THE TINLEY BEVERAGE COMPANY INC.

Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended December 31, 2020 and 2019

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December 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of The Tinley Beverage Company Inc.

Opinion

We have audited the accompanying consolidated financial statements of The Tinley Beverage Company Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis of Opinion

We conduced our audits in accordance with Canadian generally accepted auditing standards ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(b) to the consolidated financial statements, which indicates that during the year ended December 31, 2020, the Company incurred a net loss of $7,689,970 and had negative cash flows from operations of $4,551,617 and its continued existence is dependent on its ability to obtain additional financing. As stated in Note 2(b), these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis ("MD&A"), but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be misstated.

We obtained the MD&A prior to the date of this auditors' report. If based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditors' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audits resulting in this independent auditors' report is Ahmad Aslam, CPA, CA.

Zeifmans LLP

Chartered Professional Accountants
Licensed Public Accountants

April 26, 2021
Toronto, Ontario

THE TINLEY BEVERAGE COMPANY INC.
Consolidated Statements of Financial Position
As at December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
	$	$
Assets		
Current Assets		
Cash and cash equivalents	**2,258,526**	2,614,342
Short-term investments (Note 4)	-	998,955
Accounts receivable (Note 5)	**90,100**	64,269
Prepaid expenses	**288,425**	206,291
Inventories (Note 6)	**785,896**	599,085
Total Current Assets	**3,422,947**	4,482,942
Non-Current Assets		
Property and equipment (Note 7)	**6,398,317**	7,149,179
Right-of-use assets (Note 9)	**1,478,192**	2,131,879
Security deposits	**135,227**	137,946
Total Non-Current Assets	**8,011,736**	9,419,004
Total Assets	**11,434,683**	13,901,946
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8)	**933,180**	871,237
Deferred revenue	**56,980**	-
Current portion of lease liabilities (Note 9)	**686,211**	604,154
Total Current Liabilities	**1,676,371**	1,475,391
Non-Current Liabilities		
Lease liabilities (Note 9)	**1,149,876**	1,873,005
Total Non-Current Liabilities	**1,149,876**	1,873,005
Total Liabilities	**2,826,247**	3,348,396
Shareholders' Equity		
Share capital (Note 10)	**37,977,603**	35,036,761
Reserve for share-based payments (Note 11)	**5,151,049**	3,922,339
Reserve for warrants (Note 12)	**9,515,740**	9,619,818
Contributed surplus	**2,019,826**	157,627
Accumulated other comprehensive loss	**(395,627)**	(212,810)
Accumulated deficit	**(40,660,155)**	(37,970,185)
Total Shareholders' Equity	**8,608,436**	10,553,550
Total Liabilities and Shareholders' Equity	**11,434,683**	13,901,946

Nature of operations (Note 1)
Going concern (Note 2(b))
Contingencies (Note 19)
Subsequent events (Note 21)

Approved on behalf of the Board of Directors April 26, 2021

"Jeffrey Maser" (signed)
Director

"David Ellison" (signed)
Director

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

THE TINLEY BEVERAGE COMPANY INC.

Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
	$	$
Sales	**304,167**	85,128
Cost of goods sold (Note 16)	**(419,552)**	(115,282)
Gross loss	**(115,385)**	(30,154)
Operating Expenses		
General and administration (Note 17)	**3,410,383**	3,297,827
Share-based payments (Note 11)	**1,274,212**	1,383,623
Depreciation on property and equipment (Note 7)	**1,019,522**	387,863
Sales and marketing	**802,208**	1,062,704
Depreciation on right-of-use assets (Note 9)	**644,478**	637,368
Product development	**418,587**	218,502
Foreign currency translation loss (gain)	**(16,471)**	371,042
Impairment of intangible assets	**-**	12,500
	7,552,919	7,371,429
Net Loss before Other Income (Loss)	**(7,668,304)**	(7,401,583)
Other Income (Expense)		
Interest and other income	**(21,666)**	9,461
Net Loss	**(7,689,970)**	(7,392,122)
Other Comprehensive Income (Loss)		
Gain (loss) on translation of foreign operations	**(182,817)**	16,818
Comprehensive Loss	**(7,872,787)**	(7,375,304)
Weighted average number of common shares outstanding	**113,722,720**	98,515,444
Net Loss per Share		
Basic and diluted	**(0.069)**	(0.075)

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

THE TINLEY BEVERAGE COMPANY INC.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	Share Capital		Reserves					
	Number of shares	Amount	Share-based payments	Warrants	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Total
	#	$	$	$	$	$	$	$
Balance, December 31, 2018	**90,827,034**	**27,611,385**	**2,696,343**	**6,872,702**	**-**	**(30,578,063)**	**(229,628)**	**6,372,739**
Issuance of shares and warrants via private placements (Note 10)	19,854,607	8,556,613	-	3,075,051	-	-	-	11,631,664
Share issue costs (Notes 10 and 12)	-	(1,131,237)	-	(327,935)	-	-	-	(1,459,172)
Share-based payments (Note 11)	-	-	1,383,623	-	-	-	-	1,383,623
Forfeiture of options (Note 11)	-	-	(157,627)	-	157,627	-	-	-
Exchange loss on translation of foreign operations	-	-	-	-	-	-	16,818	16,818
Net loss for the year	-	-	-	-	-	(7,392,122)	-	(7,392,122)
Balance, December 31, 2019	**110,681,641**	**35,036,761**	**3,922,339**	**9,619,818**	**157,627**	**(37,970,185)**	**(212,810)**	**10,553,550**
Issuance of shares and warrants via private placements (Note 10)	10,260,125	3,328,573	-	1,952,465	-	-	-	5,281,038
Share issue costs (Notes 10 and 12)	-	(493,332)	-	(237,150)	-	-	-	(730,482)
Share-based payments (Note 11)	-	-	1,261,454	-	-	-	-	1,261,454
Exercise of options (Note 10)	935,500	105,601	(2,696)	-	-	-	-	102,905
Forfeiture of options (Note 11)	-	-	(30,047)	-	42,806	-	-	12,759
Expiry of warrants (Note 12)	-	-	-	(1,819,393)	1,819,393	-	-	-
Exchange gain on translation of foreign operations	-	-	-	-	-	-	(182,817)	(182,817)
Net loss for the year	-	-	-	-	-	(7,689,970)	-	(7,689,970)
Balance, December 31, 2020	**121,877,266**	**37,977,603**	**5,151,049**	**9,515,740**	**2,019,826**	**(45,660,155)**	**(395,627)**	**8,608,436**

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

THE TINLEY BEVERAGE COMPANY INC.
Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Canadian Dollars)

	2020	2019
	$	$
Operating Activities		
Net loss for the year	**(7,689,970)**	(7,392,122)
Adjustments for non-cash items:		
Share-based payments	**1,274,212**	1,383,623
Depreciation of property and equipment (Note 7)	**1,019,522**	429,015
Depreciation of right-of-use assets (Note 9)	**644,478**	637,368
Interest on lease obligations (Note 9)	**251,876**	313,419
Non-cash exercise of option (Note 10 & Note 13(i))	**100,155**	-
Fair market value changes to short-term investments	**23,963**	1,100
Impairment of intangible assets	**-**	12,500
	(4,375,764)	(4.615,097)
Changes in non-cash working capital:		
Inventories (Note 6)	**(186,811)**	(551,530)
Prepaid expenses	**(82,134)**	(73,876)
Accounts receivable (Note 5)	**(25,831)**	(18,115)
Accounts payable and accrued liabilities (Note 8)	**61,943**	685,364
Deferred revenue	**56,980**	-
Cash Flows (used in) Operating Activities	**(4,551,617)**	(4,566,308)
Investing Activities		
Purchases of property and equipment (Note 7)	**(376,853)**	(5,587,545)
Change in security deposits	**(2,719)**	6,946
Proceeds on redemptions of short-term investments	**974,992**	704,933
Purchases of short-term investments	**-**	(1,000,055)
Cash Flows provided by (used in) Investing Activities	**600,857**	(5,882,667)
Financing Activities		
Proceeds from private placements (Note 10)	**4,906,057**	10,941,264
Share issue costs (Note 10)	**(355,500)**	(768,771)
Lease payments (Note 9)	**(875,892)**	(845,235)
Proceeds from exercise of options (Note 10)	**2,750**	-
Cash Flows provided by Financing Activities	**3,677,415**	9,327,258
Decrease in cash and cash equivalents	**(273,345)**	(1,104,899)
Effects of foreign currency translation on cash	**(82,471)**	102,784
Cash and cash equivalents, beginning of year	**2,614,342**	3,633,275
Cash and cash equivalents, end of year	**2,258,526**	2,614,342
Supplemental Cash Flows Information		
Interest received	**-**	11,266

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

1. Nature of Operations

The 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(d)) (together, the "Company") manufacture 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 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".

The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

2. Basis of Presentation

(a) Statement of Compliance

The Company's 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"). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These consolidated financial statements were reviewed, approved and authorized for issuance by the Board of Directors (the "Board") of the Company on April 26, 2021.

(b) Going Concern

These 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 year ended December 31, 2020, the Company had a net loss of $7,689,970, incurred negative cash flow from operations of $4,551,617, and has an accumulated deficit of $45,660,155 as at December 31, 2020. The Company is dependent on its ability to obtain additional financing. 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 year ending December 31, 2021. Management carefully manages its cash flows and, as necessary, undertakes efforts to raise additional capital.

These 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 consolidated financial statements. Such adjustments could be material.

(c) Basis of Presentation

The 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, as explained in the accounting policies set out in Note 3.

In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements include the accounts of Tinley and its wholly-owned subsidiaries: Hemplify Inc., Algonquin Springs Beverage Management LLC, Beckett Tonics California Inc. (formerly Boardwalk Beverages, Inc.), Lakewood Libations Inc. and Beckett's Tonics Canada Inc., 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-deconsolidated from the date control ceases. The 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.

(e) Significant Accounting Judgments and Estimates

The preparation of these 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.

Covid-19 Pandemic

The global pandemic related to an outbreak of COVID-19 has cast uncertainty on many of the Company's assumptions and estimates. There can be no assurance that such assumptions and estimates continue to be valid. Given the rapid pace of change in the severity of and response to the COVID-19 outbreak, it is premature for the Company make further assumptions or estimates. The situation is dynamic and the ultimate duration and magnitude of the impact of COVID-19 on the economy and the financial effect on the business is not known at this time. These impacts could include, amongst others, an impact on the Company's ability to obtain debt or equity financing, increased credit risk on receivables, impairments in the value of the long-lived assets, or potential future decreases in revenue or profitability of the Company's ongoing operations.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the 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 impairment losses.

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 ("FVTPL") 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 except indefinite life intangible assets and goodwill, 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.

2. Summary of Significant Accounting Policies

(a) Cash and Cash Equivalents
Cash and cash equivalents consist of bank balances and short-term deposits with an original maturity of three months or less held in Canadian chartered banks and reputable Canadian and US financial institutions.

(b) Inventories
Inventories are initially recognized at cost, and subsequently measured at the lower of cost and net realizable value (the estimate selling price in the ordinary course of business less estimated costs of completion and estimated costs necessary to make the sale) using the "weighted average cost" method. Cost comprises all costs of purchase, and other costs incurred in bringing the inventories to their present location and condition.

(c) Revenue from Contracts with Customers
Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer. Net revenue from sale of goods, as presented in the consolidated statements of loss and comprehensive loss, represents revenue from the sale of goods less expected price discounts.

The Company's contracts with customers for the sales of cannabis-infused beverages consist of one performance obligation. The Company has concluded that revenue from the sale of these products should be recognized at the point in time when control is transferred to the customer, which is on shipment or delivery, depending on the contract.

The Company's payment terms vary by customer types. Typically, payment is due 30 days after the transfer of control.

(d) Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes the acquisition costs or construction costs, as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and depreciated separately.

Depreciation is computed using the straight-line method based on the estimated useful life of the assets and commences when title and ownership have transferred to the Company and is readily available for its intended use. The residual value, useful life and depreciation methods are reviewed at the end of each reporting period. Such a review takes into consideration the nature of the asset, the intended use and impact of technological changes. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of capital assets. Subsequent costs are included in the asset carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is recorded on a straight-line basis as follows:

- Machinery and equipment: 10 years
- Leasehold improvements: Straight-line over the term of the lease
- Vehicles: 5 years

(e) Income Taxes

Income tax expense comprises current and deferred income tax expense. Current and deferred taxes are recognized in net loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

Current income taxes

Current income taxes are recognized and measured at the amount expected to be recovered from, or payable to, the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred income taxes

Deferred income taxes are recorded for temporary differences at the date of the consolidated statements of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of a deferred income tax asset is reviewed at the end of the reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of the reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, they relate to income taxes levied by the same taxation authority and the Company has the legal rights and intent to offset.

(f) Equity

Common shares, stock options and warrants are classified as equity. Incremental costs directly attributable to the issuance of common shares and warrants are recognized as a deduction from equity, net of any tax effects.

(g) Loss per Share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding for the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding for the year, if dilutive. Dilution is calculated based on the net number of common shares issued after proceeds upon the exercise of the options and warrants to purchase common shares at the average market price for the year. For the year ended December 31, 2020 and 2019, all of the outstanding share options and warrants were anti-dilutive.

(h) Share-Based Payments

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments. The costs of share-based payments are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "Vesting Date"). The cumulative expense is recognized for such transactions at each reporting date until the Vesting Date and reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account ("Black-Scholes") the terms and conditions which the options were granted, the estimated volatility, estimated risk free rate and estimated forfeitures. In situations where equity instruments are issued to parties other than employees and the fair value of some or all of the goods or services received by the entity as consideration cannot be reliably measured, the transactions are measured at the fair value of the instruments.

If a grant of the share-based payments is cancelled or settled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), the Company accounts for the cancellation or settlement as an acceleration of vesting, and recognized immediately the amount that otherwise would have been recognized for services over the remainder of the vesting period.

The amount recognized for goods or services received during the vesting period are based on the best available estimate of the number of equity instruments anticipated to vest. The Company revises that estimate, if necessary, if subsequent information indicates that the number of share options anticipated to vest differs from previous estimates. On the Vesting Date, the Company revises the estimate to equal the number of equity instrument that ultimately vested. After the Vesting Date, the Company makes no subsequent adjustment to total equity for goods or services received if the share options are later forfeited or they expire at the end of the share option's life.

If a grant of the share based payment is modified during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) and their fair value of the new instruments is higher than the fair value of the original instrument, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments vests, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period of the original instrument.

(i) Warrants

The Company follows the relative fair value method with respect to the measurement of common shares and warrants issued as units (each being a "Unit"). The proceeds from the issuance of units are allocated between share capital and warrants. The warrant component is recorded in warrant reserves. Unit proceeds are allocated to common shares and warrants using the Black-Scholes and the share price at the time of financing, if and when the warrants are exercised, consideration paid by the warrant holder, together with the amount previously recognized in warrant reserves, is recorded as an increase to share capital A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of warrants that vest. When warrants are cancelled, they are treated as if they have vested on the date of cancellation and any cost not yet recognized in profit or loss is immediately expensed. Upon expiration of warrants, the amount applicable to expired warrants is moved to contributed surplus.

(j) Research and Development
Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and use or sell the asset. Other development expenditures are recognized in net loss as incurred. To date, no development costs have been capitalized.

(k) Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event, it is probable that a future outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at December 31, 2020 and 2019, the Company had no material provisions.

(l) Financial Instruments
Financial assets and financial liabilities, including derivatives, are recognized on the statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification
The Company classifies its financial instruments in the following measurement categories: (a) those to be measured subsequently at FVTPL; (b) those to be measured subsequently at fair value through other comprehensive income ("FVTOCI"); and (c) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at FVTPL, gains and losses are recorded in profit and loss.

The Company reclassifies financial assets when its business model for managing those assets changes. Financial liabilities are not reclassified.

Amortized cost
This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely principal and interest ("SPPI") criterion. Financial asset classified in this category are measured at amortized cost using the effective interest method.

Expected credit loss impairment model
IFRS 9 *'Financial Instruments'* introduced a single ECL impairment model, which is based on changes in credit quality since initial application. The adoption of the ECL impairment model had resulted in a provision of ECL recorded on the Company's consolidated statements of loss and comprehensive loss.

- A maximum 12-month allowance for ECL is recognized from initial recognition reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring.

- A lifetime ECL allowance is recognized if a significant increase in credit risk is detected subsequent to the instruments initial recognition reflecting lifetime cash shortfalls that would result over the expected life of a financial instrument.

- A lifetime ECL allowance is recognized for credit impaired financial instruments.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

FVTPL
This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in profit or loss.

FVTOCI
Equity instruments that are not held-for-trading can be irrevocably designated to have their change in FVTOCI instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at FVTOCI are initially measured at fair value and changes therein are recognized in other comprehensive income (loss).

Measurement
All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (loss) (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income (loss).

The Company's classification of financial assets and liabilities is summarized below:

	Classification
Cash	Amortized cost
Accounts receivable	Amortized cost
Short-term investments	FVTPL
Security deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease payable	Amortized cost

Derecognition
Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership

to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligation under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

Fair value hierarchy
The determination of fair value requires judgment and is based on market information, where available and appropriate. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(m) Foreign Currency Transactions
Functional and presentation currency
Items included in the consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of Tinley is the Canadian Dollar, which is the presentation currency of the consolidated financial statements. The functional currency of all subsidiaries is the US Dollar ("USD").

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains (losses) resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Translation of foreign operations
The results and financial position of all the entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the date of the consolidated statements of financial position.
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate in effect on the dates of the transactions); and
- All resulting exchange differences are recognized as a separate component of equity as accumulated other comprehensive income (loss).

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to accumulated other comprehensive income (loss). When a foreign operation is partially disposed of or sold, exchange differences that were recorded in accumulated other comprehensive income (loss) are recognized in the consolidated statements of loss and comprehensive loss as part of the gain or loss on sale.

(n) Leased Assets
At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company then recognizes a right-of-use asset ("RUA") and a lease liability at the lease commencement date. The RUA is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the RUA or the lease term using the straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, the amount of the remeasurement is recognized as a corresponding adjustment to the carrying amount of the RUA, or is recorded in profit or loss if the carrying amount of the RUA has been reduced to zero.

(o) Adoption of New Accounting Standards

The Company adopted the following amendments and new standards effective January 1, 2020:

IAS 1 *'Presentation of Financial Statements'* ("IAS 1") 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 Company had assessed there was no significant impact on its consolidated financial statements, as a result of the adoption of these amendments.

(p) Recent Accounting Pronouncements

At the date of authorization of these consolidated financial statements, the IASB and IFRS Interpretations Committee have issued the following new and revised standard which is effective for annual periods beginning on or after January 1, 2021:

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity. The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. Early application is permitted. Management has determined that none of these will have a significant effect on the consolidated financial statements of the Company.

In May 2020, the IASB issued amendments to update IAS 37 *'Provisions, Contingent Liabilities and Contingent Assets'* ("IAS 37"). The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contra ct. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

(Expressed in Canadian Dollars)

Management has determined that none of these will have a significant effect on the consolidated financial statements of the Company.

4. Short-Term Investments

As at December 31, 2020, the Company had redeemed all of its investment in various fixed-income securities, the investment valued at $nil (December 31, 2019 – $998,955). These short-term investments were valued at FVTPL.

5. Accounts Receivable

	2020	2019
	$	$
Sales taxes recoverable	**75,674**	41,146
Trade receivables	**14,426**	23,123
	90,100	64,269

6. Inventories

As at December 31, 2020, inventories consisted of the following:

	2020	2019
	$	$
Raw materials	**507,064**	384,903
Finished goods	**224,223**	191,510
Work in process	**54,609**	22,672
	785,896	599,085

For the year ended December 31, 2020, inventories recognized as an expense in cost of goods sold amounted to $419,552 (2019 – $115,282).

(Expressed in Canadian Dollars)

7. Property and Equipment

	Construction in Progress	Plant equipment	Leasehold improvements	Vehicles	Total
	$	$	$	$	$
Cost at:					
January 1, 2019	2,017,011	81,926	-	-	**2,098,937**
Additions	4,506,316	450,481	460,493	170,255	**5,587,545**
Reclassification on build-out completion	(6,426,630)	5,425,306	1,001,324.00	-	-
Effects of foreign exchange on translation	(96,697)	(3,927)	-	-	**(100,624)**
December 31, 2019	**-**	**5,953,786**	**1,461,817**	**170,255**	**7,585,858**
Accumulated depreciation at:					
January 1, 2019	-	8,049	-	-	**8,049**
Depreciation	-	284,818	130,876	13,321	**429,015**
Effect of foreign exchange on translation	-	(385)	-	-	**(385)**
December 31, 2019	**-**	**292,482**	**130,876**	**13,321**	**436,679**
Cost at:					
January 1, 2020	-	5,953,786	1,461,817	170,255	**7,585,858**
Additions	-	47,970	328,883	-	**376,853**
Effects of foreign exchange on translation	-	(127,307)	(45,557)	(3,356)	**(176,220)**
December 31, 2020	**-**	**5,874,449**	**1,745,143**	**166,899**	**7,786,491**
Accumulated depreciation at:					
January 1, 2020	-	292,482	130,876	13,321	**436,679**
Depreciation	-	616,224	368,127	35,171	**1,019,522**
Effect of foreign exchange on translation	-	(44,651)	(21,322)	(2,054)	**(68,027)**
December 31, 2020	**-**	**864,055**	**477,681**	**46,438**	**1,388,174**
Net book value:					
December 31, 2019	-	5,661,304	1,330,941	156,934	**7,149,179**
December 31, 2020	**-**	**5,010,394**	**1,267,462**	**120,461**	**6,398,317**

For the year ended December 31, 2020, depreciation of $nil (2019 - $42,606) was recognized into cost of good sold.

8. Accounts Payable and Accrued Liabilities

	2020	2019
	$	$
Trade payables	**851,708**	794,460
Accrued liabilities	**81,472**	76,777
	933,180	871,237

Accounts payable 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:

	2020	2019
	$	$
Less than 1 month	**351,287**	845,179
1 to 3 months	**5,057**	15,546
Over 3 months	**576,895**	10,512
	933,180	871,237

(Expressed in Canadian Dollars)

9. Right-of-Use Assets and Lease Liability

On March 1, 2018, the Company entered into two 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 years and three months, ending May 31, 2023, with an option to renew for two additional 36-month periods. The lease of the Long Beach facility was as a RUA on adoption of IFRS 16 'Leases' on January 1, 2019.

The following is a summary of the RUA as at December 31, 2019 and 2020:

	$
Cost at:	
January 1, 2019	**3,440,764**
Additions	**-**
Effects of foreign exchange on translation	**(164,950)**
December 31, 2019	**3,275,814**
Accumulated depreciation at:	
January 1, 2019	**546,153**
Depreciation	**637,368**
Effect of foreign exchange	**(39,586)**
December 31, 2019	**1,143,935**
Cost at:	
January 1, 2020	**3,275,814**
Additions	**-**
Effects of foreign exchange on translation	**(64,568)**
December 31, 2020	**3,211,246**
Accumulated depreciation at:	
January 1, 2020	**1,143,935**
Depreciation	**644,478**
Effect of foreign exchange on translation	**(55,359)**
December 31, 2020	**1,733,054**
Net book value:	
December 31, 2019	**2,131,879**
December 31, 2020	**1,478,192**

The following table reflects the changes in the reconciliation of the lease payable on the Long Beach facility as at the two years ended December 31, 2020:

(Expressed in Canadian Dollars)

	2020	2019
	$	$
Lease liability, beginning of the year	**2,477,159**	3,148,611
Lease payments	**(875,892)**	(845,235)
Interest on lease obligations	**251,876**	313,419
Effects of foreign exchange on translation	**(17,056)**	(139,636)
Lease liability, end of the year	**1,836,087**	2,477,159
Current	**686,211**	604,154
Non-current	**1,149,876**	1,873,005
	1,836,087	2,477,159

10. 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.

	Shares	Proceeds	Proceeds on Exercise of options	Share issuance costs	Allocated (to) from reserve for wrrants	Allocated (to) from reserve for share based compensation	Amount
	#	$		$	$	$	$
Balance, December 31, 2018	**90,827,034**	-	-	-	-	-	**27,611,385**
Issuance on private placement February 20, 2019 (d)	600,000	276,000	-	-	-	-	276,000
Issuance on private placement April 30, 2019 (e)	9,028,699	5,417,219	-	(560,841)	(1,118,040)	-	3,738,338
Issuance on private placement May 10, 2019 (f)	5,788,408	3,473,045	-	(402,048)	(650,500)	-	2,420,497
Issuance on private placement Nov 14, 2019 (g)	1,250,000	500,000	-	(48,324)	(171,202)	-	280,474
Issuance on private placement Nov 26, 2019 (h)	2,125,000	850,000	-	(74,088)	(298,048)	-	477,864
Issuance on private placement Dec 24, 2019 (i)	1,062,500	425,000	-	(45,937)	(146,860)	-	232,203
Balance, December 31, 2019	**110,681,641**	**10,941,264**	**-**	**(1,131,238)**	**(2,384,650)**	**-**	**35,036,761**
Issuance on private placements June 30, 2020	3,700,000	1,850,000	-	(183,576)	(558,166)	-	1,108,258
Issuance on private placement August 31, 2020	2,080,000	1,040,000	-	(103,526)	(285,208)	-	651,266
Issuance on exercise of options November 16, 2020	25,000	-	2,750	-	-	1,500	4,250
Issuance on exercise of options November 16, 2020	910,500	-	100,155	-	-	1,196	101,351
Issuance on private placements November 23, 2020	2,222,300	1,000,035	-	(110,919)	(376,010)	-	513,106
Issuance on private placement December 8, 2020	2,257,825	1,016,021	$ -	(95,311)	(358,099)	$ -	562,611
Balance, December 31, 2020	**121,877,266**	**4,906,056**	**102,905**	**(493,332)**	**(1,577,483)**	**2,696**	**37,977,603**

Included in the number of shares outstanding above, at no cost, are 3,000,000 common shares in escrow ("Escrow Shares") for the Chief Executive Officer ("CEO") of the Company. In accordance with a consulting agreement (the "Agreement") entered between the Company and the 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 has elected to extend the deadline for achieving these sales targets by two years. During the term of the Agreement, the Company will release 1,500,000 Escrow shares if sales exceed $1 million over any four consecutive quarters. An additional 1,500,000 consideration shares will be released if sales exceed $3 million over any four consecutive quarters. During the year ended December 31, 2020 the Escrow Shares were extended and are now expected to be cancelled on October 29, 2022.

2019 share capital transactions

(a) 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 (also see Note 13 (iii)).

(b) On April 30, 2019, the Company closed the first tranche ("Tranche 1") of a non-brokered private placement (the "Q2 2019 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 common share and one half (1/2) warrant (each, a "Warrant"). Each Warrant entitles the holder to purchase one 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 Q2 2019 Private Placement Offering, the Company paid cash commissions of $307,739 to the Agents. In addition, 505,917 broker unit purchase warrants ("Broker Unit Purchase Warrant Type I") 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 common share and one half (1/2) warrant, exercisable into one common share at $0.90 for a period of 24 months from the closing date.

(c) On May 10, 2019, the Company completed a second tranche ("Tranche 2") of the Q2 2019 Private Placement Offering through issuance of 5,788,408 Units and a price of $0.60 per Unit, for total gross proceeds of $3,473,04. Each Unit was comprised of one common share of and one half (1/2) warrant. Each Warrant entitles the holder to purchase one 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 Q2 2019 Private Placement Offering, the Company paid cash commissions of $261,333 to the Agents. In addition, 404,279 Broker Unit Purchase Warrants Type I 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 common share and one half (1/2) warrant, exercisable into one common share at $0.90 for a period of 24 months from the closing date.

(d) On November 14, 2019, the Company completed Tranche 1 of another non-brokered private placement (the "Q4 Private Placement Offering") through issuance of 1,250,000 Units at a price of $0.40 per Unit, for total gross proceeds of $500,000. Each Unit was comprised of one common share and one Warrant. Each Warrant entitles the holder to purchase one common share at a price of $0.60 per common share, for a period of 36 months from closing. In consideration of the services provided by the Agents in connection with Tranche 1 of the Q4 2019 Private Placement Offering, the Company paid cash commission of $35,000 to the Agents. In addition, 87,500 Broker Unit Purchase Warrants ("Broker Unit Purchase Warrant Type 2) were issued as compensation to Agents, to acquire Units for a period of 36 months from the closing date at an exercise price of $0.40 per Unit. Each Broker Unit Purchase Warrant Type 2 entitles the Agents to acquire one common share and one Warrant, exercisable into one common share at $0.60 for a period of 36 months from the closing date.

(e) On November 26, 2019, the Company completed Tranche 2 of the Q4 2019 Private Placement Offering through issuance of 2,125,000 Units at a price of $0.40 per Unit, for total gross proceeds of $850,000. Each Unit was comprised of one common share and one Warrant. Each Warrant entitles the holder to purchase one common share at a price of $0.60 per common share, for a period of 36 months from closing. In connection with Tranche 2 of the Q4 2019 Private Placement Offering, the Company paid cash commission of $51,275 to the Agents. In addition, 128,188 Broker Unit Purchase Warrants Type 2 were issued as compensation to Agents, to acquire Units for a period of 36 months from the closing date at an exercise price of $0.40 per Unit. Each Broker Unit Purchase Warrant Type 2 entitles the Agents to acquire one common share and one Warrant, exercisable into one common share at $0.60 for a period of 36 months from the closing date.

(f) On December 24, 2019, the Company completed the final tranche of the Q4 2019 Private Placement Offering through issuance of 1,062,500 Units at a price of $0.40 per Unit, for total gross proceeds of $425,000. Each Unit is comprised of one common share and one Warrant at a price of $0.60 per common share, for a period of 36 months from closing. In consideration of the services provided by Agents, the Company paid cash commission of $29,750. In addition, 74,735 Broker Unit Purchase Warrants Type II were issued as compensation to Agents, to acquire Units for a period of 36 months from the closing date at an exercise price of $0.40 per Unit. Each Broker Unit Purchase Warrant Type II entitles the Agents to acquire one common share and one Warrant, exercisable into one common share at $0.60 for a period of 36 months from the closing date.

2020 share capital transactions

(g) On June 30, 2020, the Company closed a non-brokered private placement (the "Q2 2020 Private Placement

(Expressed in Canadian Dollars)

Offering") through the issuance of 3,700,000 Units at a price of $0.50 per Unit, for gross proceeds of $1,850,000. Each Unit is comprised of one common share of the Company and one Warrant. Each Warrant entitles the holder to purchase one common share at a price of $0.70 for a period of 24 months following from closing. In connection with the Q2 2020 Private Placement Offering, the Company paid cash commissions of $130,152 to Agents. In addition, 260,304 Broker Unit Purchase Warrants Type II were issued as compensation to the Agents (see Note 12 for details).

(h) On August 31, 2020, the Company closed another non-brokered private placement (the "Q3 2020 Private Placement Offering") through the issuance of 2,080,000 Units at a price $0.50 per Unit, for gross proceeds of $1,040,000. 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 $0.70 for a period of 24 months following the closing. In connection with the Q3 2020 Private Placement Offering, the Company paid cash commissions of $77,200 to the Agents. In addition, 154,400 Broker Unit Purchase Warrants Type II were issued as compensation to the Agents (see Note 12 for details).

(i) On November 16, 2020, the Company issued 25,000 common shares through the exercise of options at $0.11 per share, for total proceeds of $2,750.

(j) On November 16, 2020, the Company issued 910,500 common shares through the exercise of options at $0.11 per share, for total proceeds of $100,155. This option exercise was a non-cash transaction as the proceeds of this option exercise were settled as additional compensation for the CEO and not in cash.

(k) On November 23, 2020, the Company closed a non-brokered private placement (the "Q4 2020 Private Placement Offering") through the issuance of 2,222,300 Units at a price $0.45 per Unit, for gross proceeds of $1,000,035. 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 $0.60 for a period of 36 months following the closing. In connection with the Q4 2020 Private Placement Offering, the Company paid cash commissions of $70,002 to the Agents. In addition, 155,561 Broker Unit Purchase Warrants Type II were issued as compensation to the Agents (see Note 12 for details).

(l) On December 8, 2020, the Company closed another non-brokered private placement through the issuance of 2,257,825 Units at a price $0.45 per Unit, for gross proceeds of $1,016,021. 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 $0.60 for a period of 36 months following the closing. In connection with the Q4 2020 Private Placement Offering, the Company paid cash commissions of $71,121 to the Agents. In addition, 158,048 Broker Unit Purchase Warrants Type II were issued as compensation to the Agents (see Note 12 for details).

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 to five years. All options expire on the fifth anniversary from the date of grant unless otherwise specified.

The following summarizes the options activities for the year ended December 31, 2020 and 2019:

	2020		2019	
	Weighted exercise price	**Number of options**	Weighted exercise price	Number of options
	$	**#**	$	#
Outstanding, beginning of year	**0.48**	**11,065,500**	0.49	7,210,500
Granted	**0.44**	**50,000**	0.58	500,000
Granted	**0.46**	**350,000**	0.70	300,000
Granted	**0.37**	**200,000**	0.56	625,000
Granted	**-**	**-**	0.37	200,000
Granted	**-**	**-**	0.50	100,000

(Expressed in Canadian Dollars)

Granted	-	-	0.60	100,000
Granted	-	-	0.70	100,000
Granted	-	-	0.41	2,705,000
Exercised	**0.11**	**(25,000)**	-	-
Exercised	**0.11**	**(910,500)**	-	-
Expired	-	-	0.33	(75,000)
Cancelled	**0.58**	**(100,000)**	-	-
Forfeited	-	-	1.20	(100,000)
Forfeited	-	-	0.58	(500,000)
Forfeited	-	-	0.33	(100,000)
Outstanding, end of year	**0.50**	**10,630,000**	0.48	11,065,500
Exercisable, end of year	**0.51**	**6,940,417**	0.42	4,485,250

Option grants in 2019
On January 17, 2019, the Company granted 500,000 stock options to a consultant, at an exercise price of $0.58 per share. The options expire on January 17, 2021. The options vest over 18 months as follows: 120,000 options vested immediately on grant, 120,000 options vesting after six and 12 months, with the remaining 140,000 options vesting after 18 months from the date of grant. These options had since been forfeited in 2019.

On April 10, 2019, the Company granted 300,000 stock options to a consultant at an exercise price of $0.70 per share. 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 per share. The options expire on September 4, 2024. The options vest quarterly over three years.

On November 14, 2019, the Company granted 200,000 stock options to a member of its advisory board at an exercise price of $0.37 per share. The options expire on September 4, 2024. The options vesting quarterly over one year.

On December 2, 2019, the Company granted 300,000 stock options to a consultant at an exercise prices of $0.50 per share for 100,000, $0.60 per share for 100,000 and $0.70 per share for 100,000 respectively. The options expire on December 2, 2021. The first 100,000 options vested on April 2, 2020, the second 100,000 options vested on August 2, 2020, and the third 100,000 options vested on December 2, 2020.

On December 23, 2019, the Company granted 2,705,000 stock options to a number of its employees and consultants at an exercise price of $0.41 per share. The options expire on December 23, 2024. The options vest quarterly over three years.

Options cancelled in 2019
On March 22, 2019 75,000 options granted on March 22, 2017 expired unexercised.

On April 12, 2019 500,000 options granted to a consultant on January 17, 2019 were forfeited when the Company mutually terminated the agreement.

On September 4, 2019 50,000 options granted to a consultant on January 23, 2018 were forfeited when the consultant was unable to meet the conditions of their contract.

On September 30, 2019 50,000 options granted to an employee on January 23, 2018 were forfeited when the employee terminated their employment at the Company.

On December 15, 2019 100,000 options granted to an employee on September 4, 2019 were forfeited when the employee terminated their employment at the Company.

(Expressed in Canadian Dollars)

Options grants in 2020
On July 10, 2020, the Company granted 50,000 stock options to an employee, at an exercise price of $0.44 per share. The options expire on July 9, 2025. The options vest quarterly over three years.

On August 16, 2020, the Company granted 350,000 stock options to an employee, at an exercise price of $0.46 per share. The options expire on August 16, 2030. The options vest in 11 quarterly instalments of 29,166 options followed by a final quarterly instalment of 29,174 options. The first quarterly instalment vest on December 1, 2020, and further quarterly instalments vest on March 1, June 1, September 1 and December 1 of each year until the options are fully vested.

On October 6, 2020, the Company granted 200,000 stock options to a consultant, at an exercise price of $0.37 per share. The options expire on October 6, 2025. The options vest upon the completion of the three-month initial terms of the consulting agreement.

Options cancelled in 2020
On January 27, 2020, 100,000 options granted on November 30, 2018 to its officer were cancelled at an exercise price of $0.58 per share.

Black-Scholes valuation assumptions

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

Options granted in 2019

Grant date	**December 23, 2019**	**December 23, 2019**	**December 23, 2019**	**December 2, 2019**	**December 2, 2019**
Number of options	290,000	75,000	2,340,000	100,000	100,000
Exercise price per share	$0.41	$0.41	$0.41	$0.70	$0.60
Share price	$0.405	$0.405	$0.405	$0.36	$0.36
Expected life of options	5 years	5 years	5 years	2 years	2 years
Expected volatility	126%	126%	126%	102%	102%
Risk-free interest rate	1.65%	1.65%	1.65%	1.61%	1.61%
Forfeiture rate	10%	10%	10%	10%	10%

Grant date in 2019	**December 2, 2019**	**November 11, 2019**	**September 4, 2019**	**April 10, 2019**	**January 17, 2019**
Number of options	100,000	200,000	625,000	300,000	500,000
Exercise price per share	$0.50	$0.37	$0.56	$0.70	$0.58
Share price	$0.36	$0.435	$0.56	$0.67	$0.59
Expected life of options	2 years	5 years	5 years	2 years	2 years
Expected volatility	102%	126%	125%	109%	104%
Risk-free interest rate	1.61%	1.47%	1.15%	1.58%	1.90%
Forfeiture rate	10%	10%	10%	10%	10%

Options granted in 2020

Grant date	**October 6, 2020**	**August 16, 2020**	**July 10, 2020**
Number of options	200,000	350,000	50,000
Exercise price per share	$0.37	$0.46	$0.44
Share price	$0.37	$0.46	$0.44
Expected life of options	5 years	10 years	5 years
Expected volatility	135%	157%	120%

(Expressed in Canadian Dollars)

Risk-free interest rate	0.35%	0.61%	0.36%
Forfeiture rate	10%	10%	10%

The following table summarizes information of options outstanding as at December 31, 2020:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining
	#	#	$		Years
April 10, 2021	300,000	300,000	0.70	100,531	0.27
August 4, 2021	350,000	350,000	0.08	12,423	0.59
November 3, 2021	600,000	600,000	0.44	235,552	0.84
December 2, 2021	100,000	100,000	0.50	14,951	0.92
December 2, 2021	100,000	100,000	0.60	13,554	0.92
December 2, 2021	100,000	100,000	0.70	12,389	0.92
July 12, 2022	600,000	600,000	0.35	132,141	1.53
November 22, 2022	350,000	350,000	0.68	187,294	1.89
April 20, 2023	100,000	70,000	0.87	68,282	2.30
May 11, 2023	150,000	125,000	0.72	83,466	2.36
August 13, 2023	300,000	225,000	0.79	126,429	2.62
November 30, 2023	2,300,000	1,533,333	0.58	984,358	2.92
November 30, 2023	900,000	600,000	0.58	427,982	2.92
December 11, 2023	100,000	66,667	0.58	41,139	2.95
December 14, 2023	250,000	166,667	0.58	107,028	2.95
September 4, 2024	525,000	218,750	0.56	222,965	3.68
November 14, 2024	200,000	200,000	0.37	67,384	3.87
December 23, 2024	2,340,000	780,000	0.41	721,951	3.98
December 23, 2024	290,000	96,667	0.41	89,474	3.98
December 23, 2024	75,000	25,000	0.41	23,140	3.98
July 9, 2025	50,000	4,167	0.44	16,265	4.52
October 25, 2025	200,000	-	0.37	57,083	4.82
August 16, 2030	350,000	29,166	0.46	143,063	9.63
	10,630,000	**6,640,417**	**0.50**	**3,888,853**	**3.06**

The Company recognized share based payments related to the issuance of these stock options of $1,274,212 (2019- 1,383,623).

(Expressed in Canadian Dollars)

12. Reserve for Warrants

The following summarizes the warrant activities for the year ended December 31, 2020 and 2019:

	2020		2019	
	Number of warrants Outstanding	Amount	Number of warrants Outstanding	Amount
Share purchase warrants	#	$	#	$
Balance, beginning of year	**17,305,454**	**8,873,035**	5,459,400	6,816,319
Issued April 30, 2019 (Note 10(b))	-	-	4,514,350	972,188
Issued May 10, 2019 (Note 10(c))	-	-	2,894,204	557,842
Issued November 14, 2019 (Note 10(d)) 11(g))	-	-	1,250,000	146,040
Issued November 26, 2019 (Note 10(e))	-	-	2,125,000	258,041
Issued December 24, 2019 (Note 10(f))	-	-	1,062,500	122,605
Issued June 30, 2020 (Note 10(g))	**3,700,000**	**478,847**	-	-
Issued August 31, 2020 (Note 10(h))	**2,080,000**	**246,089**	-	-
Issued November 23, 2020 (Note 10(k))	**2,222,300**	**309,176**	-	-
Issued December 8, 2020 (Note 10(l))	**2,257,825**	**306,222**	-	-
Expired	**(5,459,400)**	**(1,763,010)**	-	-
Balance, end of year	**22,106,179**	**8,450,359**	17,305,454	8,873,035
Broker unit purchase warrants type I (a)				
Balance, beginning of year	**910,196**	**570,125**		
Issued April 30, 2019 (Note 10(b))	-	-	505,917	366,619
Issued May 10, 2019 (Note 10(c))	-	-	404,279	203,507
Balance, end of year	**910,196**	**570,125**	**910,196**	**570,125**
Broker unit purchase warants type II (b)				
Balance, beginning of year	**1,402,459**	**176,658**	202,200	56,383
Issued November 14, 2019 (Note 10(d)) 11(g))	-	-	87,500	33,715
Issued November 26, 2019 (Note 10(e))	-	-	128,188	53,117
Issued December 24, 2019 (Note 10(f))	-	-	74,375	33,443
Issued June 30, 2020 (Note 10(g))	**260,304**	**133,393**	-	-
Issued August 31, 2020 (Note 10(h))	**154,400**	**57,769**	-	-
Issued November 23, 2020 (Note 10(k))	**155,561**	**107,752**	-	-
Issued December 8, 2020 (Note 10(l))	**158,048**	**76,067**	-	-
Expired	**(202,200)**	**(56,383)**	-	-
Balance, end of year	**1,928,572**	**495,256**	492,263	176,658
Total		**9,515,740**		9,619,818

(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 in 2019

On April 30, 2019, the Company issued 4,514,350 share purchase warrants, at an exercise price of $0.90 per share, in connection with Tranche 1 of the Q2 2019 Private Placement Offering, as disclosed in Note 10 (b). In addition, 505,917 Broker Unit Purchase Warrants Type I 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 unit purchase warrant entitles the Agents to acquire one common share and one-half share purchase warrant, exercisable into one 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 share purchase warrants, at an exercise price of $0.90 per share, in connection with Tranche 2 of the Q2 2019 Private Placement Offering, as disclosed in Note 10(c). In addition, 404,279 Broker Unit Purchase Warrants Type II 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 unit purchase warrant entitles the Agents to acquire one common share and one-half share purchase warrant, exercisable into one common share at $0.90 for a period of 24 months from the closing date.

On November 14, 2019, the Company issued 1,250,000 share purchase warrants, at an exercise price of $0.60 per share, in connection with Tranche 1 of the Q4 2019 Private Placement Offering, as disclosed in Note 10(d). In addition, 87,500 Broker Warrants Unit Purchase Warrants Type II were issued as compensation to Agents, to acquire Units for a period of 36 months from the closing date at an exercise price of $0.40 per Unit. Each broker unit purchase warrant entitles the Agents to acquire one common share and one share purchase warrant, exercisable into one common share at $0.60 per share for a period of 36 months from the closing date.

On November 26, 2019, the Company issued 2,125,000 Warrants, at an exercise price of $0.60 per share, in connection with Tranche 2 of the Q4 2019 Private Placement Offering, as disclosed in Note 10(e). In addition, 128,188 Broker Unit Purchase Warrants Type II were issued as compensation to Agents, to acquire Units for a period of 36 months from the closing date at an exercise price of $0.40 per Unit. Each broker unit purchase warrant entitles the Agents to acquire one common share and one share purchase warrant, exercisable into one common share at $0.60 per share for a period of 36 months from the closing date.

On December 24, 2019, the Company issued 1,062,500 share purchase warrants, at an exercise price of $0.60 per share, in connection with final tranche of the Q4 2019 Private Placement Offering, as disclosed in Note 10(f). In addition, 74,375 Broker Unit Purchase Warrants Type II were issued as compensation to Agents, to acquire Units for a period of 36 months from the closing date at an exercise price of $0.40 per Unit. Each broker unit purchase warrant entitles the Agents to acquire one common share and one share purchase warrant, exercisable into one common share at $0.60 per share for a period of 36 months from the closing date.

Warrant activities in 2020
On June 30, 2020, the Company issued 3,700,000 share purchase warrants, at an exercise price of $0.70 per share, in connection with the Q2 2020 Private Placement Offering, as disclosed in Note 10(g). In addition, 260,304 Broker Units Purchase Warrants Type II were issued as compensation to Agents, to acquire one broker unit purchase warrant at an exercise price of $0.50 per unit for a period of 24 months following the closing of the Q2 2020 Private Placement Offering. Each Broker Unit is comprised of one common share and one share purchase warrant, exercisable into one common share at $0.70 per share for a period of 24 months.

On August 31, 2020, the Company issued 2,080,000 share purchase warrants, at an exercise price of $0.70 per share, in connection with the Q3 2020 Private Placement Offering, as disclosed in Note 10(h). In addition, 154,400 Broker Unit Purchase Warrants Type II were issued as compensation to Agents, to acquire one broker unit at an exercise price of $0.50 per unit for a period of 24 months following the closing of the Q3 2020 Private Placement Offering. Each broker unit is comprised of one common share and one share purchase warrant, exercisable into one common share at $0.70 per share for a period of 24 months.

On November 23, 2020, the Company issued 2,222,300 share purchase warrants, at an exercise price of $0.60 per share, in connection with the Q4 2020 Private Placement Offering, as disclosed in Note 10(k). In addition, 155,561 Broker Unit Purchase Warrants Type II were issued as compensation to Agents, to acquire one broker unit at an exercise price of $0.45 per unit for a period of 36 months following the closing of the Q4 2020 Private Placement Offering. Each Broker Unit is comprised of one common share and one share purchase warrant, exercisable into one common share at $0.60 per share for a period of 36 months.

On December 8, 2020, the Company issued 2,257,825 share purchase warrants, at an exercise price of $0.60 per share, in connection with the private placement offering, as disclosed in Note 10(l). In addition, 158,048 broker units purchase warrants were issued as compensation to Agents, to acquire one broker unit at an exercise price of $0.45 per unit for a period of 36 months following the closing of the Q4 2020 Private Placement Offering. Each

(Expressed in Canadian Dollars)

Broker Unit is comprised of one common share and one share purchase warrant, exercisable into one common share at $0.60 per share for a period of 36 months.

Expired Warrant in 2020
On April 6, 2020, 5,549,400 share purchase warrants and 202,200 broker unit purchase warrants issued under the April 6, 2018 Private Placement expired.

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

Share purchase warrants issued in 2019

Issuance date	December 24, 2019	November 26, 2019	November 14, 2019	May 10, 2019	April 30, 2019
Number of warrants	1,062,500	2,125,000	1,250,000	2,894,204	4,514,350
Exercise price	0.60	0.60	0.40	$0.90	$0.90
Share price	0.395	0.41	0.37	$0.64	$0.83
Expected life of warrants	3 years	3 years	3 years	2 years	2 years
Expected volatility	98%	99%	99%	103%	103%
Risk-free interest rate	1.66%	1.55%	1.53%	1.64%	1.56%

Broker unit purchase warrants type 1 issued in 2019

Issuance date	May 10, 2019	April 30, 2019
Number of warrants	404,279	505,917
Exercise price	$0.60	$0.60
Share price	$0.64	$0.83
Expected life of warrants	2 years	2 years
Expected volatility	103%	103%
Risk-free interest rate	1.64%	1.56%

Broker unit purchase warrants type II issued in 2019

Issuance date	December 24, 2019	November 26, 2019	November 14, 2019
Number of warrants	74,375	128,188	87,500
Exercise price	0.60	0.60	0.40
Share price	0.395	0.41	0.37
Expected life of warrants	3 years	3 years	3 years
Expected volatility	98%	99%	99%
Risk-free interest rate	1.66%	1.55%	1.53%

Share purchase warrants issued in 2020

Issuance date	December 8, 2020	November 23, 2020	August 31, 2020	June 30, 2020
Number of warrants	2,257,825	2,222,300	2,080,000	3,700,000
Exercise price	$0.60	$0.60	$0.70	$0.70
Share price	$0.42	$0.55	$0.445	$0.54
Expected life of warrants	3 years	3 years	2 years	2 years
Expected volatility	100%	101%	93%	95%
Risk-free interest rate	0.32%	0.30%	0.28%	0.28%

(Expressed in Canadian Dollars)

Broker unit purchase warrants type II issued in 2020

Issuance date	December 8,	November 23,	August 31, 2020	June 30, 2020
Number of warrants	158,048	155,561	154,400	260,304
Exercise price	$0.45	$0.45	$0.50	$0.50
Share price	$0.42	$0.55	$0.445	$0.54
Expected life of warrants	3 years	3 years	2 years	2 years
Expected volatility	100%	101%	93%	95%
Risk-free interest rate	0.32%	0.30%	0.28%	0.28%

The following table summarizes information of warrants outstanding as at December 31, 2020:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining life
	#	$	Years
Share purchase warrants			
April 30, 2021	4,514,350	0.90	0.33
May 10, 2021	2,894,204	0.90	0.36
June 30, 2022	3,700,000	0.70	1.50
August 31, 2022	2,080,000	0.70	1.67
November 14, 2022	1,250,000	0.60	1.87
November 26, 2022	2,125,000	0.60	1.90
December 24, 2022	1,062,500	0.60	1.98
November 23, 2023	2,222,300	0.60	2.90
December 8, 2023	2,257,825	0.60	2.94
Balance	22,106,179	0.73	1.50
Broker unit purchase warrants type I			
April 30, 2021	505,917	0.60	0.33
May 10, 2021	404,279	0.60	0.36
Balance	910,196	0.60	0.34
Broker unit purchase warrants type 2			
June 30, 2022	260,304	0.50	1.50
August 31, 2022	154,400	0.50	1.67
November 14, 2022	87,500	0.40	1.87
November 26, 2022	128,188	0.40	1.90
December 24, 2022	74,375	0.40	1.98
November 23, 2023	155,561	0.40	2.90
December 8, 2023	158,048	0.40	2.94
Balance	**1,928,572**	**0.44**	**2.08**

13. Key Management Compensation and 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 years ended December 31, 2020 and 2019 were as follows:

	2020	2019
	$	$
Short-term employee benefits, including salaries and consulting fees	**897,840**	714,056
Share-based compensation	**897,365**	989,675
	1,720,359	1,703,731

(Expressed in Canadian Dollars)

(i) For the year ended December 31, 2020, the Company incurred consulting fee expenses with the CEO of $156,000 (2019 – $156,000). On November 16, 2020, the CEO received 910,500 common shares through the exercise of options at a price of $0.11 per share. The gross proceeds of $100,500 were settled as an additional compensation for the CEO (see Note 10(j)).

(ii) For the year ended December 31, 2020, the Company incurred consulting fees with the former Chief Financial Officer ("CFO") of $74,400 (2019 – $83,600).

(iii) For the year ended December 31, 2020, the Company incurred wages expenses with the Officer of approximately $323,598 (USD $240,000) (2019 – $318,415) for services rendered. As at December 31, 2020, no balance was owed to the Officer (December 31, 2019 – $10,239 for an overpayment due to foreign exchange difference from the February 20, 2019 non-brokered private placement of 600,000 common shares at a price $0.46 per share, for gross proceeds of $276,000 (see Note 10).

(iv) For the year ended December 31, 2020, the Company incurred consulting fees with the Acting Chief Operating Officer ("Acting COO"), who is also a director of the Company, of $143,921 (2019 – $nil).

(v) For the year ended December 31, 2020, the Company incurred consulting fees with directors considered to be part of key management of $156,000 (2019 – $156,000) for services rendered. As at December 31, 2020, an amount of $6,500 (December 31, 2019 – $6,500) incurred to these directors was included in accounts payable and accrued liabilities.

(vi) For the year ended December 31, 2020, the Company incurred legal fees with an entity controlled by one of the directors who is considered to be part of key management of $3,919 (2019 – $nil).

Other related party transactions

(vii) For the year ended December 31, 2020, directors who are not part of key management received stock-based compensation of $189,618 (2019 – $262,017).

14. Income Taxes

The reported income taxes differ from the amounts obtained by applying domestic rates of Tinley domiciled in Canada of 26.5% (2019 – 26.5%) to the net loss as follows:

	2020	2019
	$	$
Components of income tax provision:		
Income tax at statutory tax rates	**(2,038,000)**	(1,942,000)
IRC 280(e) deductions [(a)]	**1,141,000**	812,000
Difference between Canadian and foreign tax rates	**387,000**	(343,000)
Stock-based compensation and other non-deductible expenses	**338,000**	371,000
Change in tax benefits not recognized	**172,000**	1,102,000
Recovery of income taxes	**-**	-

(a) As the Company operates in the cannabis industry, it is subject to the limitations of US Internal Revenue Code Section 280(e) ("IRC 280(e)") under which the Company is only allowed to deduct direct costs sales. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC 280(e). Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

The following are temporary differences that gave rise to the deferred tax assets, which have not been recognized in the consolidated financial statements:

	2020	2019
	$	$
Deferred income tax assets:		

Intangible assets	**-**	41,000
Share issuance costs	**269,000**	284,000
Operating losses carried forward	**5,712,000**	4,557,000
Total	**5,981,000**	4,882,000
Valuation allowance	**(5,981,000)**	(4,882,000)
Deferred tax asset	**-**	-

Share issuance costs are to be fully amortized in 2025. The mineral properties temporary differences may be carried forward indefinitely. Deferred income tax assets have not been recognized due to the uncertainty of realization.

Tax losses carried forward
The Company has accumulated non-capital losses for income tax purposes, which can be carried forward to be applied against future taxable income. The losses expire as follows:

	Canadian	**Californian**	**Federal US**
	$	**$**	**$**
2025	751,000	-	-
2026	918,000	-	-
2027	890,000	-	-
2028	1,880,000	-	-
2029	45,000	-	-
2030	566,000	-	-
2031	732,000	-	-
2032	1,168,000	-	-
2033	888,000	-	-
2034	497,000	-	-
2035	967,000	-	-
2036	1,076,000	193,000	44,000
2037	709,000	860,000	45,000
2038	1,770,000	99,000	99,000
2039	2,072,000	2,584,000	441,000
2040	2,833,000	1,783,000	535,000
	17,762,000	**5,519,000**	**1,163,000**

15. 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 December 31, 2020, 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 $8,608,436 (December 31, 2019 – $10,553,550).

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 year ended December 31, 2020.

(Expressed in Canadian Dollars)

16. Cost of Sales

The Company's cost of sales for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
	$	$
Raw materials	**260,935**	31,835
Labour	**138,741**	15,967
Quality control and testing	**16,489**	24,848
Shipping and freight	**3,387**	1,480
Depreciation	-	41,152
	419,552	115,282

17. General and Administrative Expenses

The Company's general and administration expenses incurred for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
	$	$
Payroll and salaries	**871,260**	637,592
Corporate costs and administration	**799,533**	775,114
Professional fees	**733,964**	503,394
Consulting and management fees	**499,932**	307,549
Interest on lease liabilities	**251,876**	313,419
Occupancy cost	**211,913**	545,917
Travel and promotional	**41,905**	214,842
	3,410,383	3,297,827

18. Financial Instruments and Risk Management

Fair value

The carrying amount of cash, short-term investments, trade receivables, trade and other payables and lease payable on the audited 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 period-end is limited to the accounts receivable balance. No ECL has been recorded as at December 31, 2020.

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 December 31, 2020, the Company had a cash and cash equivalents balance of $2,258,526 (December 31, 2019 – $2,614,342) to settle current liabilities of $1,676,371 (December 31, 2019 – $1,475,391). 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 its cash position as at the reporting date. The undiscounted contractual maturity of all financial liabilities is as follows:

	Total	**Within 1 year**	**1 to 3 years**	**3 to 5 years**

	$	$	$	$
Accounts payable and accrued liabilities	933,181	933,181	-	-
Lease payable	2,220,010	852,069	1,235,942	-
Total	**3,153,191**	**1,785,250**	**1,235,942**	**-**

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 December 31, 2020.

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, 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. The Company mitigates this risk by maintaining sufficient USD-denominated cash to meet its USD-denominated obligations.

As at December 31, 2020, the Company had the following assets and liabilities in USD:

	December 31, 2020	December 31, 2019
	$	$
Cash	**132,714**	220,942
Trade receivables	**11,331**	17,804
Prepaid expense	**133,567**	121,751
Prepaid expense – LT	**106,210**	106,210
Inventories	**402,533**	461,261
Lease –right-of-use assets	**1,161,005**	1,641,422
Property and equipment	**6,115,686**	5,834,767
Trade and other payables	**(508,402)**	(522,246)
Lease obligation	**(1,639,970)**	(2,295,088)
Net exposure to USD	**5,914,674**	5,514,102

Had the value of the USD increased or decreased by 1%, the net loss and comprehensive loss would have increased or decreased by USD $59,147 (December 31, 2019 – USD $55,141), respectively, as a result of this exposure.

19. 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 December 31, 2020, 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.

Norm Wilson & Sons, Inc. ("Wilson"), the contractor of record for the Company's Long Beach facility, filed claim against ICC Turnkey, Inc. ("ICC"), the engineers of the Long Beach facility, to the Superior Court of California, County of Los Angeles, on July 1, 2020, alleging ICC has unpaid fees owing to Wilson of approximately US$325,000. While the Company does not have a contract with Wilson, nor does it believe it has any legal liability in connection with this claim, Wilson has named both the Company and the Company's landlord as defendants. The Company entered into a fixed price contract with ICC for completion of its bottling facility at Long Beach, California. Under the terms of the Company's agreement with ICC, the Company is not responsible for cost overruns related to this project, making the unpaid amounts the responsibility of ICC. Accordingly, ICC has agreed to not charge the Company any additional fees, including fees for final commissioning, until this matter is settled between ICC and Wilson.

20. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation on the consolidated financial statements. Depreciation on property and equipment and depreciation on right-of-use assets have been removed from finance and administration costs and are presented separately on the statement of loss. Net loss and comprehensive loss previously reported had not been affected by these reclassifications.

21. Subsequent Events

Option grants on common shares

On January 18, 2021, the Company granted 1,500,000 options to a consultant at an exercise price of $0.42 per share for a period of seven years. The options vesting terms are as follows: (a) 125,000 options vested on January 18, 2021 (b) 125,000 options vest on March 31, June 30, September 30 and December 31 of each calendar year, until all options are fully vested.

On January 27, 2021, the Company granted 2,400,000 options to a number of its employees and consultants. The options are exercisable at an exercise price of $0.41 per share for a period of five years. The options vested immediately.

On February 24, 2021, the Company granted 400,000 options to a number of its employees at an exercise price of $0.47 per shares for a period of five years. The options vest quarterly over two years.

On March 2, 2021, the Company granted 200,000 options to newly appointed CFO at an exercise price of $0.48 per shares for a period of five years. The options vest quarterly over two years.

On March 9, 2021, the Company granted 300,000 options to a consultant at an exercise prices of $0.50 for 100,000, $0.70 per share for 100,000 and $1.00 per share for 100,000 respectively. The options vested immediately.

Expiration of options

On April 10, 2021, 300,000 options granted on April 10, 2019 at an exercise price of $0.70 per share, expired unexercised.

Financings

On March 31, 2021, the Company closed a non-brokered private placement offering raising gross proceeds of $850,000 through issuance of 2,125,000 Units at a price of $0.40 per unit. Each Unit is comprised of one common share one Warrant. Each Warrant is exercisable into one common share at a price of $0.50 for a period of 36 months from closing. In connection with the private placement, the Company paid cash commissions of $61,693 to the Agents. In addition, 154,232 Broker Warrants were issued as compensation to the Agents, to acquire Units for a period of 36 months from the closing date at an exercise price of $0.40 per Unit. Each Broker Warrant entitles the Agents to acquire one common share and one Warrant, exercisable into one common share at $0.50 for a period of 36 months from the closing date.