for a period of 24 months from the closing date.

On May 10, 2019, the Company issued 2,894,204 warrants, at an exercise price of \$0.90, in conjunction with closing of Tranche 2 of the Private Placement Offering, as disclosed in Note 10. In addition, 404,279 broker warrants were issued as compensation to Agents, to acquire Units for a period of 24 months from the closing date at an exercise price of \$0.60 per Unit. Each broker warrant entitles the Agents to acquire one (1) common share and one half (1/2) warrant, exercisable into one (1) common share at \$0.90 for a period of 24 months from the closing date.

*Warrant activities for the nine months ended September 30, 2018*

On April 6, 2018, the Company issued 5,055,000 warrants, at an exercise price of \$1.35, in conjunction with the brokered private placement, as disclosed in Note 10. In addition, 202,200 warrants were issued as part of the Agents' Units as compensation to the private placement offering. 404,400 broker warrants exercisable at \$1.00 per share expiring in two (2) years, were also issued in connection with the finders' involvement in the offering. As the fair value of the services received cannot be measured reliably, the Company has measured the transaction at the fair value of the instruments granted.

*Black-Scholes valuation assumptions*

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

<b>Issuance date</b>	<b>April 30, 2019</b>	<b>April 30, 2019</b>	<b>May 10, 2019</b>	<b>May 10, 2019</b>
Number of warrants	4,514,350	505,917	2,894,204	404,279
Exercise price	\$0.90	\$0.60	\$0.90	\$0.60
Share price	\$0.83	\$0.83	\$0.64	\$0.64
Expected life of warrants	2 years	2 years	2 years	2 years
Expected volatility	103%	103%	103%	103%
Risk-free interest rate	1.56%	1.56%	1.64%	1.64%

<b>Issuance date</b>	<b>April 6, 2018</b>	<b>April 6, 2018</b>	<b>April 6, 2018</b>
Number of warrants	5,055,000	202,200	404,000
Exercise price	\$1.35	\$1.35	\$1.00
Share price	\$0.78	\$0.78	\$0.78
Expected life of warrants	2 years	2 years	2 years
Expected volatility	141%	141%	141%
Risk-free interest rate	1.79%	1.79%	1.79%

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**12. RESERVE FOR WARRANTS (continued)**

The following table summarizes information of warrants outstanding as at September 30, 2019:

<b>Date of expiry</b>	<b>Number of warrants outstanding</b>	<b>Exercise price</b>	<b>Weighted average remaining life</b>
	<b>#</b>	<b>\$</b>	<b>Years</b>
April 6, 2020	5,257,200	1.35	0.52
April 6, 2020	404,400	1.00	0.52
April 30, 2021	4,514,350	0.90	1.58
April 30, 2021	505,917	0.60	1.58
May 10, 2021	2,894,204	0.90	1.61
May 10, 2021	404,279	0.60	1.61
	<b>13,980,350</b>	<b>0.91</b>	<b>1.16</b>

**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 nine months ended September 30, 2019 and 2018 were as follows:

	<b>Nine months ended September 30, 2019</b>	Nine months ended September 30, 2018
	<b>\$</b>	<b>\$</b>
Short-term employee benefits, including salaries and consulting fees	<b>296,800</b>	375,200
Share-based compensation	<b>797,218</b>	125,813
	<b>1,094,018</b>	501,013

- (i) During the nine months ended September 30, 2019, the Chief Executive Officer (“CEO”) of the Company, was paid consulting fees of \$117,000 (2018 – \$117,000) for services rendered. As at September 30, 2019, no balance (December 31, 2018 – \$nil) was owed to the CEO for compensation on services rendered.
- (ii) During the nine months ended September 30, 2019, the Chief Financial Officer (“CFO”) of the Company, was paid consulting fees of \$62,800 (2018 – \$51,200) for services rendered and an increased scope and volume of work. As at September 30, 2019, no balance (December 31, 2018 – \$nil) was owed to the CFO for compensation on services rendered.
- (iii) During the nine months ended September 30, 2019, directors considered to be part of key management were paid fees of \$117,000 (2018 – \$207,000) for services rendered. As at September 30, 2019, an amount of \$6,500 (December 31, 2018 – \$27,287) was owed to these directors considered to be part of key management for compensation on services rendered.
- (iv) During the nine months ended September 30, 2019, directors of the Company received share-based compensation of \$797,218 (2018 – \$125,813).

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**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 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 September 30, 2019, the Company considers its capital to be share capital, reserve for share-based payments, reserve for warrants, and accumulated other comprehensive loss, totaling \$10,718,669 (December 31, 2018 – \$6,513,114).

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 nine months ended September 30, 2019 and the year ended December 31, 2018.

**15. COMMITMENTS**

As at September 30, 2019, the Company is committed to minimum annual lease payments for its Long Beach facility as follows:

	<b>Total</b>	<b>Within 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>
	\$	\$	\$	\$
Lease obligations	3,251,140	859,370	1,783,694	608,076

**16. GENERAL AND ADMINISTRATION EXPENSES**

The Company's general and administration expenses incurred for the nine months ended September 30, 2019 and 2018 were as follows:

	<b>Nine months ended September 30, 2019</b>	Nine months ended September 30, 2018
	\$	\$
Amortization	<b>654,546</b>	4,103
Corporate costs and administration	<b>592,975</b>	270,509
Payroll and salaries	<b>445,883</b>	152,134
Rent	<b>427,792</b>	479,129
Professional fees	<b>348,212</b>	343,348
Consulting and management fees	<b>320,740</b>	239,593
Interest on lease obligations	<b>260,436</b>	-
Travel and promotional	<b>161,115</b>	115,090
	<b>3,211,699</b>	1,603,906

**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.

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**17. FINANCIAL RISK MANAGEMENT (continued)**

*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.

*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 September 30, 2019, the Company had a cash balance of \$2,555,193 (December 31, 2018 – \$3,633,275) to settle current liabilities of \$699,877 (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 September 30, 2019, the Company had cash of USD \$149,618 (December 31, 2018 – USD \$2,045,482) and trade account receivables of USD \$4,713 (December 31, 2018 – USD \$13,385) available to use against trade and other payables of USD \$50,464 (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 September 30, 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 nine months ended September 30, 2019 would have been approximately \$12,222 as a result of foreign exchange gains (losses) on translation of USD-denominated financial instruments.

**18. SUBSEQUENT EVENTS**

*Financing*

On November 14, 2019, the Company closed the first tranche of a non-brokered Private Placement Offering through the issuance of 1,250,000 Units at a price of \$0.40 per Unit, for gross proceeds of \$500,000. Each Unit was comprised of one (1) common share and one (1) warrant. Each warrant entitles the holder to purchase one (1) common share at a price of \$0.60 per common share, for a period of 36 months from closing.

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**18. SUBSEQUENT EVENTS (continued)**

*Financing (continued)*

On November 26, 2019, the Company closed a second tranche of the non-brokered Private Placement Offering through the issuance of 2,125,000 Units at a price of \$0.40 per Unit, for gross proceeds of \$850,000, under the same terms of offering announced on November 14, 2019.

In connection with the above-noted Private Placement Offerings, the Company paid Agents' commissions of 7% of the gross proceeds raised, and broker unit options equal to 7% of the number of Units sold in the Private Placement Offering ("Broker Unit Options"). Each Broker Unit Option entitles the Agents to acquire one (1) Broker Unit at an exercise price of \$0.40 for a period of 36 months from closing, with each Broker Unit comprised of one (1) common share and one (1) warrant. In total, the Company had paid cash commission of \$86,275 and issued 215,688 Broker Unit Options.

*Options grant*

On November 14, 2019, the Company granted 200,000 stock options to a new member of the Advisory Board at an exercise price of \$0.37 per common share. The options expire on November 14, 2024, and vest quarterly over one (1) year until fully vested.