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**THE TINLEY BEVERAGE COMPANY INC.**

**Condensed Interim Consolidated Financial Statements**

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

**March 31, 2022**

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**NOTICE TO READER**

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by, and are the responsibility of the management of The Tinley Beverage Company Inc.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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*March 31, 2022*

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**THE TINLEY BEVERAGE COMPANY INC.**  
**Condensed Interim Consolidated Statements of Financial Position**  
**As at March 31, 2022 and December 31, 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

	As at March 31, 2022	As at December 31 2021
	\$	\$
<b><u>Assets</u></b>		
<b>Current Assets</b>		
Cash and cash equivalents	162,261	113,840
Accounts receivable (Note 4)	207,930	165,729
Inventories (Note 5)	653,141	768,823
Prepaid expenses (Note 6)	264,117	344,235
<b>Total Current Assets</b>	<b>1,287,449</b>	1,392,627
<b>Non-Current Assets</b>		
Property and equipment (Note 7)	5,923,234	6,128,261
Right-of-use assets (Note 9)	700,383	862,851
Security deposits	132,720	134,653
<b>Total Non-Current Assets</b>	<b>6,756,337</b>	7,125,765
<b>Total Assets</b>	<b>8,043,786</b>	8,518,392
<b><u>Liabilities</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	1,150,342	669,688
Current portion of lease liabilities (Note 9)	802,124	787,850
Promissory note (Note 10)	209,922	-
Deferred revenue	79,560	158,890
<b>Total Current Liabilities</b>	<b>2,241,948</b>	1,616,428
<b>Non-Current Liabilities</b>		
Lease liabilities (Note 9)	142,779	357,149
<b>Total Liabilities</b>	<b>2,384,727</b>	1,973,577
<b><u>Shareholders' Equity</u></b>		
Share capital (Note 11)	42,064,743	41,520,254
Reserve for share-based payments (Note 12)	6,153,532	6,052,920
Reserve for warrants (Note 13)	8,947,887	8,701,200
Contributed surplus	4,993,337	4,993,337
Accumulated other comprehensive loss	(593,891)	(512,858)
Accumulated deficit	(55,906,549)	(54,210,038)
<b>Total Shareholders' Equity</b>	<b>5,659,059</b>	6,544,815
<b>Total Liabilities and Shareholders' Equity</b>	<b>8,043,786</b>	8,518,392

Nature of operations (Note 1)  
Going concern (Note 2(b))  
Contingencies (Note 18)  
Subsequent events (Note 19)

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

"Curt Marvis" (signed)  
Director

"Ted Zittell" (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, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

	<b>2022</b>	2021
	\$	\$
<b>Sales</b>	<b>171,175</b>	138,406
<b>Cost of goods sold (Note 5)</b>	<b>(63,677)</b>	(144,403)
<b>Gross profit (loss)</b>	<b>107,498</b>	(5,997)
<b>Operating Expenses</b>		
General and administration (Note 16)	<b>927,014</b>	867,297
Depreciation of property and equipment (Note 7)	<b>252,061</b>	255,219
Sales and marketing	<b>197,205</b>	138,407
Product development	<b>174,625</b>	22,956
Depreciation of right-of-use assets (Note 9)	<b>152,076</b>	152,052
Share-based payments (Notes 12)	<b>100,612</b>	1,149,243
Foreign currency translation loss (gain)	<b>416</b>	(6,317)
	<b>1,804,009</b>	2,578,857
<b>Net loss</b>	<b>(1,696,511)</b>	(2,584,854)
<b>Other Comprehensive Loss</b>		
Loss on translation of foreign operations	<b>(81,033)</b>	(104,513)
<b>Comprehensive loss</b>	<b>(1,777,544)</b>	(2,689,367)
<b>Weighted average number of common shares outstanding</b>	<b>144,056,790</b>	118,900,877
<b>Net Loss per Share</b>		
Basic and diluted	<b>(0.012)</b>	(0.023)

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, 2022 to 2021**  
**(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					
	#	\$	\$	\$	\$				
<b>Balance, December 31, 2020</b>	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 11)	2,125,000	566,309	-	347,811	-	-	-	914,120	
Share issue costs (Notes 11 and 13)	-	(93,627)	-	(46,902)	-	-	-	(140,529)	
Share-based payments (Note 12)	-	-	1,149,243	-	-	-	-	1,149,243	
Forfeiture of options (Note 12)	-	-	(61,674)	-	61,674	-	-	-	
Exchange loss 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>	
<b>Balance, December 31, 2021</b>	<b>144,112,042</b>	<b>41,520,254</b>	<b>6,052,920</b>	<b>8,701,200</b>	<b>4,993,337</b>	<b>(54,210,038)</b>	<b>(512,858)</b>	<b>6,544,815</b>	
Issuance of shares and warrants via private placements (Note 11)	5,530,666	581,127	-	262,307	-	-	-	843,434	
Share issuance costs (Notes 11 and 13)	-	(36,638)	-	(15,620)	-	-	-	(52,258)	
Share-based payments (Note 12)	-	-	100,612	-	-	-	-	100,612	
Exchange loss on translation of foreign operations	-	-	-	-	-	-	(81,033)	(81,033)	
Net loss for the period	-	-	-	-	-	(1,696,511)	-	(1,696,511)	
<b>Balance, March 31, 2022</b>	<b>149,642,708</b>	<b>42,064,743</b>	<b>6,153,532</b>	<b>8,947,887</b>	<b>4,993,337</b>	<b>(55,906,549)</b>	<b>(593,891)</b>	<b>5,659,059</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, 2022 and 2021**  
**(Unaudited - Expressed in Canadian Dollars)**

	2022	2021
	\$	\$
<b><u>Operating Activities</u></b>		
Net loss for the period	(1,696,511)	(2,584,854)
Adjustments for non-cash items:		
Share-based payments (Note 12)	100,612	1,149,243
Depreciation of property and equipment (Note 7)	252,061	255,219
Depreciation of right-of-use assets (Note 9)	152,076	152,052
Interest on lease obligations (Note 9)	28,383	47,813
Unrealized foreign currency translation loss	-	966
	<b>(1,163,379)</b>	<b>(979,561)</b>
Changes in non-cash working capital:		
Accounts receivable (Note 4)	(42,201)	(22,481)
Inventories (Note 5)	115,682	(202,099)
Prepaid expenses (Note 6)	80,118	117,111
Accounts payable and accrued liabilities (Note 8)	480,654	6,394
Deferred revenue	(79,330)	-
<b>Cash Flows used in Operating Activities</b>	<b>(608,456)</b>	<b>(1,080,636)</b>
<b><u>Investing Activities</u></b>		
Purchases of property and equipment (Note 7)	-	(146,001)
Construction in progress (Note 7)	(133,455)	(206,575)
<b>Cash Flows provided by (used in) Investing Activities</b>	<b>(133,455)</b>	<b>(352,576)</b>
<b><u>Financing Activities</u></b>		
Proceeds from private placements (Note 11)	829,600	850,000
Share issue costs (Note 11)	(38,423)	(76,409)
Proceeds received from promissory note (Note 10)	209,922	-
Lease payments (Note 9)	(214,482)	(209,220)
<b>Cash Flows provided by Financing Activities</b>	<b>786,617</b>	<b>564,371</b>
<b>Increase (decrease) in cash for the period</b>	<b>44,706</b>	<b>(868,841)</b>
Cash, beginning of period	113,840	2,258,526
Effects of foreign exchange on cash	3,715	(29,311)
<b>Cash, end of period</b>	<b>162,261</b>	<b>1,360,374</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 Interim Consolidated Financial Statements**  
**March 31, 2022**  
**(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(c)) (together, the “Company”), manufactures a line of liquor-inspired, non-alcoholic, cannabis-infused beverages for use in California, United States (“US”) and in Ontario, Canada. The Company also manufactures a line of liquor-inspired, non-alcoholic, non-cannabis-infused beverages, which are available in retail locations in the US and parts of Canada and online throughout the US. The company also manufactures cannabis-infused beverages for contract manufacturing clients. 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, 2021.

These condensed interim consolidated financial statements were reviewed, approved and authorized for issuance by the Board of Directors of the Company (the “Board”) on May 30, 2022.

**(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 three months ended March 31, 2022, the Company had a net loss of \$1,696,511 (2021 – \$2,584,854), incurred negative cash flow from operations of \$608,456 (2021 – \$1,080,636), and as of that date, had a working capital deficiency of \$954,499 (December 31, 2021 – \$223,801) and an accumulated deficit of \$55,906,549 (December 31, 2021 – \$54,210,038). It is not possible to predict whether financing efforts will continue to be successful in the future or, if or when the Company will attain profitable levels of operations. These conditions, including the unpredictability of the cannabis-infused beverage business and the continued evolution of the novel coronavirus (“COVID-19”) pandemic, represent material uncertainties which may cast doubt on the Company’s ability to continue as a going concern.

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 condensed interim 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**  
**March 31, 2022**  
**(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.), Beckett's Tonics Canada Inc., and Tinley's 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. Additionally, these condensed interim consolidated financial statements also include the accounts of Lakewood Libations Inc. ("Lakewood"), pursuant to an agreement between Tinley and the 100% shareholder of Lakewood, which effectively transferred the risks and rewards of Lakewood to Tinley. On May 2, 2022, the Company acquired 100% of Lakewood (see Note 19).

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.

These 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 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. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning. The assumptions used in management's going concern assessment are derived from actual operating results along with industry and market trends. Management believes there is sufficient capital to meet the Company's business obligations for at least the next 12 months, after taking into account expected cash flows, capital commitments, future financings and the Company's cash position at period-end.

*COVID-19 Pandemic*

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 continued change in the severity of and response to the COVID-19 outbreak, uncertainty remains for the Company make further assumptions or estimates. The situation is dynamic and the ultimate duration and magnitude of the continued impact of COVID-19 on the economy and the financial effect on the business remains known at this time. These impacts could include, amongst others, an effect 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.

**THE TINLEY BEVERAGE COMPANY INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2022**  
**(Unaudited - Expressed in Canadian Dollars)**

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*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 requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management’s judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

*Determination of cash generating units*

For the purpose of impairment testing, assets that cannot be tested individually are grouped at the lowest levels for which there are largely independent cash inflows. The Company determines which groups of assets (each a “Cash-Generating Unit” or a “CGU”) can generate cash flows that are largely independent of other operations within the Company. Management exercises judgment in assessing where active markets exist including an analysis of the degree of autonomy each operation has in negotiating prices with customers. The Company has identified each product line as a separate CGU, based on the nature of the business and the assessment that the CGUs generate cash flows that are largely independent of the cash flows from other assets deployed in the Company.

*Impairment*

Long-lived assets, 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 consolidated financial statements as at and for the year ended December 31, 2021, unless otherwise noted below.

**THE TINLEY BEVERAGE COMPANY INC.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**March 31, 2022**  
**(Unaudited - Expressed in Canadian Dollars)**

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**(a) Changes in Accounting Policies**

The Company adopted the following amendments, effective January 1, 2022. There was no material impact upon the adoption of these amendments on these condensed interim financial statements.

In May 2020, the IASB issued amendments to update IAS 37 *'Provisions, Contingent Liabilities and Contingent Assets'* ("IAS 37"). The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract.

**4. Accounts Receivable**

Accounts receivable consisted of the following:

	<b>March 31, 2022</b>	December 31, 2021
	\$	\$
Trade receivables	<b>137,254</b>	45,759
Sales taxes recoverable	<b>70,676</b>	119,970
	<b>207,930</b>	165,729

**5. Inventories**

Inventories consisted of the following:

	<b>March 31, 2022</b>	December 31, 2021
	\$	\$
Raw materials	<b>408,947</b>	532,964
Finished goods	<b>242,405</b>	235,859
Work in process	<b>1,789</b>	-
	<b>653,141</b>	768,823

For the three months ended March 31, 2022, inventories recognized as an expense in cost of goods sold amounted to \$63,677 (2021 – \$144,403).

**6. Prepaid Expenses**

Prepaid expenses consisted of the following:

	<b>March 31, 2022</b>	December 31, 2021
	\$	\$
Advances paid to suppliers	<b>264,117</b>	261,624
Prepaid insurance	-	82,611
	<b>264,117</b>	344,235

**THE TINLEY BEVERAGE COMPANY INC.**  
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**March 31, 2022**  
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**7. Property and Equipment**

Property and equipment consisted of the following:

	<b>Construction in progress</b>	<b>Plant equipment</b>	<b>Leasehold improvement</b>	<b>Vehicles</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Cost:</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	(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:</b>					
December 31, 2020	-	864,055	477,681	46,438	1,388,174
Depreciation	-	146,028	100,893	8,298	255,219
Effects of foreign exchange	-	(11,637)	(6,567)	(627)	(18,831)
<b>March 31, 2021</b>	<b>-</b>	<b>998,446</b>	<b>572,007</b>	<b>54,109</b>	<b>1,624,562</b>
<b>Cost:</b>					
December 31, 2021	718,491	5,816,811	1,833,828	166,191	8,535,321
Additions	133,455	-	-	-	133,455
Effects of foreign exchange	(12,065)	(83,503)	(26,326)	(2,386)	(124,280)
<b>March 31, 2022</b>	<b>839,881</b>	<b>5,733,308</b>	<b>1,807,502</b>	<b>163,805</b>	<b>8,544,496</b>
<b>Accumulated depreciation:</b>					
December 31, 2021	-	1,447,351	880,229	79,480	2,407,060
Depreciation	-	145,237	98,525	8,299	252,061
Effects of foreign exchange	-	(22,682)	(13,927)	(1,250)	(37,859)
<b>March 31, 2022</b>	<b>-</b>	<b>1,569,906</b>	<b>964,827</b>	<b>86,529</b>	<b>2,621,262</b>
<b>Net book value:</b>					
December 31, 2021	718,491	4,369,460	953,599	86,711	6,128,261
<b>March 31, 2022</b>	<b>839,881</b>	<b>4,163,402</b>	<b>842,675</b>	<b>77,276</b>	<b>5,923,234</b>

**8. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities consisted of the following:

	<b>March 31, 2022</b>	December 31, 2021
	\$	\$
Trade payables	<b>995,674</b>	380,290
Accrued liabilities	<b>154,668</b>	289,398
	<b>1,150,342</b>	669,688

Accounts payable and accrued liabilities are principally comprised of amounts outstanding for trade purchases and other payables. The usual credit period taken for trade purchases is between 30 to 90 days.

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

	<b>March 31, 2022</b>	December 31, 2021
	\$	\$
Less than 1 month	<b>629,622</b>	412,363
1 to 3 months	<b>375,027</b>	159,813
Over 3 months	<b>145,693</b>	97,512
	<b>1,150,342</b>	669,688

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**March 31, 2022**  
**(Unaudited - Expressed in Canadian Dollars)**

**9. Right-of-Use Assets and Lease Liability**

On March 1, 2018, the Company entered into two lease agreements for the Long Beach facility, granting the Company a right-of-use asset (“RUA”) 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 following is a summary of the RUA as at March 31, 2022:

<b>Cost at:</b>	
December 31, 2021	<b>3,197,626</b>
Additions	-
Effect of foreign exchange	<b>(45,904)</b>
<b>March 31, 2022</b>	<b>3,151,722</b>
<b>Accumulated depreciation at:</b>	
December 31, 2021	<b>2,334,775</b>
Depreciation	<b>152,076</b>
Effect of foreign exchange	<b>(35,512)</b>
<b>March 31, 2022</b>	<b>2,451,339</b>
<b>Net book value:</b>	
December 31, 2021	<b>862,851</b>
<b>March 31, 2022</b>	<b>700,383</b>

The following table reflects the changes in the reconciliation of the lease payable on the Long Beach facility for the three months ended March 31, 2022:

	<b>Three Months Ended March 31, 2022</b>
Lease liability, beginning of period	<b>1,144,999</b>
Lease payments	<b>(214,482)</b>
Interest on lease obligations	<b>28,383</b>
Effect of foreign exchange	<b>(13,997)</b>
<b>Total lease liability, end of period</b>	<b>944,903</b>
<b>Current</b>	<b>802,124</b>
<b>Non-current</b>	<b>142,779</b>
	<b>944,903</b>

Lease commitment consisted of the following:

	<b>Total</b>	<b>Within 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>
	\$	\$	\$	\$
Lease payable	1,001,362	860,664	140,698	-
<b>Total</b>	<b>1,001,362</b>	<b>860,664</b>	<b>140,698</b>	<b>-</b>

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**10. Promissory Note**

On March 14, 2022, the President and Chief Operating Officer of Tinley’s US subsidiaries and a member of Tinley’s Office of the CEO advanced (the “advance”) the Company \$209,922 (\$167,991 USD) and the Company issued an unsecured promissory note with no terms, non-interest bearing and due on demand.

**11. 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 reserve for warrants	Resulting share capital amount
	#	\$	\$	\$	\$
<b>Balance, January 1, 2021</b>	<b>121,877,266</b>	-	-	-	<b>37,977,603</b>
Issuance on private placement March 30, 2021 (a)	2,125,000	850,000	(93,627)	(283,691)	<b>472,682</b>
<b>Balance, March 31, 2021</b>	<b>124,002,266</b>	<b>850,000</b>	<b>(93,627)</b>	<b>(283,691)</b>	<b>38,450,285</b>
<b>Balance, January 1, 2022</b>	<b>144,112,042</b>	-	-	-	<b>41,520,254</b>
Issuance on private placement January 19, 2022 (b)	2,080,666	312,100	(3,912)	(93,917)	<b>214,271</b>
Issuance on private placement February 25, 2022 (c)	3,450,000	517,500	(32,726)	(154,556)	<b>330,218</b>
<b>Balance, March 31, 2022</b>	<b>149,642,708</b>	<b>829,600</b>	<b>(36,638)</b>	<b>(248,473)</b>	<b>42,064,743</b>

Included in the number of shares outstanding above, at no cost, are 3,000,000 common shares in escrow (“Escrow Shares”) for the former Chief Executive Officer (“CEO”) of the Company, who resigned on September 20, 2021. In accordance with a consulting agreement (the “Agreement”) entered between the Company and the former 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 elected to extend the deadline for achieving these sales targets by two years. During the term of the Agreement, the Company is to release 1,500,000 Escrow Shares if sales exceed \$1 million over any four consecutive quarters. An additional 1,500,000 consideration shares are to be released if sales exceed \$3 million over any four consecutive quarters. The Escrow Shares are expected to be cancelled on October 29, 2022.

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

(a) On March 30, 2021, the Company closed a non-brokered private placement (the “March 2021 Offering”) through the issuance of 2,125,000 units (each being a “Unit”) at a price \$0.40 per Unit, for gross proceeds of \$850,000. Each Unit is comprised of one common share of the Company and one share purchase warrants (each being a “Warrant”). Each Warrant is exercisable into one common share at a price of \$0.50 until March 30, 2024. In connection with the March 2021 Offering, the Company paid cash commissions of \$61,693 to the Agents. In addition, 154,232 broker Unit purchase warrants Type II were issued as compensation to the Agents (see Note 13 for details).

*Share capital transactions for the three months ended March 31, 2022*

(b) On January 19, 2022, the Company closed a non-brokered private placement (the “January 2022 Offering”) through the issuance of 2,080,666 Units at a price of \$0.15 per Unit, for gross proceeds of \$312,100. Each Unit is comprised of one common share of the Company and one Warrant. Each Warrant is exercisable into one common share at a price of \$0.20 until January 19, 2024.

(c) On February 25, 2022, the Company closed a non-brokered private placement (the “February 2022 Offering”) through the issuance of 3,450,000 Units at a price of \$0.15 per unit, for gross proceeds of \$517,000. Each Unit is comprised of one common share of the Company and one Warrant. Each Warrant is exercisable into one common share at a price of \$0.20 until February 25, 2024. In connection with the February 2022 Offering, the Company paid cash commissions of \$16,200 to the Agents. In addition, 108,000 broker Unit purchase warrants Type II were issued as compensation to the Agents (see Note 13 for details).

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**12. 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, 2022 and 2021:

	2022		2021	
	Weighted exercise price	Number of options	Weighted exercise price	Number of options
	\$	#	\$	#
Outstanding, beginning of period	0.48	12,965,000	0.50	10,630,000
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
Forfeited	-	-	0.72	(100,000)
Forfeited	-	-	0.44	(50,000)
<b>Outstanding, end of period</b>	<b>0.48</b>	<b>12,965,000</b>	0.48	15,280,000
<b>Exercisable, end of period</b>	<b>0.49</b>	<b>10,902,916</b>	0.49	10,326,249

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

On January 18, 2021, the Company granted 1,500,000 stock options to a consultant at an exercise price of \$0.42 per share. The options expire on January 18, 2028. The options vest as follows: (a) 125,000 options vested on January 18, 2021 (b) 125,000 options vest on March 31, June 30, September 30 and December 31 of each calendar year, until all options are fully vested.

On January 27, 2021, the Company granted 2,400,000 stock options to a number of its employees and consultants at an exercise price of \$0.41 per share. The options expire on January 27, 2026. The options vest immediately.

On February 24, 2021, the Company granted 400,000 stock options to a number of its employees and consultant, at an exercise price of \$0.47 per share. The options expire on February 24, 2026. The options vest in 8 quarterly installments of 50,000 until the options are fully vested.

On March 2, 2021, the Company granted 200,000 stock options to a former officer who subsequently resigned on September 24, 2021, at an exercise price of \$0.48 per share. The options expire on March 2, 2026. The options vest in 8 quarterly installments of 25,000 options until the options are fully vested.

On March 9, 2021, the Company granted 300,000 stock options to a consultant, at an exercise price \$0.50, \$0.70 and \$1.00 for each of the 100,000 stock options respectively. The options expire on March 9, 2026. The stock options are vest immediately.

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

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

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

*Options grants for the three months ended March 31, 2022*

No options were granted during the three months ended March 31, 2022.

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*Black-Scholes valuation assumptions*

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

*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>
Number of options	100,000	100,000	100,000	200,000
Exercise price per share	\$1.00	\$0.70	\$0.50	\$0.48
Share price	\$0.45	\$0.45	\$0.45	\$0.48
Expected life of options	5 years	5 years	5 years	5 years
Expected volatility	112.92%	112.92%	112.92%	113.41%
Risk-free interest rate	0.87%	0.87%	0.87%	0.78%
Forfeiture rate	10%	10%	10%	10%

<b>Grant date</b>	<b>February 24, 2021</b>	<b>January 27, 2021</b>	<b>January 18, 2021</b>
Number of options	400,000	2,400,000	1,500,000
Exercise price per share	\$0.47	\$0.41	\$0.42
Share price	\$0.445	\$0.41	\$0.42
Expected life of options	5 years	5 years	7 years
Expected volatility	113.92%	115.08%	149.27%
Risk-free interest rate	0.73%	0.41%	0.52%
Forfeiture rate	10%	10%	10%



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The following table summarizes options outstanding as at March 31, 2022:

<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 life</b>
	<b>#</b>	<b>#</b>	<b>\$</b>	<b>\$</b>	<b>Years</b>
July 12, 2022	600,000	600,000	0.35	132,141	0.28
April 20, 2023	100,000	100,000	0.87	68,282	1.05
May 11, 2023	50,000	50,000	0.72	27,822	1.11
August 13, 2023	300,000	300,000	0.79	126,429	1.37
November 30, 2023	2,050,000	2,050,000	0.58	877,362	1.67
November 30, 2023	900,000	900,000	0.58	385,183	1.67
December 11, 2023	100,000	100,000	0.58	41,139	1.70
December 14, 2023	250,000	250,000	0.58	107,028	1.71
September 4, 2024	525,000	437,500	0.56	222,965	2.43
November 14, 2024	200,000	200,000	0.37	67,384	2.63
December 23, 2024	2,050,000	1,537,500	0.41	632,487	2.73
December 23, 2024	290,000	217,500	0.41	89,474	2.73
December 23, 2024	75,000	56,250	0.41	23,140	2.73
October 25, 2025	200,000	200,000	0.37	57,083	3.57
January 27, 2026	2,400,000	2,400,000	0.41	711,848	3.83
February 24, 2026	400,000	200,000	0.47	127,417	3.91
March 9, 2026	100,000	100,000	0.50	31,864	3.94
March 9, 2026	100,000	100,000	0.70	30,356	3.94
March 9, 2026	100,000	100,000	1.00	28,609	3.94
August 16, 2026	300,000	75,000	0.23	47,031	4.38
September 29, 2026	25,000	4,167	0.17	2,869	4.50
January 18, 2028	1,500,000	750,000	0.42	540,074	5.81
August 16, 2030	350,000	174,999	0.46	143,063	8.38
	<b>12,965,000</b>	<b>10,902,916</b>	<b>0.49</b>	<b>4,521,050</b>	<b>3.12</b>

**13. Reserve for Warrants**

The following summarizes the Warrant activities for the three months ended March 31, 2022 and 2021:

	<b>Three Months Ended March 31, 2022</b>		<b>Three Months Ended March 31, 2021</b>	
	<b>Number of warrants outstanding</b>	<b>Fair value</b>	<b>Number of warrants outstanding</b>	<b>Fair value</b>
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
<i>Share purchase warrants</i>				
Balance, beginning of period	<b>32,921,414</b>	<b>8,012,238</b>	22,106,179	8,450,359
Issued March 30, 2021	-	-	2,125,000	234,973
Issued January 19, 2022	<b>2,080,666</b>	<b>92,233</b>	-	-
Issued February 25, 2022	<b>3,450,000</b>	<b>140,620</b>	-	-
<b>Balance, end of period</b>	<b>38,452,080</b>	<b>8,245,091</b>	24,231,179	8,685,332
<i>Broker unit purchase warrants type I (a)</i>				
Balance, beginning of period	<b>29,750</b>	<b>6,614</b>	910,196	570,125
<b>Balance, end of period</b>	<b>29,750</b>	<b>6,614</b>	910,196	570,125

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	Three Months Ended March 31, 2022		Three Months Ended March 31, 2021	
	Number of warrants outstanding #	Fair value \$	Number of warrants outstanding #	Fair value \$
<i>Broker unit purchase warrants type II (b)</i>				
Balance, beginning of period	1,936,777	682,348	1,018,376	495,256
Issued March 30, 2021	-	-	154,232	64,120
Issued February 25, 2022	108,000	13,834	-	-
<b>Balance, end of period</b>	<b>2,044,777</b>	<b>696,182</b>	<b>1,172,608</b>	<b>559,376</b>
<b>Total</b>	<b>40,526,607</b>	<b>8,947,887</b>	<b>26,313,983</b>	<b>9,814,833</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 March 31, 2021*

On March 30, 2021, the Company issued 2,125,000 Warrants, at an exercise price of \$0.50 per share, in connection with the March 2021 Offering as disclosed in Note 11(a). In addition, 154,232 broker Unit purchase warrants Type II were issued as compensation to the Agents, to acquire one Unit at an exercise price of \$0.40 per Unit until March 30, 2024. Each Unit is comprised of one common share and one Warrant, exercisable into one common share at \$0.50 per share for a period of 36 months.

*Warrant activities for the three months ended March 31, 2022*

On January 19, 2022, the Company issued 2,080,666 Warrants, at an exercise price of \$0.20 per share, in connection with the January 2022 Offering as disclosed in Note 11(b).

On February 25, 2022, the Company issued 3,450,000 Warrants, at an exercise price of \$0.25 per share, in connection with the February 2022 Offering as disclosed in Note 11(c). In addition, 108,000 broker Units purchase warrants Type II were issued as compensation to the Agents, to acquire one Unit at an exercise price of \$0.15 per Unit until February 25, 2024 from the closing of the February 2021 Offering. Each Unit is comprised of one common share and one Warrant, exercisable into one common share at \$0.20 per share for a period of 24 months.

*Black-Scholes valuation assumptions*

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

*Share purchase warrants issued in 2021*

Issuance date	March 30, 2021
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%

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*Broker Unit purchase warrants type II issued in 2021*

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

*Share purchase warrants issued in 2022*

	<b>February 25, 2022</b>	<b>January 19, 2022</b>
<b>Issuance date</b>		
Number of warrants	3,450,000	2,080,666
Exercise price	\$0.20	\$0.20
Share price	\$0.140	\$0.145
Expected life of warrants	2 years	2 years
Expected volatility	96.86%	96.31%
Risk-free interest rate	1.53%	1.27%

*Broker Unit purchase warrants type II issued in 2022*

	<b>February 25, 2022</b>
<b>Issuance date</b>	
Number of warrants	108,000
Exercise price	\$0.15
Unit price	\$0.140
Expected life of warrants	2 years
Expected volatility	96.86%
Risk-free interest rate	0.72%

The following table summarizes information of warrants outstanding as at March 31, 2022:

	<b>Number of warrants outstanding</b>	<b>Exercise price</b>	<b>Weighted average remaining life</b>
	#	\$	\$
<i>Share purchase warrants</i>			
June 30, 2022	3,700,000	0.70	0.25
August 31, 2022	2,080,000	0.70	0.42
November 14, 2022	1,250,000	0.60	0.62
November 26, 2022	2,125,000	0.60	0.66
December 24, 2022	1,062,500	0.60	0.73
June 10, 2023	3,660,984	0.42	1.19
October 14, 2023	12,437,805	0.20	1.54
November 23, 2023	2,222,300	0.60	1.65
December 8, 2023	2,257,825	0.60	1.69
January 19, 2024	2,080,666	0.20	1.81
February 25, 2024	3,450,000	0.20	1.81
March 30, 2024	2,125,000	0.50	2.00
<b>Balance, end of period</b>	<b>38,452,080</b>	<b>0.41</b>	<b>1.30</b>

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	Number of warrants outstanding	Exercise price	Weighted average remaining life
	#	\$	\$
<i>Broker unit purchase warrants type I</i>			
June 10, 2023	29,750	0.33	1.19
<b>Balance, end of period</b>	<b>29,750</b>	<b>0.33</b>	<b>1.19</b>
<i>Broker unit purchase warrants type II</i>			
June 30, 2022	260,304	0.50	0.25
August 31, 2022	154,400	0.50	0.42
November 14, 2022	87,500	0.40	0.62
November 26, 2022	128,188	0.40	0.66
December 24, 2022	74,375	0.40	0.73
October 14, 2023	764,169	0.15	1.54
November 23, 2023	155,561	0.45	1.65
December 8, 2023	158,048	0.45	1.69
February 25, 2024	108,000	0.15	1.91
March 30, 2024	154,232	0.40	2.00
<b>Balance, end of period</b>	<b>2,044,777</b>	<b>0.32</b>	<b>1.24</b>

**14. 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, 2022 and 2021:

	2022	2021
	\$	\$
Short-term employee benefits, including salaries and consulting fees	<b>182,958</b>	219,575
Share-based compensation	<b>22,385</b>	798,187
	<b>205,343</b>	1,017,762

- (i) During the three months ended March 31, 2022, the Company incurred consulting fees with the new CFO of \$30,000 (2021 – \$nil). As at March 31, 2022, a balance of \$33,900 (December 31, 2021 – \$11,300) remained outstanding, and was included in accounts payable and accrued liabilities.
- (ii) During the three months ended March 31, 2022, the Company incurred wage expenses with the President and Chief Operating Officer of \$75,972 (2021 – \$75,450) for services rendered. As at March 31, 2022, a balance of \$89,034 (December 31, 2021 – \$nil) was outstanding, and was included in accounts payable and accrued liabilities.
- On March 14, 2022, the President and Chief Operating Officer of Tinley’s US subsidiaries and a member of Tinley's Office of the CEO advanced the Company \$209,922 (\$167,991 USD) and the Company issued an unsecured promissory note with no terms, non-interest bearing and due on demand.
- (iii) During the three months ended March 31, 2022, the Company incurred consulting fees with the Acting Chief Operating Officer, who is also a director of the Company, of \$37,986 (2021 – \$37,725). As at March 31, 2022, a balance of \$24,992 (December 31, 2021 – \$nil) was outstanding, and was included in accounts payable and accrued liabilities.
- (iv) During the three months ended March 31, 2022, the Company incurred consulting fees with directors considered to be part of key management of \$39,000 (2021 – \$39,000) for services rendered. As at March 31,

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2022, an amount of \$44,409 (December 31, 2021 – \$14,898) was outstanding and included in accounts payable and accrued liabilities.

- (v) During the three months ended March 31, 2022, the Company incurred consulting fee expenses with the former CEO of \$nil (2021 – \$39,000). As at March 31, 2022, no balance (December 31, 2020 – \$nil) was outstanding.
- (vi) During the three months ended March 31, 2022, the Company incurred consulting fees with the former CFO of \$nil (2021 – \$18,400). As at December 31, 2021, no balance (December 31, 2020 – \$nil) was outstanding.
- (vii) During the three months ended March 31, 2022, the Company incurred consulting fees with a former officer of \$nil (2021 – \$10,000). As at March 31, 2022, no balance (December 31, 2020 – \$nil) was outstanding.

*Other related party transactions*

- (viii) During the three months ended March 31, 2022, directors who are not part of key management received stock-based compensation of \$2,760 (2021 – \$226,442).

**15. Capital Risk Management**

When managing capital, the Company’s objective is to ensure it continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the beverage production.

The Board of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management team to sustain the future development of the business.

As at March 31, 2022, 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 \$5,659,059 (December 31, 2021 – \$6,544,815).

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, 2022 and the year ended December 31, 2021.

**16. General and Administrative Expenses**

The Company’s general and administration expenses incurred for the three months ended March 31, 2022 and 2021 are as follows:

	2022	2021
	\$	\$
Payroll and salaries	<b>389,047</b>	297,243
Corporate costs and administration	<b>258,883</b>	162,071
Professional fees	<b>190,202</b>	194,020
Consulting and management fees	<b>53,348</b>	99,349
Interest on lease liabilities	<b>28,383</b>	47,813
Occupancy cost	<b>5,276</b>	63,383
Travel and promotion	<b>1,875</b>	3,418
	<b>927,014</b>	867,297

**17. Financial Instruments and Risk Management**

*Fair value*

The carrying amount of cash, 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 March 31, 2022.

*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, 2022, the Company had a cash and cash equivalents balance of \$162,261 (December 31, 2021 – \$113,840) to settle current liabilities of \$2,241,948 (December 31, 2021 – \$1,616,428). The undiscounted contractual maturity of all financial liabilities is as follows:

	<b>Total</b>	<b>Within 1</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,150,342	1,150,342	-	-
Lease payable	1,001,362	860,664	140,698	-
<b>Total</b>	<b>2,151,704</b>	<b>2,011,006</b>	<b>140,698</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, 2022.

*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, 2022, the Company had the following financial assets and financial liabilities in USD:

	<b>March 31,</b>	December 31,
	<b>2022</b>	2021
	\$	\$
Cash	<b>22,843</b>	32,309
Trade receivables	<b>97,576</b>	35,921
Trade and other payables	<b>(332,006)</b>	(114,345)
Lease obligations	<b>(801,346)</b>	(970,736)
<b>Net exposure to USD</b>	<b>(1,012,933)</b>	(1,016,851)

Had the value of the USD increased or decreased by 1%, the net loss and comprehensive loss would have increased or decreased by USD \$10,000 (December 31, 2021 – USD \$10,000), respectively, as a result of this exposure.

**18. 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

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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, 2022, 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.

**19. Subsequent Events**

On April 25, 2022, the Company received an additional advance under the promissory note of \$571,187 (\$444,259 USD) (see Note 10).

On April 29, 2022, the Company acquired 100% of the shares of Lakewood from Richard Gillis.