



THE TINLEY BEVERAGE COMPANY INC.

Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian Dollars)

June 30, 2021 and 2020

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June 30, 2021

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THE TINLEY BEVERAGE COMPANY INC.
Condensed Interim Consolidated Statements of Financial Position
As at June 30, 2021 and December 31, 2021
(Unaudited - Expressed in Canadian Dollars)

	As at June 30, 2021	As at December 31 2020
	\$	\$
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	2,311,571	2,258,526
Accounts receivable (Note 4)	146,434	90,100
Inventories (Note 5)	890,320	785,896
Prepaid expenses	370,562	288,425
Total Current Assets	3,718,887	3,422,947
Non-Current Assets		
Property and equipment (Note 6)	6,243,519	6,398,317
Right-of-use assets (Note 8)	1,141,237	1,478,192
Security deposits	131,637	135,227
Total Non-Current Assets	7,516,393	8,011,736
Total Assets	11,235,280	11,434,683
<u>Liabilities</u>		
Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	1,226,558	933,180
Current portion of lease liabilities (Note 8)	717,273	686,211
Deferred revenue	141	56,980
Total Current Liabilities	1,943,972	1,676,371
Non-Current Liabilities		
Lease liabilities (Note 8)	746,573	1,149,876
Total Non-Current Liabilities	746,573	1,149,876
Total Liabilities	2,690,545	2,826,247
<u>Shareholders' Equity</u>		
Share capital (Note 9)	40,299,687	37,977,603
Reserve for share-based payments (Note 10)	6,483,431	5,151,049
Reserve for warrants (Note 11)	8,084,243	9,515,740
Contributed surplus	4,282,187	2,019,826
Accumulated other comprehensive loss	(561,802)	(395,627)
Accumulated deficit	(50,043,011)	(45,660,155)
Total Shareholders' Equity	8,544,735	8,608,436
Total Liabilities and Shareholders' Equity	11,235,280	11,434,683

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 and six months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Sales	360,918	34,747	499,324	208,412
Cost of goods sold	(253,260)	(47,619)	(397,663)	(149,863)
Gross margin	107,658	(12,872)	101,661	58,549
Operating Expenses				
General and administration (Note 14)	1,006,570	687,940	1,873,867	1,522,286
Share-based payments (Notes 10)	345,344	279,457	1,494,587	679,178
Depreciation on property and equipment (Note 6)	247,713	256,816	502,932	503,655
Depreciation on right-of-use assets (Note 8)	147,487	166,380	299,539	327,908
Sales and marketing	130,156	150,007	268,563	433,769
Foreign currency translation gain	(11,271)	(493,820)	(17,588)	(443,481)
Product development	39,663	79,778	62,619	81,178
	(1,905,662)	(1,126,558)	(4,484,519)	(3,104,493)
Net Loss before Other Income (Loss)	(1,798,004)	(1,139,430)	(4,382,858)	(3,045,944)
Other Income				
Interest and other income	2	215	2	1,062
Fair market value changes to short-term investments	-	27,980	-	(27,823)
Net Loss	(1,798,002)	(1,111,235)	(4,382,856)	(3,072,705)
Other Comprehensive Loss				
Loss on translation of foreign operations	(61,663)	(846,060)	(166,175)	(108,418)
Total Comprehensive Loss	(1,859,665)	(1,957,295)	(4,549,031)	(3,181,123)
Weighted Average Number of Common Shares	122,593,999	107,681,641	119,686,324	107,681,641
Net Loss per Share				
Basic	(0.015)	(0.018)	(0.038)	(0.029)
Diluted	(0.015)	(0.018)	(0.036)	(0.029)

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THE TINLEY BEVERAGE COMPANY INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the six months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

	Share Capital		Reserves		Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Total
	Number of shares	Amount	Share-based payments	Warrants				
	#	\$	\$	\$				
Balance, December 31, 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 9)	3,700,000	1,291,834	-	691,560	-	-	-	1,983,394
Share issue costs (Notes 9 and 11)	-	(184,031)	-	(79,515)	-	-	-	(263,546)
Share-based payments (Note 10)	-	-	679,178	-	-	-	-	679,178
Forfeiture of options (Note 10)	-	-	(42,806)	-	42,806	-	-	-
Expiry of warrants (Note 11)	-	-	-	(1,819,393)	1,819,393	-	-	-
Exchange loss on translation of foreign operations	-	-	-	-	-	-	(108,418)	(108,418)
Net loss for the period	-	-	-	-	-	(3,072,705)	-	(3,072,705)
Balance, June 30, 2020	114,381,641	36,144,564	4,558,711	8,412,470	2,019,826	(41,042,890)	(321,228)	9,771,453
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
Issuance of shares and warrants via private placements (Note 9)	9,446,971	2,586,805	-	750,179	-	-	-	3,336,984
Share issue costs (Notes 9 and 11)	-	(264,721)	-	(81,520)	-	-	-	(346,241)
Share-based payments (Note 10)	-	-	1,494,587	-	-	-	-	1,494,587
Forfeiture of options (Note 10)	-	-	(162,205)	-	162,205	-	-	-
Expiry of warrants (Note 11)	-	-	-	(2,100,156)	2,100,156	-	-	-
Exchange loss on translation of foreign operations	-	-	-	-	-	-	(166,176)	(166,176)
Net loss for the period	-	-	-	-	-	(4,382,856)	-	(4,382,856)
Balance, June 30, 2021	131,324,237	40,299,687	6,483,432	8,084,243	4,282,187	(50,043,011)	(561,803)	8,544,735

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

THE TINLEY BEVERAGE COMPANY INC.
Condensed Interim Consolidated Statements of Cash Flows
For the three and six months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
<u>Operating Activities</u>				
Net loss for the period	(1,802,473)	(1,111,235)	(4,382,856)	(3,072,705)
Adjustments for non-cash items:				
Share-based payments	349,815	279,457	1,494,587	679,178
Depreciation of property and equipment (Note 6)	247,713	256,816	502,932	503,655
Depreciation of right-of-use assets (Note 8)	147,487	166,380	299,539	327,908
Interest on lease obligations (Note 8)	42,271	67,106	90,084	136,502
Fair market value changes to short-term investments	-	(27,980)	-	27,823
Unrealized foreign exchange gain	(11,271)	(493,820)	(17,588)	(443,481)
	(1,026,458)	(863,276)	(2,013,302)	(1,841,120)
Changes in non-cash working capital:				
Accounts receivable (Note 4)	(33,853)	154,198	(56,334)	2,043
Inventories (Note 5)	97,675	(56,098)	(104,424)	(176,418)
Prepaid expenses	(199,248)	(3,342)	(82,137)	(30,474)
Accounts payable and accrued liabilities (Note 7)	286,984	563,168	293,378	630,884
Unearned revenue	(56,137)	-	(56,839)	-
Cash Flows used in Operating Activities	(931,037)	(205,350)	(2,019,658)	(1,415,085)
<u>Investing Activities</u>				
Purchases of property and equipment (Note 7)	(34,303)	(46,123)	(180,304)	(46,123)
Construction in progress	(131,205)	-	(337,780)	-
Proceeds from redemptions of investments	-	300,000	-	300,000
Cash Flows from (used in) Investing Activities	(165,508)	253,877	(518,084)	253,877
<u>Financing Activities</u>				
Proceeds from private placements (Note 9)	2,416,250	1,850,000	3,266,250	1,850,000
Share issue costs (Note 9)	(199,099)	(130,152)	(275,508)	(130,152)
Lease payments	(206,345)	(226,991)	(415,565)	(443,832)
Cash Flows from Financing Activities	2,010,806	1,492,857	2,575,177	1,276,016
Increase in cash	914,261	1,541,384	37,435	114,808
Effects of foreign exchange on cash	36,936	(562,410)	15,610	(451,290)
Cash, beginning of period	1,360,374	1,298,886	2,258,526	2,614,342
Cash, end of period	2,311,571	2,277,860	2,311,571	2,277,860

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

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

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 August 30, 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 six months ended June 30, 2021, the Company had a net loss of \$4,382,856 (2020- \$3,072,705), incurred negative cash flow from operations of \$1,984,481 (2020- \$1,415,086), and had an accumulated deficit of \$50,043,011 as at June 30, 2021 (2020-\$41,042,890). 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 June 30, 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 Interim Consolidated Financial Statements
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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.

THE TINLEY BEVERAGE COMPANY INC.
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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 Interim Consolidated Financial Statements
For the three and six months ended June 30, 2021 and 2020
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4. Accounts Receivable

Accounts receivable consisted of the following:

	June 30, 2021	December 31, 2020
	\$	\$
Sales taxes recoverable	50,584	75,674
Trade receivables	95,850	14,426
	146,434	90,100

5. Inventories

Inventories consisted of the following:

	June 30, 2021	December 31, 2020
	\$	\$
Raw materials	633,110	507,064
Finished goods	257,210	224,223
Work in process	-	54,609
	890,320	785,896

For the six months ended June 30, 2021, inventories recognized as an expense in cost of goods sold amounted to \$397,663 (2020 – \$149,863).

6. Property and Equipment

	Construction in Progress	Plant Equipment	Leasehold Improvements	Vehicles	Total
	\$	\$	\$	\$	\$
Cost at:					
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	-	(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:					
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	-	(44,651)	(21,322)	(2,054)	(68,027)
December 31, 2020	-	864,055	477,681	46,438	1,388,174

THE TINLEY BEVERAGE COMPANY INC.
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	Construction in Progress	Plant Equipment	Leasehold Improvements	Vehicles	Total
	\$	\$	\$	\$	\$
Cost at:					
December 31, 2020	-	5,874,449	1,745,143	166,899	7,786,491
Additions	337,780	36,494	143,810	-	518,084
Effects of foreign exchange	(2,058)	(156,173)	(47,205)	(4,431)	(209,867)
June 30, 2021	335,722	5,754,770	1,841,748	162,468	8,094,708
Accumulated depreciation at:					
December 31, 2020	-	864,055	477,681	46,438	1,388,174
Depreciation	-	287,831	198,758	16,346	502,935
Effect of foreign exchange	-	(24,695)	(13,893)	(1,332)	(39,921)
June 30, 2021	-	1,127,191	662,546	61,452	1,851,188
Net Book Value:					
December 31, 2020	-	5,010,394	1,267,462	120,461	6,398,317
June 30, 2021	335,722	4,627,579	1,179,202	101,016	6,243,519

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

	June 30, 2021	December 31, 2020
	\$	\$
Trade payables	996,590	851,708
Accrued liabilities	229,968	81,472
	1,226,558	933,180

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:

	June 30, 2021	December 31, 2020
	\$	\$
Less than 1 month	498,611	351,227
1 to 3 months	71,195	5,058
Over 3 months	656,752	576,895
	1,226,558	933,180

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 right-of-use asset ("RUA") on adoption of IFRS 16 'Leases' on January 1, 2019.

THE TINLEY BEVERAGE COMPANY INC.
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The following is a summary of the RUA as at June 30, 2021 and December 31, 2020:

	\$
Cost at:	
January 1, 2020	3,275,814
Additions	-
Effects of foreign exchange	(64,568)
December 31, 2020	3,211,246
Accumulated depreciation at:	
January 1, 2020	1,143,935
Depreciation	644,478
Effect of foreign exchange	(55,359)
December 31, 2020	1,733,054
Cost at:	
January 1, 2021	3,211,246
Additions	-
Effects of foreign exchange	(85,250)
June 30, 2021	3,125,996
Accumulated depreciation at:	
January 1, 2021	1,733,054
Depreciation	299,539
Effect of foreign exchange	(47,834)
June 30, 2021	1,984,759
Net book value:	
December 31, 2020	1,478,192
June 30, 2021	1,141,237

The following table reflects the changes in the reconciliation of the lease payable on the Long Beach facility as at June 30, 2021 and December 31, 2020:

	2021	2020
	\$	\$
Lease liability, beginning of period	1,836,087	2,477,159
Lease payments	(415,565)	(875,892)
Interest on lease obligations	90,084	251,876
Effects of foreign exchange	(46,760)	(17,056)
Total lease liability, end of period	1,463,846	1,836,087
Current	717,273	686,211
Non-current	746,573	1,149,876
	1,463,846	1,836,087

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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	Share issuance costs	Allocated (to) from reserve for warrants	Amount
	#	\$	\$	\$	\$
Balance, January 1, 2020	110,681,641	-	-	-	35,036,761
Issuance on private placement June 30, 2020	3,700,000	1,850,000	(184,031)	(558,166)	1,107,803
Balance, June 30, 2020	110,681,641	1,850,000	(742,197)	35,586,398	36,144,564
Balance, January 1, 2021	121,877,266	-	-	-	37,977,603
Issuance on private placement March 30, 2021	2,125,000	850,000	(97,252)	(283,691)	469,057
Issuance on private placement June 10, 2021	7,321,971	2,416,250	(167,469)	(395,754)	1,853,027
Balance, June 30, 2021	131,324,237	3,266,250	(264,721)	(679,445)	40,299,687

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 six months ended June 30, 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 11 for details).

On June 10, 2021, the Company closed a non-brokered private placement offering raising gross proceeds of \$2,416,250 through issuance of 7,321,971 Units at a price of \$0.33 per unit. Each Unit is comprised of one common share and one-half of Warrant. Each Warrant is exercisable into one common share at a price of \$0.42 for a period of 24 months following the closing. In connection with the private placement, the Company paid cash commissions of \$9,818 to the Agents. In addition, 29,750 Broker Warrants (Type II) were issued as compensation to the Agents, to acquire Units for a period of 24 months from the closing date at an exercise price of \$0.33 per Unit. Each Broker Warrant entitles the Agents to acquire one common share and one-half of Warrant, exercisable into one common share at \$0.42 for a period of 24 months from the closing date (see Note 11 for details).

Share capital transactions for the six months ended June 30, 2020

On June 30, 2020, the Company closed a non-brokered private placement (the "Q2 2020 Private Placement 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 common share purchase warrant ("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

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cash commissions of \$130,152 to agents (the “Agents”). In addition, 260,304 broker warrants (“Broker Warrants”) were issued as compensation to the Agents (see Note 11 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 six months ended June 30:

	2021		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	-	-
Granted	0.50	100,000	-	-
Granted	0.70	100,000	-	-
Granted	1.00	100,000	-	-
Granted	0.37	100,000	-	-
Granted	0.42	100,000	-	-
Granted	0.47	100,000	-	-
Cancelled	-	-	0.58	(100,000)
Expired	0.70	(300,000)	-	-
Forfeited	0.72	(100,000)	-	-
Forfeited	0.44	(50,000)	-	-
Outstanding, end of period	0.48	15,280,000	0.47	10,965,500
Exercisable, end of period	0.48	11,149,583	0.43	5,489,250

Options grants for the six months ended June 30, 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.

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On March 9, 2021, the Company granted 300,000 options to a consultant at an exercise price 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.

On May 12, 2021, the Company granted 300,000 options to a consultant at an exercise price of \$0.37 for 100,000, \$0.42 per share for 100,000 and \$0.47 per share for 100,000 respectively. The options vested 100% upon closing of financing on June 10, 2021. The options expire on May 12, 2026.

Options forfeited in the six months ended June 30, 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.

On April 21, 2021, 300,000 options granted on April 10, 2019 at an exercise price of \$0.70 per share were expired.

Options grants in the six months ended June 30, 2020

There were no options granted in the six months ended June 30, 2020.

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 2021

Grant date	May 12, 2021	May 12, 2021	May 12, 2021	March 9, 2021	March 9, 2021
Number of options	100,000	100,000	100,000	100,000	100,000
Exercise price per share	\$0.47	\$0.42	\$0.37	\$1.00	\$0.70
Share price	\$0.36	\$0.36	\$0.36	\$0.45	\$0.45
Expected life of options	5 years	5 years	5 years	5 years	5 years
Expected volatility	109.14%	109.14%	109.14%	112.92%	112.92%
Risk-free interest rate	0.97%	0.97%	0.97%	0.87%	0.87%
Forfeiture rate	10%	10%	10%	10%	10%

Grant date	March 9, 2021	March 2, 2021	February 24, 2021	January 27, 2021	January 18, 2021
Number of options	100,000	200,000	400,000	2,400,000	1,500,000
Exercise price per share	\$0.50	\$0.48	\$0.47	\$0.41	\$0.42
Share price	\$0.45	\$0.48	\$0.445	\$0.41	\$0.42
Expected life of options	5 years	5 years	5 years	5 years	7 years
Expected volatility	112.92%	113.41%	113.92%	115.08%	149.27%
Risk-free interest rate	0.87%	0.78%	0.73%	0.41%	0.52%
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

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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 June 30, 2021:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining
	#	#	\$	\$	Years
August 4, 2021	350,000	350,000	0.08	12,423	0.10
November 3,	600,000	600,000	0.44	235,552	0.35
December 2,	100,000	100,000	0.50	14,951	0.42
December 2,	100,000	100,000	0.60	13,554	0.42
December 2,	100,000	100,000	0.70	12,389	0.42
July 12, 2022	600,000	600,000	0.35	132,141	1.03
November 22,	350,000	350,000	0.68	187,294	1.40
April 20, 2023	100,000	70,000	0.87	68,282	1.81
May 11, 2023	50,000	50,000	0.72	27,822	1.86
August 13, 2023	300,000	275,000	0.79	126,429	2.12
November 30,	2,300,000	1,916,667	0.58	984,358	2.42
November 30,	900,000	750,000	0.58	427,982	2.42
December 11,	100,000	83,333	0.58	41,139	2.45
December 14,	250,000	208,333	0.58	107,028	2.46
September 4,	525,000	306,250	0.56	222,965	3.18
November 14,	200,000	200,000	0.37	67,384	3.38
December 23,	2,340,000	1,170,000	0.41	721,961	3.48
December 23,	290,000	145,000	0.41	89,474	3.48
December 23,	75,000	37,500	0.41	23,140	3.48
October 25, 2025	200,000	200,000	0.37	57,083	4.32
January 27, 2026	2,400,000	2,400,000	0.41	711,848	4.58
February 24,	400,000	50,000	0.47	127,417	4.66
March 2, 2026	200,000	25,000	0.48	69,047	4.67
March 9, 2026	100,000	100,000	0.50	31,864	4.69
March 9, 2026	100,000	100,000	0.70	30,356	4.69
March 9, 2026	100,000	100,000	1.00	28,609	4.94
May 12, 2026	100,000	100,000	0.37	25,271	4.87
May 12, 2026	100,000	100,000	0.42	24,808	4.87
May 12, 2026	100,000	100,000	0.47	24,383	4.87
January 28, 2028	1,500,000	375,000	0.42	540,104	6.56
August 16, 2030	350,000	87,499	0.46	143,063	9.13
	15,280,000	11,149,583	0.48	5,330,121	3.49

11. Reserve for Warrants

The following summarizes the warrant activities for six months ended June 30, 2021 and 2020:

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	June 30, 2021		June 30, 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	17,305,454	8,873,035
Issued	5,785,984	597,925	3,700,000	478,847
Expired	(7,408,555)	(1,530,031)	(5,459,400)	(1,763,010)
Balance, end of period	20,483,609	7,518,253	15,546,054	7,588,872
<u>Broker unit purchase warrants type I (a)</u>				
Balance, beginning of period	910,196	570,125	910,196	570,125
Expired	(910,196)	(570,125)		
Issued	29,750	6,614	-	-
Balance, end of period	29,750	6,614	910,196	570,125
<u>Broker unit purchase warrants type II (b)</u>				
Balance, beginning of period	1,018,376	495,256	1,402,459	176,658
Issued	154,232	64,120	260,304	133,393
Expired			(202,200)	(56,578)
Balance, end of period	1,172,608	559,376	1,460,563	253,473
Total	21,685,967	8,084,243	17,916,813	8,412,470

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

Warrant activities for the six months ended in June 30, 2021

On March 30, 2021, the Company issued 2,125,000 share purchase warrants, at an exercise 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 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.

On June 10, 2021, the Company issued 3,660,984 share purchase warrants, at an exercise of \$0.33 per unit. Each Unit is comprised of one common share one-half warrant. Each warrant is exercisable into one common share at a price of \$0.42 for a period of 24 months from closing. In addition, 29,750 Broker Warrants were issued as compensation to the Agents, to acquire Units for a period of 24 months from the closing date at an exercise price of \$0.33 per Unit. Each Broker Warrant entitles the Agents to acquire one common share and one-half Warrant, exercisable into one common share at \$0.42 for a period of 24 months from the closing date.

Warrants expired in the six months ended June 30, 2021

On April 30, 2021, 4,514,350 share purchase warrants issued on April 30, 2019 at an exercise price of \$0.90 per share were expired. On the same day, 505,917 broker unit purchase warrants type I issued on April 30, 2019 at an exercise price of \$0.60 were expired.

On May 10, 2021, 2,894,203 share purchase warrants issued on May 10, 2019 at an exercise price of \$0.90 per share were expired. On the same day, 404,279 broker unit purchased warrants type I issued on May 10, 2019 at an exercise price of \$0.60 were expired.

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Warrant activities for the six months ended in June 30, 2020

On June 30, 2020, the Company issued 3,700,000 Warrants, at an exercise price of \$0.70, in connection with the Q2 2020 Private Placement Offering, as disclosed in Note 11. In addition, 260,304 Broker Unit Purchase Warrants were issued as compensation to Agents, to acquire one Unit (a “Broker Unit”) at an exercise price of \$0.50 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 Warrant.

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

Issuance date	June 10, 2021	March 30, 2021
Number of warrants	3,660,986	2,125,000
Exercise price	\$0.42	\$0.50
Share price	\$0.340	\$0.395
Expected life of warrants	2 years	3 years
Expected volatility	84.12%	87.44%
Risk-free interest rate	0.31%	0.49%

Broker unit purchase warrants type I issued in 2021

Issuance date	June 10, 2021
Number of warrants	29,750
Exercise price	\$0.33
Share price	\$0.340
Expected life of warrants	2 years
Expected volatility	84.12%
Risk-free interest rate	0.31%

Broker unit purchase warrants type II issued in 2021

Issuance date	March 30, 2021
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 June 30, 2021:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining life
	#	\$	Years
<u>Share purchase warrants</u>			
June 30, 2022	3,700,000	0.70	1.00
August 31, 2022	2,080,000	0.70	1.17
November 14, 2022	1,250,000	0.60	1.38
November 26, 2022	2,125,000	0.60	1.41
December 24, 2022	1,062,500	0.60	1.48
June 10, 2023	3,660,984	0.42	1.95
November 23, 2023	2,222,300	0.60	2.40

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December 8, 2023	2,257,825	0.60	2.44
March 30, 2024	2,125,000	0.50	2.75
Balance	20,483,609	0.59	1.77
Broker unit purchase warrants type 1			
June 10, 2023	29,750	0.33	1.95
Balance	29,750	0.33	1.95
Broker unit purchase warrants type 2			
June 30, 2022	260,304	0.50	1.00
August 31, 2022	154,400	0.50	1.17
November 14, 2022	87,500	0.40	1.38
November 26, 2022	128,188	0.40	1.41
December 24, 2022	74,375	0.40	1.48
November 23, 2023	155,561	0.40	2.40
December 8, 2023	158,048	0.40	4.44
March 30, 2024	154,232	0.40	2.72
Balance	1,172,608	0.44	1.05

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 and six months ended June 30, 2021 and 2020 were as follows:

	Three months ended Jun 30		Six months ended Jun 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Short-term employee benefits,				
Including salaries and consulting fees	219,575	227,981	445,050	442,907
Share-based compensation	798,187	283,636	901,090	493,269
	1,017,762	511,617	1,346,140	936,176

- (i) During the six months ended June 30, 2021, the Company incurred consulting fee expenses with the CEO of \$78,000 (2020 – \$78,000). As at June 30, 2021, a balance of \$14,690 (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 six months ended June 30, 2021, the Company incurred consulting fees with the former Chief Financial Officer (“CFO”) of \$20,200 (2020 – \$39,200). As at June 30, 2021, no balance (December 31, 2020 – \$nil) was owed to the former CFO for compensation on services rendered.
- (iii) During the six months ended June 30, 2021, the Company incurred consulting fees with the newly appointed Chief Financial Officer (“CFO”) of \$42,500 (2020 – \$nil). As at June 30, 2021, a balance of \$12,091 (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 six months ended June 30, 2021, the Company incurred wages expenses with the Officer of approximately \$150,900 (2020 – \$163,812) for services rendered. As at June 30, 2021, no balance (December 31, 2020 – \$nil) was owed to the Officer for compensation on services rendered.

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- (v) During the six months ended June 30, 2021, the Company incurred consulting fees with the Acting Chief Operating Officer (“Acting COO”), who is also a director of the Company, of \$75,450 (2020 – \$80,540). As at June 30, 2021, \$9,915 (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 six months ended June 30, 2021, the Company incurred consulting fees with directors considered to be part of key management of \$78,000 (2020 – \$78,000) for services rendered. As at June 30, 2021, an amount of \$21,490 (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.
- (vii) During the six months ended June 30, 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 – \$nil).

Other related party transactions

- (viii) During the six months ended June 30, 2021, directors who are not part of key management received stock-based compensation of \$248,370 (2020 – \$119,689).

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 June 30, 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 \$8,544,735 (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 six months ended June 30, 2021 and the year ended December 31, 2020.

14. General and Administrative Expenses

The Company’s general and administration expenses incurred for the three and six months ended June 30, 2021 and 2020 are as follows:

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Corporate costs and administration	294,586	200,633	456,658	370,357
Payroll and salaries	293,985	194,276	591,228	413,286
Professional fees	226,571	76,172	420,592	182,658
Consulting and management fees	103,323	134,719	202,672	222,930
Interest on lease obligations	42,274	67,106	90,084	136,502
Occupancy cost	38,999	10,158	102,383	160,523
Travel and promotion	6,832	4,877	10,250	36,030
	1,006,570	687,940	1,873,867	1,522,286

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.

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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 June 30, 2021.

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 June 30, 2021, the Company had a cash and cash equivalents balance of \$2,311,571 (December 31, 2020 – \$2,258,526) to settle current liabilities of \$1,943,972 (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:

	Total	Within 1 year	1 to 3 years	3 to 5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,226,558	1,226,558	-	-
Lease payable	1,619,547	839,768	779,779	-
Total	2,846,105	2,066,326	779,779	-

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any instruments subject to interest rate risk as at June 30, 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 June 30, 2021, the Company had the following assets and liabilities in USD:

	June 30, 2021	December 31, 2020
	\$	\$
Cash	200,126	132,714
Trade receivables	73,978	11,331
Trade and other payables	(654,797)	(508,402)
Lease obligation	(1,181,093)	(1,639,970)
Net exposure to USD	(1,561,786)	(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 \$15,618 (December 31, 2020 – USD \$20,043), respectively, as a result of this exposure.

16. Contingencies

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For the three and six months ended June 30, 2021 and 2020
(Unaudited - Expressed in Canadian Dollars)

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

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations in that specific state or local jurisdiction. While management of the Company believes that the Company is in compliance with applicable local and state regulations as at June 30, 2021, 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.

17. Subsequent Events

Options exercised

On August 9, 2021, the Company issued 350,000 common shares through an option exercised 350,000 by its officer at the exercise price of \$0.08 per common share, for gross proceeds of \$28,000.

Option grants

On August 17, 2021, the Company granted 400,000 options to an employee and consultants of the Company. The options are exercisable at an exercise price of \$0.23 per common share for a period of 5 years. The options vested quarterly over two years until fully vested.