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**THE TINLEY BEVERAGE COMPANY INC.**

**Condensed Interim Consolidated Financial Statements**

**(Unaudited - Expressed in Canadian Dollars)**

**For the Three Months Ended March 31, 2021 and 2020**

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*March 31, 2021*

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

	As at March 31, 2021 \$	As at December 31 2020 \$
<b><u>Assets</u></b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,360,374	2,258,526
Accounts receivable (Note 4)	112,581	90,100
Inventories (Note 5)	987,995	785,896
Prepaid expenses	171,314	288,425
<b>Total Current Assets</b>	<b>2,632,264</b>	<b>3,422,947</b>
<b>Non-Current Assets</b>		
Property and equipment (Note 6)	6,416,121	6,398,317
Right-of-use assets (Note 8)	1,308,934	1,478,192
Security deposits	133,559	135,227
<b>Total Non-Current Assets</b>	<b>7,858,614</b>	<b>8,011,736</b>
<b>Total Assets</b>	<b>10,490,878</b>	<b>11,434,683</b>
<b><u>Liabilities</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	939,575	933,180
Current portion of lease liabilities (Note 8)	702,245	686,211
Deferred revenue	56,278	56,980
<b>Total Current Liabilities</b>	<b>1,698,098</b>	<b>1,676,371</b>
<b>Non-Current Liabilities</b>		
Lease liabilities (Note 8)	950,877	1,149,876
<b>Total Non-Current Liabilities</b>	<b>950,877</b>	<b>1,149,876</b>
<b>Total Liabilities</b>	<b>2,648,975</b>	<b>2,826,247</b>
<b><u>Shareholders' Equity</u></b>		
Share capital (Note 9)	38,450,285	37,977,603
Reserve for share-based payments (Note 10)	6,238,618	5,151,049
Reserve for warrants (Note 11)	9,816,649	9,515,740
Contributed surplus	2,081,500	2,019,826
Accumulated other comprehensive loss	(500,140)	(395,627)
Accumulated deficit	(48,245,009)	(45,660,155)
<b>Total Shareholders' Equity</b>	<b>7,841,903</b>	<b>8,608,436</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>10,490,878</b>	<b>11,434,683</b>

Nature of operations (Note 1)  
Going concern (Note 2(b))  
Contingencies (Note 16)  
Subsequent events (Note 17)

**Approved on behalf of the Board of Directors**

*“Jeffrey Maser” (signed)*  
Director

*“Ted Zittel” (signed)*  
Director

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

**THE TINLEY BEVERAGE COMPANY INC.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**For the three months ended March 31, 2021 and 2020**  
**(Unaudited - Expressed in Canadian Dollars)**

	<b>2021</b>	2020
	\$	\$
<b>Sales</b>	<b>138,406</b>	173,665
<b>Cost of goods sold</b>	<b>(144,403)</b>	(102,244)
Gross loss	<b>(5,997)</b>	71,421
<b>Operating Expenses</b>		
Share-based payments (Note 10)	<b>1,149,243</b>	399,721
General and administration (Note 14)	<b>867,297</b>	834,346
Depreciation on property and equipment (Note 6)	<b>255,219</b>	246,839
Depreciation on right-of-use assets (Note 8)	<b>152,052</b>	161,528
Sales and marketing	<b>138,407</b>	283,762
Product development	<b>22,956</b>	1,400
Foreign currency translation loss (gain)	<b>(6,317)</b>	50,339
	<b>2,578,857</b>	1,977,935
<b>Net Loss before Other Income (Loss)</b>	<b>(2,584,854)</b>	(1,906,514)
<b>Other Loss</b>		
Fair value loss on investments	-	(54,956)
<b>Net Loss</b>	<b>(2,584,854)</b>	(1,961,470)
<b>Other Comprehensive Income (Loss)</b>		
Gain (loss) on translation of foreign operations	<b>(104,513)</b>	737,642
<b>Comprehensive Loss</b>	<b>(2,689,367)</b>	(1,223,828)
<b>Weighted average number of common shares outstanding</b>	<b>118,900,877</b>	107,681,641
<b>Net Loss per Share</b>		
Basic and diluted	<b>(0.023)</b>	(0.018)

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

**THE TINLEY BEVERAGE COMPANY INC.**  
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**  
**For the three months ended March 31, 2021 and 2020**  
**(Unaudited - Expressed in Canadian Dollars)**

	Share Capital		Reserves				Accumulated deficit	Accumulated other comprehensive loss	Total
	Number of shares	Amount	Share-based payments	Warrants	Contributed surplus				
	#	\$	\$	\$	\$				
<b>Balance, December 31, 2019</b>	<b>110,681,641</b>	<b>35,036,761</b>	<b>3,922,339</b>	<b>9,619,818</b>	<b>157,627</b>	<b>(37,970,185)</b>	<b>(212,810)</b>	<b>10,553,550</b>	
Share-based payments (Note 10)	-	-	399,721	-	-	-	-	399,721	
Forfeiture of options (Note 10)	-	-	(300,473)	-	300,473	-	-	-	
Exchange loss on translation of foreign operations	-	-	-	-	-	-	737,642	737,642	
Net loss for the period	-	-	-	-	-	(1,961,470)	-	(1,961,470)	
<b>Balance, March 31, 2020</b>	<b>110,681,641</b>	<b>35,036,761</b>	<b>4,021,587</b>	<b>9,619,818</b>	<b>458,100</b>	<b>(39,931,655)</b>	<b>524,832</b>	<b>9,729,443</b>	
<b>Balance, December 31, 2020</b>	<b>121,877,266</b>	<b>37,977,603</b>	<b>5,151,049</b>	<b>9,515,740</b>	<b>2,019,826</b>	<b>(45,660,155)</b>	<b>(395,627)</b>	<b>8,608,436</b>	
Issuance of shares and warrants via private placements (Note 9)	2,125,000	566,309	-	347,811	-	-	-	914,120	
Share issue costs (Notes 9 and 11)	-	(93,627)	-	(46,902)	-	-	-	(140,529)	
Share-based payments (Note 10)	-	-	1,149,243	-	-	-	-	1,149,244	
Forfeiture of options (Note 10)	-	-	(61,674)	-	61,674	-	-	-	
Exchange gain on translation of foreign operations	-	-	-	-	-	-	(104,513)	(104,513)	
Net loss for the period	-	-	-	-	-	(2,584,854)	-	(2,584,854)	
<b>Balance, March 31, 2021</b>	<b>124,002,266</b>	<b>38,450,285</b>	<b>6,238,618</b>	<b>9,816,649</b>	<b>2,081,500</b>	<b>(48,245,009)</b>	<b>(500,140)</b>	<b>7,841,903</b>	

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

**THE TINLEY BEVERAGE COMPANY INC.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the three months ended March 31, 2021 and 2020**  
**(Unaudited - Expressed in Canadian Dollars)**

	2021	2020
	\$	\$
<b>Operating Activities</b>		
Net loss for the period	(2,584,854)	(1,961,470)
Adjustments for non-cash items:		
Share-based payments	1,149,243	399,721
Depreciation of property and equipment (Note 6)	255,219	246,839
Depreciation of right-of-use assets (Note 8)	152,052	161,528
Interest on lease obligations (Note 8)	47,813	69,396
Fair market value changes to short-term investments	-	55,803
Unrealized foreign currency translation loss	966	50,339
	(979,561)	(977,844)
Changes in non-cash working capital:		
Accounts receivable (Note 4)	(22,481)	(152,155)
Inventory (Note 4)	(202,099)	(120,320)
Prepaid expense	117,111	(27,132)
Accounts payable and accrued liabilities (Note 7)	6,394	67,716
<b>Cash Flows (used in) Operating Activities</b>	<b>(1,080,636)</b>	<b>(1,209,735)</b>
<b>Investing Activities</b>		
Construction in progress	(206,575)	-
Purchases of property and equipment (Note 6)	(146,001)	-
<b>Cash Flows provided by Investing Activities</b>	<b>(352,576)</b>	<b>-</b>
<b>Financing Activities</b>		
Proceeds from private placements (Note 9)	850,000	-
Share issue costs (Note 9)	(76,409)	-
Lease payments (Note 8)	(209,220)	(216,841)
<b>Cash Flows provided by Financing Activities</b>	<b>564,371</b>	<b>(216,841)</b>
<b>Decrease in cash</b>	<b>(868,841)</b>	<b>(1,426,576)</b>
Effects of foreign currency translation on cash	(29,311)	111,120
Cash and cash equivalents, beginning of period	2,258,526	2,614,342
<b>Cash and cash equivalents, end of period</b>	<b>1,360,374</b>	<b>1,298,886</b>

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

**THE TINLEY BEVERAGE COMPANY INC.**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the three months ended March 31, 2021 and 2020**  
**(Unaudited - Expressed in Canadian Dollars)**

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**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 condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 *Interim Financial Reporting*. Accordingly, they do not include all of the information and disclosures required by IFRS for annual financial statements. For further information, see the Company’s audited consolidated financial statements including the notes thereto for the year ended December 31, 2020.

These condensed interim consolidated financial statements were reviewed, approved and authorized for issuance by the Board of Directors (“Board”) of the Company on May 27, 2021.

**(b) Going Concern**

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

For the three months ended March 31, 2021, the Company had a net loss of \$2,584,854, incurred negative cash flow from operations of \$1,080,636, and had an accumulated deficit of \$48,245,009 as at March 31, 2021. 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 12-month period ending March 31, 2022. Management carefully manages its cash flows and, as necessary, undertakes efforts to raise additional capital.

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

**(c) Basis of Measurement**

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

**THE TINLEY BEVERAGE COMPANY INC.**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the three months ended March 31, 2021 and 2020**  
**(Unaudited - Expressed in Canadian Dollars)**

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**(d) Basis of Consolidation**

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

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

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

*Going concern*

At the end of each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern by reviewing its performance, resources and future obligations.

*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.

*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.



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*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.

**3. Summary of Significant Accounting Policies**

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those noted in the Company’s audited consolidated financial statements for the year ended December 31, 2020, unless otherwise noted below.

**(a) Property and Equipment**

Construction in progress is transferred to the appropriate asset class when the facility and equipment is available for use, which is defined as the point at which the build-out and installation of equipment is complete, commissioned and available for use. Amortization commences at the point the assets are classified as available-for-use.

**THE TINLEY BEVERAGE COMPANY INC.**  
**Notes to the Condensed Consolidated Financial Statements**  
**For the three months ended March 31, 2021 and 2020**  
**(Unaudited - Expressed in Canadian Dollars)**

**4. Accounts Receivable**

Accounts receivable consisted of the following:

	<b>March 31, 2021</b>	December 31, 2020
	\$	\$
Sales taxes recoverable	<b>79,339</b>	75,674
Trade receivables	<b>33,242</b>	14,426
	<b>112,581</b>	90,100

**5. Inventories**

Inventories consisted of the following:

	<b>March 31, 2021</b>	December 31, 2020
	\$	\$
Raw materials	<b>675,013</b>	507,064
Finished goods	<b>312,982</b>	224,223
Work in process	-	54,609
	<b>987,995</b>	785,896

For the three months ended March 31, 2021, inventories recognized as an expense in cost of goods sold amounted to \$144,403 (2020 – \$102,244).

**6. Property and Equipment**

	<b>Construction in Progress</b>	<b>Plant Equipment</b>	<b>Leasehold Improvements</b>	<b>Vehicles</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Cost at:</b>					
December 31, 2019	-	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)
<b>December 31, 2020</b>	-	<b>5,874,449</b>	<b>1,745,143</b>	<b>166,899</b>	<b>7,786,491</b>
<b>Accumulated depreciation at:</b>					
December 31, 2019	-	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)
<b>December 31, 2020</b>	-	<b>864,055</b>	<b>477,681</b>	<b>46,438</b>	<b>1,388,174</b>

**THE TINLEY BEVERAGE COMPANY INC.**  
**Notes to the Condensed Consolidated Financial Statements**  
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	Construction in Progress	Plant Equipment	Leasehold Improvements	Vehicles	Total
<b>Cost at:</b>					
December 31, 2020	-	5,874,449	1,745,143	166,899	7,786,491
Additions	206,575	-	146,001	-	352,576
Effects of foreign exchange on translation	(1,387)	(72,439)	(22,500)	(2,058)	(98,384)
<b>March 31, 2021</b>	<b>205,188</b>	<b>5,802,010</b>	<b>1,868,644</b>	<b>164,841</b>	<b>8,040,683</b>
<b>Accumulated depreciation at:</b>					
December 31, 2020	-	864,055	477,681	46,438	1,388,174
Depreciation	-	146,028	100,893	8,298	255,219
Effect of foreign exchange on translation	-	(11,636)	(6,566)	(628)	(18,832)
<b>March 31, 2021</b>	<b>-</b>	<b>998,447</b>	<b>572,008</b>	<b>54,108</b>	<b>1,624,561</b>
<b>Net Book Value:</b>					
December 31, 2020	-	5,010,394	1,267,462	120,461	6,398,317
<b>March 31, 2021</b>	<b>205,188</b>	<b>4,803,564</b>	<b>1,296,636</b>	<b>110,733</b>	<b>6,416,121</b>

**7. Accounts Payable and Accrued Liabilities**

Accounts payable and Accrued liabilities consisted of the following:

	March 31, 2021	December 31, 2020
	\$	\$
Trade payables	844,832	851,708
Accrued liabilities	94,743	81,472
	<b>939,575</b>	<b>933,180</b>

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:

	March 31, 2021	December 31, 2020
	\$	\$
Less than 1 month	252,216	351,227
1 to 3 months	69,731	5,058
Over 3 months	617,628	576,895
	<b>939,575</b>	<b>933,180</b>

**8. 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 TINLEY BEVERAGE COMPANY INC.**  
**Notes to the Condensed Consolidated Financial Statements**  
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**(Unaudited - Expressed in Canadian Dollars)**

The following is a summary of the RUA as at March 31, 2021 and December 31, 2020:

	\$
<b>Cost at:</b>	
January 1, 2020	3,275,814
Additions	-
Effects of foreign exchange on translation	(64,568)
<b>December 31, 2020</b>	<b>3,211,246</b>
<b>Accumulated depreciation at:</b>	
January 1, 2020	1,143,935
Depreciation	644,478
Effect of foreign exchange	(55,359)
<b>December 31, 2020</b>	<b>1,733,054</b>
<b>Cost at:</b>	
January 1, 2021	3,211,246
Additions	-
Effects of foreign exchange on translation	(39,599)
<b>March 31, 2021</b>	<b>3,171,647</b>
<b>Accumulated depreciation at:</b>	
January 1, 2021	1,733,054
Depreciation	152,052
Effect of foreign exchange	(22,393)
<b>March 31, 2021</b>	<b>1,862,713</b>
<b>Net book value:</b>	
December 31, 2020	1,478,192
<b>March 31, 2021</b>	<b>1,308,934</b>

The following table reflects the changes in the reconciliation of the lease payable on the Long Beach facility as at March 31, 2021 and December 31, 2020:

	2021	2020
	\$	\$
Lease liability, beginning of period	1,836,087	2,477,159
Lease payments	(209,220)	(875,892)
Interest on lease obligations	47,813	251,876
Effects of foreign exchange on translation	(21,558)	(17,056)
<b>Total lease liability, end of period</b>	<b>1,653,122</b>	<b>1,836,087</b>
<b>Current</b>	<b>702,245</b>	<b>686,211</b>
<b>Non-current</b>	<b>950,877</b>	<b>1,149,876</b>
	<b>1,653,122</b>	<b>1,836,087</b>

**THE TINLEY BEVERAGE COMPANY INC.**  
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**9. 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.

	Number of Shares	Proceeds	Proceeds on exercised	Consulting fees paid in shares	Share issuance costs	Allocated (to) from reserve for warrants	Allocated (to) from reserve for share based compensation	Amount
	#	\$	\$	\$	\$	\$	\$	\$
Balance, January 1, 2020	110,681,641	-	-	-	-	-	-	35,036,761
Balance, March 31, 2020	110,681,641	-	-	-	-	-	-	35,036,761
Balance, January 1, 2021	121,877,266	-	-	-	-	-	-	37,977,603
Issuance on private placement March 30, 2021	2,125,000	850,000	-	-	(93,627)	(283,691)	-	472,682
Balance, March 31, 2021	124,002,266	850,000	-	-	(93,627)	(283,691)	-	38,450,285

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 ("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.

*Share capital transactions for the three months ended March 31, 2020*

There are no share capital transactions in the three months ended March 31, 2020.

*Share capital transactions for the three months ended March 31, 2021*

On March 30, 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 (Type II) 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 (see Note 12 for details).

**10. 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 three months ended March 31, 2021 and 2020:

	March 31, 2021		March 31, 2020	
	Weighted exercise price	Number of options	Weighted exercise price	Number of options
	\$	#	\$	#
Outstanding, beginning of period	0.50	10,630,000	0.48	11,065,500
Granted	0.42	1,500,000	-	-
Granted	0.41	2,400,000	-	-
Granted	0.47	400,000	-	-
Granted	0.48	200,000	-	-

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Granted	<b>0.50</b>	<b>100,000</b>	-	-
Granted	<b>0.70</b>	<b>100,000</b>	-	-
Granted	<b>1.00</b>	<b>100,000</b>	-	-
Cancelled	-	-	0.58	(100,000)
Forfeited	<b>0.72</b>	<b>(100,000)</b>	-	-
Forfeited	<b>0.44</b>	<b>(50,000)</b>	-	-
<b>Outstanding, end of period</b>	<b>0.48</b>	<b>15,280,000</b>	0.50	10,965,500
<b>Exercisable, end of period</b>	<b>0.49</b>	<b>10,326,249</b>	0.51	4,705,917

*Options grants for the three months ended March 31, 2021*

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. The options expire on January 18, 2028.

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. The options expire on January 27, 2026.

On February 24, 2021, the Company granted 400,000 options to a number of its employees and consultants at an exercise price of \$0.47 per shares for a period of five years. The options vest quarterly over two years. The options expire on February 24, 2026.

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. The options expire on March 2, 2026.

On March 9, 2021, the Company granted 300,000 options to a consultant at an exercise price s 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. The options expire on March 9, 2026.

*Options forfeited in the three months ended March 31, 2021*

On January 1, 2021, 100,000 options granted on May 11, 2018 at an exercise price of \$0.72 per share were cancelled.

On February 3, 2021, 50,000 options granted on July 10, 2020 at an exercise price of \$0.44 per share were cancelled.

*Options grants for the three months ended March 31, 2020*

There were no options granted in the three months ended March 31, 2020.

*Options forfeited 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.

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*Options granted in 2021*

<b>Grant date</b>	<b>March 9, 2021</b>	<b>March 9, 2021</b>	<b>March 9, 2021</b>	<b>March 2, 2021</b>	<b>February 24, 2021</b>
Number of options	100,000	100,000	100,000	200,000	400,000
Exercise price per share	\$1.00	\$0.70	\$0.50	\$0.48	\$0.47
Share price	\$0.45	\$0.45	\$0.45	\$0.48	\$0.445
Expected life of options	5 years	5 years	5 years	5 years	5 years
Expected volatility	112.92%	112.92%	112.92%	113.41%	113.92%
Risk-free interest rate	0.87%	0.87%	0.87%	0.78%	0.73%
Forfeiture rate	10%	10%	10%	10%	10%

<b>Grant date</b>	<b>January 27, 2021</b>	<b>January 18, 2021</b>
Number of options	2,400,000	1,500,000
Exercise price per share	\$0.41	\$0.42
Share price	\$0.41	\$0.42
Expected life of options	5 years	7 years
Expected volatility	115.08%	149.27%
Risk-free interest rate	0.41%	0.52%
Forfeiture rate	10%	10%

*Options granted in 2020*

<b>Grant date</b>	<b>October 6, 2020</b>	<b>August 16, 2020</b>	<b>July 10, 2020</b>
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%
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 March 31, 2021:

<b>Date of expiry</b>	<b>Number of options outstanding</b>	<b>Number of options exercisable</b>	<b>Exercise price</b>	<b>Estimated grant date fair value</b>	<b>Weighted average remaining</b>
	<b>#</b>	<b>#</b>	<b>\$</b>		<b>Years</b>
April 10, 2021	300,000	300,000	0.70	100,531	0.03
August 4, 2021	350,000	350,000	0.08	12,423	0.35
November 3, 2021	600,000	600,000	0.44	235,552	0.59
December 2, 2021	100,000	100,000	0.50	14,951	0.67
December 2, 2021	100,000	100,000	0.60	13,554	0.67
December 2, 2021	100,000	100,000	0.70	12,389	0.67
July 12, 2022	600,000	600,000	0.35	132,141	1.28
November 22, 2022	350,000	350,000	0.68	187,294	1.65
April 20, 2023	100,000	70,000	0.87	68,282	2.05
May 11, 2023	50,000	45,833	0.72	27,822	2.11
August 13, 2023	300,000	250,000	0.79	126,429	2.37
November 30, 2023	2,300,000	1,725,000	0.58	984,358	2.67
November 30, 2023	900,000	675,000	0.58	427,982	2.67
December 11, 2023	100,000	75,000	0.58	41,139	2.70

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December 14, 2023	250,000	187,500	0.58	107,028	2.71
September 4, 2024	525,000	262,500	0.56	222,965	3.43
November 14, 2024	200,000	200,000	0.37	67,384	3.63
December 23, 2024	2,340,000	975,000	0.41	721,961	3.73
December 23, 2024	290,000	120,833	0.41	89,474	3.73
December 23, 2024	75,000	31,250	0.41	23,140	3.73
October 25, 2025	200,000	200,000	0.37	57,083	4.57
January 27, 2026	2,400,000	2,400,000	0.41	711,848	4.83
February 24, 2026	400,000	-	0.47	127,417	4.91
March 2, 2026	200,000	-	0.48	69,047	4.92
March 9, 2026	100,000	100,000	0.50	31,864	4.94
March 9, 2026	100,000	100,000	0.70	30,356	4.94
March 9, 2026	100,000	100,000	1.00	28,609	4.94
January 28, 2028	1,500,000	250,000	0.42	540,104	6.81
August 16, 2030	350,000	58,333	0.46	143,063	9.38
	<b>15,280,000</b>	<b>10,326,249</b>	<b>0.49</b>	<b>5,356,190</b>	<b>3.64</b>

**11. Reserve for Warrants**

The following summarizes the warrant activities for three months ended March 31, 2021 and 2020:

	March 31, 2021		March 31, 2020	
	Number of warrants outstanding	Fair value	Number of warrants outstanding	Fair value
<u>Share purchase warrants</u>	#	\$	#	\$
Balance, beginning of period	22,106,179	8,450,359	16,901,054	8,873,035
Issued	2,125,000	236,789	-	-
Expired	-	-	-	-
<b>Balance, end of period</b>	<b>24,231,179</b>	<b>8,687,148</b>	<b>16,901,054</b>	<b>8,873,035</b>
<u>Broker unit purchase warrants type I (a)</u>				
Balance, beginning of period	910,196	570,125	910,196	570,125
Issued	-	-	-	-
<b>Balance, end of period</b>	<b>910,196</b>	<b>570,125</b>	<b>910,196</b>	<b>570,125</b>
<u>Broker unit purchase warrants type II (b)</u>				
Balance, beginning of period	1,018,376	495,256	896,663	176,658
Issued	154,232	64,120	-	-
Expired	-	-	-	-
<b>Balance, end of period</b>	<b>1,172,608</b>	<b>559,376</b>	<b>896,663</b>	<b>176,658</b>
<b>Total</b>	<b>26,313,983</b>	<b>9,816,649</b>	<b>18,707,913</b>	<b>9,619,818</b>

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

(b) Broker Unit Purchase Warrants Type II are exercisable for one common share and one warrant exercisable into one common share.

*Warrant activities for the three months ended in March 31, 2021*

On March 30, 2021, the Company issued 2,125,000 share purchase warrants, at an exercise 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 addition, 154,464 Broker Warrants were issued as



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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.

*Warrant activities for the three months ended in March 31, 2020*

There ere no options granted in the three months ended March 31, 2020

*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 2021*

<b>Issuance date</b>	<b>March 30, 2021</b>
Number of warrants	2,125,000
Exercise price	\$0.50
Share price	\$0.395
Expected life of warrants	3 years
Expected volatility	87.44%
Risk-free interest rate	0.49%

*Broker unit purchase warrants type II issued in 2021*

<b>Issuance date</b>	<b>March 30, 2021</b>
Number of warrants	154,232
Exercise price	\$0.40
Share price	\$0.395
Expected life of warrants	3 years
Expected volatility	87.44%
Risk-free interest rate	0.49%

The following table summarizes information of warrants outstanding as at March 31, 2021:

<b>Date of expiry</b>	<b>Number of warrants outstanding</b>	<b>Exercise price</b>	<b>Weighted average remaining life</b>
	<b>#</b>	<b>\$</b>	<b>Years</b>
<u>Share purchase warrants</u>			
April 30, 2021	4,514,350	0.90	0.08
May 10, 2021	2,894,204	0.90	0.11
June 30, 2022	3,700,000	0.70	1.25
August 31, 2022	2,080,000	0.70	1.42
November 14, 2022	1,250,000	0.60	1.62
November 26, 2022	2,125,000	0.60	1.66
December 24, 2022	1,062,500	0.60	1.73
November 23, 2023	2,222,300	0.60	2.65
December 8, 2023	2,257,825	0.60	2.69
March 30, 2024	2,125,000	0.50	3.00
<b>Balance</b>	<b>24,231,179</b>	<b>0.71</b>	<b>1.40</b>
<u>Broker unit purchase warrants type I</u>			
April 30, 2021	505,917	0.60	0.08
May 10, 2021	404,279	0.60	0.11

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<b>Balance</b>	<b>910,196</b>	<b>0.60</b>	<b>0.09</b>
<u>Broker unit purchase warrants type 2</u>			
June 30, 2022	260,304	0.50	1.25
August 31, 2022	154,400	0.50	1.42
November 14, 2022	87,500	0.40	1.62
November 26, 2022	128,188	0.40	1.66
December 24, 2022	74,375	0.40	1.73
November 23, 2023	155,561	0.40	2.65
December 8, 2023	158,048	0.40	2.69
March 30, 2024	154,232	0.40	3.00
<b>Balance</b>	<b>1,172,608</b>	<b>0.38</b>	<b>1.75</b>

**12. 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 three months ended March 31, 2021 and 2020 were as follows:

	<b>2021</b>	2020
	\$	\$
Short-term employee benefits, including salaries and consulting fees	<b>219,575</b>	227,981
Share-based compensation	<b>798,187</b>	283,636
	<b>1,017,762</b>	511,617

- (i) During the three months ended March 31, 2021, the Company incurred consulting fee expenses with the CEO of \$39,000 (2020 – \$39,000). As at March 31, 2021, a balance of \$27,710 (December 31, 2020 – \$nil) was owed to the CEO for compensation on services rendered. This balance is unsecured, non-interest bearing and due on demand.
- (ii) During the three months ended March 31, 2021, the Company incurred consulting fees with the former Chief Financial Officer (“CFO”) of \$18,400 (2020 – \$19,200). As at March 31, 2021, \$6,328 (December 31, 2020 – \$nil) was owed to the CFO for compensation on services rendered. This balance is unsecured, non-interest bearing and due on demand.
- (iii) During the three months ended March 31, 2021, the Company incurred consulting fees with the newly appointed Chief Financial Officer (“CFO”) of \$10,000 (2020 – \$nil). As at March 31, 2021, \$11,300 (December 31, 2020 – \$nil) was owed to the newly appointed CFO for compensation on services rendered. This balance is unsecured, non-interest bearing and due on demand.
- (iv) During the three months ended March 31, 2021, the Company incurred wages expenses with the Officer of approximately \$75,450 (2020 – \$80,694) for services rendered. As at March 31, 2021, no balance (December 31, 2020 – \$nil) was owed to the Officer for compensation on services rendered.
- (v) During the year three months ended March 31, 2021, the Company incurred consulting fees with the Acting Chief Operating Officer (“Acting COO”), who is also a director of the Company, of \$37,725 (2020 – \$50,087). As at March 31, 2021, \$10,060 (December 31, 2020 – \$nil) was owed to the COO for compensation on services rendered. This balance is unsecured, non-interest bearing and due on demand.
- (vi) During the three months ended March 31, 2021, the Company incurred consulting fees with directors considered to be part of key management of \$39,000 (2020 – \$39,000) for services rendered. As at March 31, 2021, an amount of \$21,292 (December 31, 2020 – \$6,500) incurred to these directors was included in accounts payable and accrued liabilities. This balance is unsecured, non-interest bearing and due on demand.

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(vii) During the three months ended March 31, 2021, the Company incurred legal fees with an entity controlled by one of the directors who is considered to be part of key management of \$nil (2020 – \$3,356).

*Other related party transactions*

(viii) During the three months ended March 31, 2021, directors who are not part of key management received stock-based compensation of \$226,442 (2020 – \$69,393).

**13. 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 March 31, 2021, 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 \$7,841,903 (December 31, 2020 – \$8,608,436).

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 three months ended March 31, 2021 and the year ended December 31, 2020.

**14. General and Administrative Expenses**

The Company’s general and administration expenses incurred for the three months ended March 31, 2021 and 2020 are as follows:

	<b>2021</b>	2020
	\$	\$
Payroll and salaries	<b>297,243</b>	219,011
Professional fees	<b>194,020</b>	106,486
Corporate costs and administration	<b>162,071</b>	169,724
Consulting and management fees	<b>99,349</b>	88,211
Occupancy cost	<b>63,383</b>	150,365
Interest on lease liabilities	<b>47,813</b>	69,396
Travel and promotional	<b>3,418</b>	31,153
	<b>867,297</b>	834,346

**15. 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 condensed interim consolidated statements of financial position approximate their fair value due to the relatively short-term maturity of these financial instruments.

*Credit risk*

Credit risk is the risk of loss associated with a counterparty’s inability to fulfill its payment obligations. Cash is held with reputable Canadian and US chartered banks and in various liquid guaranteed interest-bearing instruments which are closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments is minimal. The maximum exposure to credit risk at period-end is limited to the accounts receivable balance. No ECL has been recorded as at March 31, 2021.

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*Liquidity risk*

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

As at March 31, 2021, the Company had a cash and cash equivalents balance of \$1,360,374 (December 31, 2020 – \$2,258,526) to settle current liabilities of \$1,698,098 (December 31, 2020 – \$1,676,371). 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:

	<b>Total</b>	<b>Within 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>
	\$	\$	\$	\$
Accounts payable and accrued liabilities	939,575	939,575	-	-
Lease payable	1,854,447	846,754	1,007,693	-
<b>Total</b>	<b>2,794,022</b>	<b>1,786,329</b>	<b>1,007,693</b>	<b>-</b>

*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 March 31, 2021.

*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 March 31, 2021, the Company had the following assets and liabilities in USD:

	<b>March 31, 2021</b>	December 31, 2020
	\$	\$
Cash	<b>203,239</b>	132,714
Trade receivables	<b>20,486</b>	11,331
Trade and other payables	<b>(561,818)</b>	(508,402)
Lease obligation	<b>(1,314,610)</b>	(1,639,970)
<b>Net exposure to USD</b>	<b>(1,652,703)</b>	(2,004,327)

Had the value of the USD increased or decreased by 1%, the net loss and comprehensive loss would have increased or decreased by USD \$16,527 (December 31, 2020 – USD \$20,043), respectively, as a result of this exposure.

**16. 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 March 31, 2021, cannabis

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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.

**17. Subsequent Events**

*Expired Warrants*

On April 30, 2021, 4,514,350 share purchase warrants and 505,917 broker unit purchase warrants issued under the April 30, 2019 Private Placement expired.

On May 10, 2021, 2,894,204 share purchase warrants and 404,279 broker unit purchase warrants issued under the May 10, 2019 Private Placement expired.

*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.