THE TINLEY BEVERAGE COMPANY INC.

Condensed Interim Consolidated Financial Statements

(Unaudited - Expressed in Canadian Dollars)

September 30, 2022

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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September 30, 2022

THE TINLEY BEVERAGE COMPANY INC.

Condensed Interim Consolidated Statements of Financial Position
As at September 30, 2022 and December 31, 2021
(Unaudited - Expressed in Canadian Dollars)

	As at September 30, 2022	As at December 31, 2021
	$	$
Assets		
Current Assets		
Cash	**271,235**	113,840
Accounts receivable (Note 4)	**123,814**	165,729
Inventories (Note 5)	**604,491**	768,823
Prepaid expenses (Note 6)	**250,672**	344,235
Total Current Assets	**1,250,212**	1,392,627
Non-Current Assets		
Property and equipment (Note 8)	**5,999,390**	6,128,261
Right-of-use assets (Note 10)	**439,005**	862,851
Security deposits	**145,582**	134,653
Note receivable (Note 7)	**40,298**	-
Total Non-Current Assets	**6,624,275**	7,125,765
Total Assets	**7,874,487**	8,518,392
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	**742,070**	669,688
Deferred revenue	**177,963**	158,890
Current portion of lease liabilities (Note 10)	**609,051**	787,850
Convertible note (Note 11)	**818,205**	-
Total Current Liabilities	**2,347,289**	1,616,428
Non-Current Liabilities		
Convertible grid note (Note 12)	**1,902,056**	-
Lease liabilities (Note 10)	**-**	357,149
Total Liabilities	**4,249,345**	1,973,577
Shareholders' Equity		
Share capital (Note 13)	**42,192,513**	41,520,254
Equity component of convertible notes (Notes 11 and 12)	**757,706**	-
Reserve for share-based payments (Note 14)	**5,711,202**	6,052,920
Reserve for warrants (Note 15)	**8,031,786**	8,701,200
Contributed surplus	**6,789,661**	4,993,337
Accumulated other comprehensive loss	**(57,315)**	(512,858)
Accumulated deficit	**(59,800,411)**	(54,210,038)
Total Shareholders' Equity	**3,625,142**	6,544,815
Total Liabilities and Shareholders' Equity	**7,874,487**	8,518,392

Nature of operations (Note 1)

Going concern (Note 2(b))

Contingencies (Note 20)
Subsequent events (Note 21)

Approved on behalf of the Board of Directors

"Paul Burgis" (signed)	*"Theodore Zittell" (signed)*
Director	*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 Nine Months ended September 30, 2022 and 2021
(Unaudited - Expressed in Canadian Dollars)

	Three Months ended September 30, 2022	Three Months ended September 30, 2021	Nine Months ended September 30, 2022	Nine Months ended September 30, 2021
	$	$	**$**	$
Sales	**418,987**	198,165	**824,116**	697,489
Cost of goods sold (Note 5)	**(233,192)**	(169,931)	**(497,242)**	(567,594)
Gross Profit	**185,795**	28,234	**326,874**	129,895
Operating Expenses				
General and administration (Note 18)	**1,230,495**	1,211,602	**3,258,164**	3,085,467
Depreciation of property and equipment (Note 8)	**279,800**	255,077	**806,269**	758,009
Sales and marketing	**201,222**	198,189	**571,364**	466,752
Depreciation of right-of-use assets (Note 10)	**156,783**	151,320	**462,208**	450,859
Product development	**66,843**	95,677	**283,439**	158,296
Share-based payments (Notes 14)	**365,576**	207,056	**538,505**	1,701,643
Foreign currency translation loss	**13,285**	29,678	**40,187**	12,090
	2,314,004	2,148,599	**5,960,136**	6,633,116
Net Loss before Other Income	**(2,128,209)**	(2,120,365)	**(5,633,262)**	(6,503,221)
Other Income				
Gain on sale of vehicle	**42,377**	-	**42,377**	-
Interest income	**512**	-	**512**	-
Net Loss	**(2,085,320)**	(2,120,365)	**(5,590,373)**	(6,503,221)
Other Comprehensive Income (Loss)				
Gain (loss) on translation of foreign operations	**336,577**	99,336	**455,543**	(66,839)
Comprehensive Loss	**(1,748,743)**	(2,021,029)	**(5,134,830)**	(6,570,060)
Weighted Average Number of Common Shares	**150,859,565**	128,544,889	**149,213,656**	123,534,038
Net Loss per Share				
Basic and Diluted	**(0.012)**	(0.016)	**(0.034)**	(0.053)

THE TINLEY BEVERAGE COMPANY INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the Nine Months ended September 30, 2022 and 2021
(Unaudited - Expressed in Canadian Dollars)

	Share Capital		Reserves						
	Number of shares	Amount	Share-based payments	Warrants	Equity Component of Convertible Notes	Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Total
	#	$	$	$	$	$	$	$	$
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 13)	9,446,971	2,586,805	-	750,179	-	-	-	-	3,336,984
Share issuance costs (Notes 13 and 15)	-	(264,721)	-	(81,520)	-	-	-	-	(346,241)
Share-based payments (Note 14)	-	-	1,701,643	-	-	-	-	-	1,701,643
Issuance of shares on exercise of options (Note 13)	350,000	40,423	(12,423)	-	-	-	-	-	28,000
Forfeiture of options (Note 14)	-	-	(162,205)	-	-	162,205	-	-	-
Expiry of warrants (Note 15)	-	-	-	(2,100,156)	-	2,100,156	-	-	-
Exchange loss on translation of foreign operations	-	-	-	-	-	-	-	(66,839)	(66,839)
Net loss for the period	-	-	-	-	-	-	(6,503,221)	-	(6,503,221)
Balance, September 30, 2021	**131,674,237**	**40,340,110**	**6,678,064**	**8,084,243**	**-**	**4,282,187**	**(52,163,376)**	**(462,466)**	**6,758,762**
Balance, December 31, 2021	**144,112,042**	**41,520,254**	**6,052,920**	**8,701,200**	**-**	**4,993,337**	**(54,210,038)**	**(512,858)**	**6,544,815**
Issuance of shares and warrants via private placements (Note 13)	5,530,666	581,127	-	262,307	-	-	-	-	**843,434**
Share issuance costs (Notes 13 and 15)	-	(36,638)	-	(15,620)	-	-	-	-	**(52,258)**
Issuance of shares for services	1,216,857	127,770	-	-	-	-	-	-	**127,770**
Share-based payments (Note 14)	-	-	538,505	-	-	-	-	-	**538,505**
Forfeiture of options (Note 14)	-	-	(880,223)	-	-	880,223	-	-	**-**
Expiry of warrants (Note 15)	-	-	-	(916,101)	-	916,101	-	-	**-**
Equity component of convertible notes	-	-	-	-	757,706	-	-	-	**757,706**
Exchange gain on translation of foreign operations	-	-	-	-	-	-	-	455,543	**455,543**
Net loss for the period	-	-	-	-	-	-	(5,590,373)	-	**(5,590,373)**
Balance, September 30, 2022	**150,859,565**	**42,192,513**	**5,711,202**	**8,031,786**	**757,706**	**6,789,661**	**(59,800,411)**	**(57,315)**	**3,625,142**

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 Nine Months ended September 30, 2022 and 2021
(Unaudited - Expressed in Canadian Dollars)

	Three Months ended September 30, 2022	Three Months ended September 30, 2021	Nine Months ended September 30, 2022	Nine Months ended September 30, 2021
	$	$	**$**	$
Operating Activities				
Net loss for the period	**(2,085,320)**	(2,120,365)	**(5,590,373)**	(6,503,221)
Adjustments for non-cash items:				
Share-based payments (Note 14)	**365,576**	207,056	**538,505**	1,701,643
Depreciation of property and equipment (Note 8)	**279,800**	255,077	**806,269**	758,009
Depreciation of right-of-use assets (Note 10)	**156,783**	151,320	**462,208**	450,859
Gain on sale of vehicle	**(42,377)**	-	**(42,377)**	-
Interest income	**(512)**	-	**(512)**	-
Interest on lease obligations (Note 10)	**18,622**	39,110	**70,507**	129,194
Interest and accretion on convertible notes (Notes 11 and 12)	**204,056**	-	**234,151**	-
Unrealized foreign currency translation loss	**69,704**	29,678	**197,669**	12,090
	(1,033,668)	(1,438,124)	**(3,323,953)**	(3,451,426)
Changes in non-cash working capital:				
Accounts receivable (Note 4)	**(10,234)**	(37,803)	**41,915**	(94,137)
Inventories (Note 5)	**(52,532)**	76,163	**164,332**	(28,261)
Prepaid expenses (Note 6)	**(85,230)**	126,666	**93,563**	44,529
Accounts payable and accrued liabilities (Note 9)	**(50,745)**	108,069	**72,382**	401,447
Deferred revenue	**37,776**	-	**19,073**	(56,839)
Cash Flows used in Operating Activities	**(1,194,633)**	(1,165,029)	**(2,932,688)**	(3,184,687)
Investing Activities				
Purchases of property and equipment (Note 8)	**(44,539)**	(5,940)	**(71,100)**	(186,244)
Construction in progress (Note 8)	**(20,119)**	(287,963)	**(199,612)**	(625,743)
Proceeds from sale of vehicle	**37,201**	-	**37,201**	-
Cash Flows used in Investing Activities	**(27,457)**	(293,903)	**(233,511)**	(811,987)
Financing Activities				
Proceeds from convertible grid note (Note 12)	**1,286,050**	-	**2,550,450**	-
Lease payments (Note 10)	**(224,743)**	(211,640)	**(659,059)**	(627,205)
Proceeds from convertible note (Note 11)	**-**	-	**727,896**	-
Convertible notes issuance cost (Note 11 & 12)	**-**	-	**(41,994)**	-
Proceeds from private placements (Note 13)	**-**	-	**829,600**	3,266,250
Share issue costs (Note 13)	**-**	-	**(38,423)**	(275,508)
Proceeds from exercise of options (Note 13)	**-**	28,000	**-**	28,000
Cash Flows provided by (used in) Financing Activities	**1,061,307**	(183,640)	**3,368,470**	2,391,537
Increase (Decrease) in cash for the period	**(160,783)**	(1,642,572)	**202,271**	(1,605,137)
Cash, beginning of period	**439,870**	2,311,571	**113,840**	2,258,526
Effects of foreign exchange on cash	**(7,852)**	(98,489)	**(44,876)**	(82,879)
Cash, end of period	**271,235**	570,510	**271,235**	570,510

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

1. Nature of Operations

The Tinley Beverage Company Inc. ("Tinley") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated October 26, 2007. Tinley, with its subsidiaries (see Note 2(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. 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 181 Bay Street, Suite 1800, Toronto, Ontario, M5J 2T9, 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 November 28, 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 nine months ended September 30, 2022, the Company had a net loss of $5,590,373 (2021 – $6,503,221), incurred negative cash flow from operations of $2,932,688, (2021 – $3,184,687), and as of that date, had a working capital deficiency of $1,097,077 (December 31, 2021 – $223,801) and an accumulated deficit of $59,800,411 (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.

(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 ("Algonquin"), Beckett's Tonics California Inc. (formerly Boardwalk Beverages, Inc.), Beckett's Tonics Canada Inc., Tinley's Canada Inc. and Lakewood Libations Inc. ("Lakewood"), 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.

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 to 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 unknown 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.

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.

(a) Compound Instruments

The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar non-convertible instrument. This amount is recorded as a liability, at amortized cost, using the effective interest rate method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component from the total fair value of the compound instrument. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured.

Transaction costs related to the issuance of the convertible debts are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the convertible debts using the effective interest method. Interest and accretion expense are recognized as a finance cost in the consolidated statements of loss and comprehensive loss.

In situations where the convertible debts contain contractual terms that result in the potential adjustment in the conversion or exercise price, the conversion feature does not meet equity classification and is accounted for as a derivative liability as the fair value is affected by changes in the fair value of the Company's common shares. The effect is that the debt component will be accounted for at amortized cost, with the derivative liability being measured at fair value with changes in value being recorded in profit or loss.

(b) 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 consolidated 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.

(Unaudited - Expressed in Canadian Dollars)

4. Accounts Receivable

Accounts receivable consisted of the following:

	September 30, 2022	December 31, 2021
	$	$
Trade receivables	**88,228**	45,759
Sales taxes recoverable	**35,586**	119,970
	123,814	165,729

5. Inventories

Inventories consisted of the following:

	September 30, 2022	December 31, 2021
	$	$
Raw materials	**475,821**	532,964
Finished goods	**128,670**	235,859
	604,491	768,823

For the nine months ended September 30, 2022, inventories recognized as an expense in cost of goods sold amounted to $497,242 (2021 – $567,594).

6. Prepaid Expenses

Prepaid expenses consisted of the following:

	September 30, 2022	December 31, 2021
	$	$
Advances paid to suppliers	**57,713**	261,624
Prepaid insurance	**192,959**	82,611
	250,672	344,235

7. Note Receivable

On August 12, 2022, ILLA Canna LLC issued the Company a secured promissory note in the amount of $37,071 (USD $29,000) as part of a vehicle purchase and sale agreement. This amount represents 50% of the purchase price of the vehicle, the other 50% was paid in cash. The obligations under the promissory note are secured against the purchased vehicle. The maturity date of the promissory note is August 12, 2024. Interest accrues on the principal balance of the note at the rate of 10% per annum.

The following table reflects the continuity of the note receivable as at September 30, 2022:

	$
Balance, beginning of period	**-**
Issuance	**37,071**
Accrued interest	**547**
Effect of foreign exchange	**2,680**
Balance, September 30, 2022	**40,298**

(Unaudited - Expressed in Canadian Dollars)

8. Property and Equipment

Property and equipment consisted of the following:

	Construction in progress	Plant equipment	Leasehold improvement	Vehicles	Total
	$	$	$	$	$
Cost:					
December 31, 2021	718,491	5,816,811	1,833,828	166,191	8,535,321
Additions	199,612	71,100	-	-	270,712
Dispositions	-	-	-	(80,350)	(80,350)
Reclassification to capital assets	(918,103)	918,103	-	-	-
Effects of foreign exchange	-	529,189	148,842	7,984	686,015
September 30, 2022	**-**	**7,335,203**	**1,982,670**	**93,825**	**9,411,698**
Accumulated depreciation:					
December 31, 2021	-	1,447,351	880,229	79,480	2,407,060
Depreciation	-	483,737	299,451	23,081	806,269
Dispositions	-	-	-	(48,325)	(48,325)
Effects of foreign exchange	-	150,619	91,963	4,722	247,304
September 30, 2022	**-**	**2,081,707**	**1,271,643**	**58,958**	**3,412,308**
Net book value:					
December 31, 2021	718,491	4,369,460	953,599	86,711	6,128,261
September 30, 2022	**-**	**5,253,496**	**711,027**	**34,867**	**5,999,390**

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

	September 30, 2022	December 31, 2021
	$	$
Trade payables	**632,167**	380,290
Accrued liabilities	**109,903**	289,398
	742,070	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:

	September 30, 2022	December 31, 2021
	$	$
Less than 1 month	**335,159**	412,363
1 to 3 months	**126,490**	159,813
Over 3 months	**280,421**	97,512
	742,070	669,688

10. 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.

(Unaudited - Expressed in Canadian Dollars)

The following is a summary of the RUA as at September 30, 2022:

	$
Cost at:	
December 31, 2021	**3,197,626**
Additions	**-**
Effect of foreign exchange	**259,533**
September 30, 2022	**3,457,159**
Accumulated depreciation at:	
December 31, 2021	**2,334,775**
Depreciation	**462,208**
Effect of foreign exchange	**221,171**
September 30, 2022	**3,018,154**
Net book value:	
December 31, 2021	862,851
September 30, 2022	**439,005**

The following table reflects the changes in the reconciliation of the lease payable on the Long Beach facility for the nine months ended September 30, 2022:

	$
Lease liability, beginning of period	**1,144,999**
Lease payments	**(659,059)**
Interest on lease obligations	**70,507**
Effect of foreign exchange	**52,604**
Total lease liability, end of period	**609,051**
Current	**609,051**
Non-current	**-**
	609,051

Lease commitment consisted of the following:

	Total	Within 1 year	1 to 3 years	3 to 5 years
	$	$	$	$
Lease payable	626,369	626,369	-	-
Total	**626,369**	**626,369**	**-**	**-**

11. Convertible Note

On June 10, 2022, the President of Tinley's Brands USA finalized the terms of an advance (the "the advance") of the principal amount of $782,272 (USD $612,250) with the Company under a secured convertible note (the "Gillis Note"). The principal amount of the Gillis Note will be repaid, in cash, by the Company on the date which is one year following issuance of the Note (the "Maturity Date"), and will carry an interest rate of 12% per annum. The Gillis Note shall be convertible at the option of the holder into units (each being a "Unit") at the conversion price of $0.105 per share (the "Conversion Price"). Each Unit shall consist of one common share of the Company and one-half share purchase warrant (each being a "Warrant"). Each whole Warrant is exercisable for a period of two years from the date of issuance of such Warrant at an exercise price equal to the Conversion Price.

(Unaudited - Expressed in Canadian Dollars)

The obligations under the Gillis Note are secured against the assets of the Company and the Company's US subsidiary, Algonquin, which security is second in priority behind the security of Blaze Life Holdings, LLC (defined hereafter in Note 12).

In the event of a Liquidity Event (as defined in the Gillis Note), all of the remaining indebtedness will automatically convert into Units at a 25% discount to the deemed price per common share paid in connection with the Liquidity Event, provided that such discounted deemed price shall be no less than $0.05 per Unit.

The liability portion of the Gillis Note was assigned a value based on the present value of the contractually determined stream of future cash flows discounted at 18%. The rate is estimated to be the equivalent market interest rate that would apply to a similar liability which does not contain an equity conversion option.

The Gillis Note is a compound financial instrument. On initial recognition, the residual value method was used to allocate the fair value of the debt and equity components. The face value of the liability was calculated to be $742,495, using a discount rate of 18%. The difference between the principal amount of the Gillis Note and the liability component of the note is $39,777 and was allocated to the conversion feature which was classified within equity, using the residual value method. Accretion of the liability portion and interest on the Gillis Note are included within interest and accretion in general and administration expenses (see Note 18) in the consolidated statements of loss and comprehensive loss.

The following table reflects the continuity of the liability component of the Gillis Note as at September 30, 2022:

	$
Balance, beginning of period	**-**
Issuance of Gillis Note	**782,272**
Discount at 18% (attributed to conversion feature)	**(39,777)**
Issuance cost	**(25,229)**
Accrued interest	**29,648**
Accretion	**45,968**
Effect of foreign exchange	**25,323**
Balance, September 30, 2022	**818,205**

12. Convertible Grid Note

On June 10, 2022, the Company closed a financing of up to USD $3.5 million through the issuance of a secured convertible grid note (the "BLH Note") to Blaze Life Holdings, LLC ("BLH"). The BLH Note bears interest at a rate of 12% per annum, and has a term of five years from the date of issuance. All indebtedness under the BLH Note, including all principal amounts advanced from time to time and accrued and unpaid interest, shall be convertible into Units at the option of BLH at a Conversion Price of $0.105 per Unit. Each Unit shall consist of one common share of the Company and one-half of one Warrant, with each whole Warrant exercisable for a period of two years from the date of issuance of such Warrant at an exercise price equal to the Conversion Price.

As at September 30, 2022, the amount advanced under the BLH Note is $2,563,750 (USD $2 million) due on June 10, 2027. The obligations under the BLH Note are secured against the assets of the Company and the Company's US subsidiary, Algonquin.

The BLH Note provides for the automatic conversion of: (i) 33.33% of the indebtedness under the BLH Note if the closing price of the common shares on the CSE exceeds $0.50 for five consecutive trading days; (ii) an additional 66.66% of the indebtedness under the BLH Note if the closing price of the common shares on the CSE exceeds $0.75 for five consecutive trading days; and (iii) the remaining indebtedness under the BLH Note if the closing price of the common shares on the CSE exceeds $1.00 for five consecutive trading days.

In connection with the issuance of the BLH Note, the Company issued 1,216,857 common shares as an advisory fee valued at $127,770 (USD $100,000) (see Note 13).

(Unaudited - Expressed in Canadian Dollars)

The liability portion of the BLH Note was assigned a value based on the present value of the contractually determined stream of future cash flows discounted at 18%. The rate is estimated to be the equivalent market interest rate that would apply to a similar liability which does not contain an equity conversion option.

The BLH Note is a compound financial instrument. On initial recognition, the residual value method was used to allocate the fair value of the debt and equity components. The face value of the liability was calculated to be $1,801,401, using a discount rate of 18%. The difference between the principal amount of the BLH Note and the liability component of the note is $762,349 and was allocated to the conversion feature which was classified within equity, using the residual value method. Accretion of the liability portion and interest on the BLH Note are included within interest and accretion in general and administration expenses (see Note 18) in the consolidated statements of loss and comprehensive loss.

The following table reflects the continuity of the liability component of the BLH Note as at September 30, 2022:

	$
Balance, beginning of period	-
Issuance of BLH Note	2,563,750
Discount at 18% (attributed to conversion feature)	(762,349)
Issuance costs	(100,114)
Accrued interest	80,136
Accretion	78,399
Effect of foreign exchange	42,234
Balance, September 30, 2022	**1,902,056**

(Unaudited - Expressed in Canadian Dollars)

13. 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.

The following details the amounts recorded as share capital for the period:

	Number of shares	Proceeds	Share issuance costs	Allocated to reserve for warrants	Allocated from reserve for shared based payments	Resulting share capital amount
	#	$	$	$	$	$
Balance, January 1, 2021	**121,877,266**	-	-	-	-	**37,977,603**
Issuance on private placement March 30, 2021 (a)	2,125,000	850,000	(97,252)	(283,691)	-	**469,057**
Issuance on private placement June 10, 2021 (b)	7,321,971	2,416,250	(167,469)	(395,754)	-	**1,853,027**
Issuance on Exercised Options August 3, 2021 (c)	350,000	28,000	-	-	12,423	**40,423**
Balance, September 30, 2021	**131,674,237**	**3,294,250**	**(264,721)**	**(679,445)**	**12,423**	**40,340,110**
Balance, January 1, 2022	**144,112,042**	-	-	-	-	**41,520,254**
Issuance on private placement January 19, 2022 (d)	2,080,666	312,100	(3,912)	(93,917)	-	**214,271**
Issuance on private placement February 25, 2022 (e)	3,450,000	517,500	(32,726)	(154,556)	-	**330,218**
Issuance on debt settlement - finders' fees June 27, 2022 (f)	1,216,857	127,770	-	-	-	**127,770**
Balance, September 30, 2022	**150,859,565**	**957,370**	**(36,638)**	**(248,473)**	**-**	**42,192,513**

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 due to be returned and cancelled on October 29, 2022.

Share capital transactions for the nine months ended September 30, 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 (each being a "Broker Warrants Type II") were issued as compensation to the Agents (see Note 15 for details).

(b) On June 10, 2021, the Company closed a non-brokered private placement (the "June 2021 Offering") through the issuance of 7,321,971 Units at a price $0.33 per Unit, for gross proceeds of $2,416,250. Each Unit is comprised of one common share of the Company and one half Warrant. Each whole Warrant is exercisable into one common share at a price of $0.42 until June 10, 2023. In connection with the June 2021 Offering, the Company paid cash commissions of $9,818 to the Agents. In addition, 29,750 Broker Unit purchase warrants Type I (each being a "Broker Warrants Type I") were issued as compensation to the Agents (see Note 15 for details).

(c) On August 3, 2021, 350,000 stock options granted on August 4, 2016 were exercised into common shares of the Company at an exercise price of $0.08 for proceeds of $28,000.

Share capital transactions for the nine months ended September 30, 2022

(d) 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.

(Unaudited - Expressed in Canadian Dollars)

(e) 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 Warrants Type II were issued as compensation to the Agents (see Note 15 for details).

(f) On June 27, 2022, the Company issued 1,216,857 common shares in settlement of an advisory fee debt valued at $127,770 (USD $100,000) in connection with the issuance of the BLH Note (see Note 12).

14. 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 nine months ended September 30, 2022 and 2021:

	2022		2021	
	Weighted average exercise price	**Number of options outstanding**	Weighted average exercise price	Number of options outstanding
	$	**#**	$	#
Outstanding, beginning of period	**0.48**	**12,965,000**	0.50	10,630,000
Granted	**0.10**	**6,050,000**	-	-
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
Granted	-	-	0.37	100,000
Granted	-	-	0.42	100,000
Granted	-	-	0.47	100,000
Granted	-	-	0.23	400,000
Granted	-	-	0.17	25,000
Cancelled	**0.72**	**(50,000)**	-	-
Cancelled	**0.56**	**(250,000)**	-	-
Cancelled	**0.41**	**(75,000)**	-	-
Cancelled	**0.46**	**(350,000)**	-	-
Cancelled	**0.42**	**(1,500,000)**	-	-
Expired	**0.35**	**(600,000)**	-	-
Expired	-	-	0.70	(300,000)
Exercised	-	-	0.08	(350,000)
Forfeited	-	-	0.72	(100,000)
Forfeited	-	-	0.44	(50,000)
Outstanding, end of period	**0.34**	**16,190,000**	0.48	15,355,000
Exercisable, end of period	**0.34**	**15,728,333**	0.50	11,648,749

Option grants for the nine months ended September 30, 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 vested immediately on grant.

On February 24, 2021, the Company granted 400,000 stock options to a number of its employees and consultants, at an exercise price of $0.47 per share. The options expire on February 24, 2026. The options vest in eight 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 eight 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 options vested immediately on grant.

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 the June 2021 Offering. The options expire on May 12, 2026.

On August 17, 2021, the Company granted 400,000 options, of which 100,000 were issued to an employee, 100,000 to a consultant and 200,000 to the newly appointed Chief Financial Officer ("CFO") at an exercise price of $0.23 per share for a period of five years. The options vest quarterly over two years and expire on August 17, 2026.

On September 29, 2021, the Company granted 25,000 options to an employee. The options are exercisable at an exercise price of $0.17 per share for a period of five year. The options vest quarterly over three years until fully vested and expire on September 29, 2026.

Options forfeited in the nine months ended September 30, 2021
On January 1, 2021, 100,000 options granted on May 11, 2018 to a 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 an employee were cancelled at an exercise price of $0.44 per share.

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

Option grants for the nine months ended September 30, 2022
On September 15, 2022, the Company granted 6,050,000 stock options to a number of its directors, officers, employees and consultants at an exercise price of $0.10 per share. The options expire on September 15, 2027. The options vested immediately on grant.

Options forfeited in the nine months ended September 30, 2022
On June 30, 2022, 50,000 options granted on May 11, 2018 to a consultant were cancelled at an exercise price of $0.72 per share.

On June 30, 2022, 250,000 options granted on September 4, 2019 to consultants were cancelled at an exercise price of $0.56 per share.

On June 30, 2022, 75,000 options granted on December 23, 2019 to a consultant were cancelled at an exercise price of $0.41 per share.

(Unaudited - Expressed in Canadian Dollars)

On June 30, 2022, 350,000 options granted on August 16, 2020 to a consultant were cancelled at an exercise price of $0.46 per share.

On July 12, 2022, 600,000 options granted on July 12, 2017 to consultants at an exercise price of $0.35 per share expired.

On September 19, 2022, 1,500,000 options granted on January 18, 2021 to a consultant were cancelled at an exercise price of $0.42 per share.

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

Grant date	September 29, 2021	August 17, 2021	May 12, 2021	May 12, 2021	May 12, 2021
Number of options	25,000	400,000	100,000	100,000	100,000
Exercise price per share	$0.17	$0.23	$0.47	$0.42	$0.37
Share price	$0.17	$0.23	$0.36	$0.36	$0.36
Expected life of options	5 years	5 years	5 years	5 years	5 years
Expected volatility	101.40%	103.41%	109.14%	109.14%	109.14%
Risk-free interest rate	1.11%	0.81%	0.97%	0.97%	0.97%
Forfeiture rate	10%	10%	10%	10%	10%

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

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

(Unaudited - Expressed in Canadian Dollars)

Options granted in 2022

Grant date	**September 15, 2022**
Number of options	6,050,000
Exercise price per share	$0.10
Share price	$0.08
Expected life of options	5 years
Expected volatility	98.45%
Risk-free interest rate	3.43%
Forfeiture rate	10%

The following table summarizes options outstanding as at September 30, 2022:

Date of expiry	**Number of options outstanding**	**Number of options exercisable**	**Exercise price**	**Estimated grant date fair value**	**Weighted average remaining life**
	#	**#**	**$**	**$**	**Years**
April 20, 2023	100,000	100,000	0.87	68,282	0.55
August 13, 2023	300,000	300,000	0.79	126,429	0.87
November 30, 2023	2,050,000	2,050,000	0.58	877,362	1.17
November 30, 2023	900,000	900,000	0.58	385,183	1.17
December 11, 2023	100,000	100,000	0.58	41,139	1.20
December 14, 2023	250,000	250,000	0.58	107,028	1.21
September 4, 2024	275,000	275,000	0.56	222,965	1.93
November 14, 2024	200,000	200,000	0.37	67,384	2.13
December 23, 2024	2,050,000	1,879,167	0.41	632,487	2.23
December 23, 2024	290,000	265,833	0.41	89,474	2.23
October 25, 2025	200,000	200,000	0.37	57,083	3.07
January 27, 2026	2,400,000	2,400,000	0.41	711,848	3.33
February 24, 2026	400,000	300,000	0.47	127,417	3.41
March 9, 2026	100,000	100,000	0.50	31,864	3.44
March 9, 2026	100,000	100,000	0.70	30,356	3.44
March 9, 2026	100,000	100,000	1.00	28,609	3.44
August 17, 2026	300,000	150,000	0.23	47,031	3.88
September 29, 2026	25,000	8,333	0.17	2,869	4.00
September 15, 2027	6,050,000	6,050,000	0.10	314,392	4.96
	16,190,000	**15,728,333**	**0.34**	**3,969,202**	**3.25**

(Unaudited - Expressed in Canadian Dollars)

15. Reserve for Warrants

The following summarizes the Warrant activities for the nine months ended September 30, 2022 and 2021:

	2022		2021	
	Number of warrants outstanding	**Fair value**	Number of warrants outstanding	Fair value
	#	$	#	$
Share purchase warrants				
Balance, beginning of period	**32,921,414**	**8,012,238**	22,106,179	8,450,359
Issued	**5,530,666**	**232,853**	5,785,984	597,925
Expired	**(5,780,000)**	**(724,937)**	(7,408,554)	(1,530,031)
Balance, end of period	**32,672,080**	**7,520,154**	20,483,609	7,518,253
Broker Warrants Type I[a]				
Balance, beginning of period	**29,750**	**6,614**	910,196	570,125
Expired	**-**	**-**	(910,196)	(570,125)
Issued	**-**	**-**	29,750	6,614
Balance, end of period	**29,750**	**6,614**	29,750	6,614
Broker Warrants Type II [b]				
Balance, beginning of period	**1,936,777**	**682,348**	1,018,376	495,256
Issued	**108,000**	**13,835**	154,232	64,120
Expired	**(414,704)**	**(191,164)**	-	-
Balance, end of period	**1,630,073**	**505,018**	1,172,608	559,376
Total	**34,331,903**	**8,031,786**	21,685,967	8,084,243

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

Warrant activities for the nine months ended September 30, 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 13(a). In addition, 154,232 Broker 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.

On June 10, 2021, the Company issued 3,660,984 Warrants, at an exercise of $0.42 per share, in connection with the June 2021 Offering, as disclosed in Note 13(b). In addition, 29,750 Broker Warrants Type I were issued as compensation to the Agents, to acquire one Unit at an exercise price of $0.33 per Unit until June 10, 2023. Each Unit is comprised of one common share and one-half of a Warrant, exercisable into one common share at $0.42 for a period of 24 months.

Warrants expired in the nine months ended September 30, 2021

On April 30, 2021, 4,514,350 Warrants issued on April 30, 2019 at an exercise price of $0.90 per share expired unexercised. On the same day, 505,917 Broker Warrants Type I issued on April 30, 2019 at an exercise price of $0.60 also expired unexercised.

On May 10, 2021, 2,894,204 Warrants issued on May 10, 2019 at an exercise price of $0.90 per share expired. On the same day, 404,279 Broker Warrants Type I issued on May 10, 2019 at an exercise price of $0.60 expired.

Warrant activities for the nine months ended September 30, 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 13(c).

(Unaudited - Expressed in Canadian Dollars)

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 13(d). In addition, 108,000 Broker Warrant 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. 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.

Warrants expired in the nine months ended September 30, 2022

On June 30, 2022, 3,700,000 Warrants issued on June 30, 2020 at an exercise price of $0.70 per share expired. On the same day, 260,304 Broker Warrant Type II issued on June 30, 2020 at an exercise price of $0.50 also expired.

On August 31, 2022, 2,080,000 Warrants issued on August 31, 2020 at an exercise price of $0.70 per share expired. On the same day, 154,400 Broker Warrant Type II issued on August 31, 2020 at an exercise price of $0.50 also expired.

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	June 10, 2021	March 30, 2021
Number of warrants	3,660,986	2,125,000
Exercise price	$0.42	$0.50
Share price	$0.34	$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 Warrants Type I issued in 2021

Issuance date	June 10, 2021
Number of warrants	29,750
Exercise price	$0.33
Share price	$0.34
Expected life of warrants	2 years
Expected volatility	84.12%
Risk-free interest rate	0.31%

Broker Warrants Type II issued in 2021

Issuance date	March 30, 2021
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%

(Unaudited - Expressed in Canadian Dollars)

Share purchase warrants issued in 2022

Issuance date	**February 25, 2022**	**January 19, 2022**
Number of warrants	3,450,000	2,080,666
Exercise price	$0.20	$0.20
Share price	$0.14	$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 Warrants Type II issued in 2022

Issuance date	**February 25, 2022**
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 September 30, 2022:

	Number of warrants outstanding	**Exercise price**	**Weighted average remaining life**
	#	$	**$**
Share purchase warrants			
November 14, 2022	1,250,000	0.60	0.12
November 26, 2022	2,125,000	0.60	0.16
December 24, 2022	1,062,500	0.60	0.23
June 10, 2023	3,660,984	0.42	0.69
October 14, 2023	12,437,805	0.20	1.04
November 23, 2023	2,222,300	0.60	1.15
December 8, 2023	2,257,825	0.60	1.19
January 19, 2024	2,080,666	0.20	1.30
February 25, 2024	3,450,000	0.20	1.41
March 30, 2024	2,125,000	0.50	1.50
Balance, end of period	**32,672,080**	**0.35**	**0.98**

(Unaudited - Expressed in Canadian Dollars)

	Number of warrants outstanding	Exercise price	Weighted average remaining life
	#	$	$
Broker Warrants Type I			
June 10, 2023	29,750	0.33	0.69
Balance, end of period	**29,750**	**0.33**	**0.69**
Broker Warrants Type II			
November 14, 2022	87,500	0.40	0.12
November 26, 2022	128,188	0.40	0.16
December 24, 2022	74,375	0.40	0.23
October 14, 2023	764,169	0.15	1.04
November 23, 2023	155,561	0.45	1.15
December 8, 2023	158,048	0.45	1.19
February 25, 2024	108,000	0.15	1.41
March 30, 2024	154,232	0.40	1.50
Balance, end of period	**1,630,073**	**0.28**	**0.98**

16. 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 nine months ended September 30, 2022 and 2021:

	Three Months ended September 30,		Nine Months ended September 30,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Short-term employee benefits, including salaries and consulting fees	**216,210**	258,878	**610,375**	703,928
Share-based compensation	**252,827**	80,827	**300,934**	981,917
	469,037	339,705	**911,309**	1,685,845

(i) During the three and nine months ended September 30, 2022, the Company incurred consulting fees with the Chief Executive Officer ("CEO") and director of $49,000 and $127,000 (2021 – $117,000) for services rendered. As at September 30, 2022, $32,049 (December 31, 2021 – $14,898) was outstanding and included in accounts payable and accrued liabilities.

(ii) During the three and nine months ended September 30, 2022, the Company incurred consulting fees with the Chief Financial Officer ("CFO") of $40,000 and $100,000 (2021 – $12,903). As at September 30, 2022, $22,600 (December 31, 2021 – $11,300) was outstanding and included in accounts payable and accrued liabilities.

(iii) During the three and nine months ended September 30, 2022, the Company incurred wage expenses with the President of Tinley's Brands USA of $91,255 and $271,130 (2021 – $226,350) for services rendered. As at September 30, 2022, no balance (December 31, 2021 – $nil) was owed to the President of Tinley's Brands USA.

(iv) During the three and nine months ended September 30, 2022, the Company incurred consulting fees with a former a director of the Company, of $35,955 and $112,245 (2021 – $113,175). As at September 30, 2022, no balance (December 31, 2021 – $nil) was owed to the director.

(Unaudited - Expressed in Canadian Dollars)

(v) During the nine months ended September 30, 2021, the Company incurred consulting fee expenses of $117,000 with the former CEO. As at September 30, 2022, no balance (December 31, 2021 – $nil) was owed to the former CEO.

(vi) During the nine months ended September 30, 2021, the Company incurred consulting fees of $21,000 with a former CFO. As at September 30, 2022, no balance (December 31, 2021 – $nil) was owed to the former CFO.

(vii) During the nine months ended September 30, 2021, the Company incurred consulting fees of $75,250 with a former CFO. As at September 30, 2022, no balance (December 31, 2021 – $nil) was owed to the former officer.

(viii) During the nine months ended September 30, 2021, the company incurred consulting fees with a director of $21,250. As at September 30, 2022, no balance (December 31, 2021 – $nil) was owed to the director.

Other related party transactions

(ix) During the nine months ended September 30, 2022, directors who are not part of key management received stock-based compensation of $69,053 (2021 – $261,038).

17. 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 September 30, 2022, the Company considers its capital to be share capital, equity component of convertible notes, reserve for share-based payments, reserve for warrants and contributed surplus, and reduced by accumulated deficit and accumulated other comprehensive loss, totaling $3,625,142 (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 nine months ended September 30, 2022 and the year ended December 31, 2021.

18. General and Administrative Expenses

The Company's general and administration expenses incurred for the three and nine months ended September 30, 2022 and 2021 are as follows:

	Three Months ended September 30,		**Nine Months ended September 30,**	
	2022	2021	**2022**	2021
	$	$	**$**	$
Payroll and salaries	**409,010**	396,706	**1,148,227**	987,933
Corporate costs and administration	**259,924**	398,071	**862,476**	854,729
Professional fees	**194,610**	204,324	**622,209**	624,916
Consulting and management fees	**76,875**	217,076	**190,639**	419,748
Occupancy cost (recovery)	**32,884**	(46,875)	**81,006**	129,194
Interest on lease liabilities	**18,622**	39,110	**70,507**	55,508
Travel and promotion	**34,514**	3,190	**48,949**	13,439
Interest and accretion	**204,056**	-	**234,151**	-
	1,230,495	1,211,602	**3,258,164**	3,085,467

19. Financial Instruments and Risk Management

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. 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 allowance for ECL has been recorded as at September 30, 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 from its financing and revenue activities.

As at September 30, 2022, the Company had a cash balance of $271,235 (December 31, 2021 – $113,840) to settle current liabilities of $2,347,289 (December 31, 2021 – $1,616,428). 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	742,070	742,070	-	-
Convertible note	939,916	939,916	-	-
Convertible grid note	4,369,341	-	-	4,369,341
Lease payable	626,369	626,369	-	-
Total	**6,677,696**	**2,308,355**	**-**	**4,369,341**

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's convertible notes have fixed interest rates. As at September 30, 2022, the Company had no hedging agreements in place with respect to floating interest rates.

Foreign currency risk

The Company operates in Canada and the US and is exposed to foreign exchange risk with respect to USD. The Company normally 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 trying to maintain sufficient USD-denominated cash to meet its USD-denominated obligations.

As at September 30, 2022, the Company had the following financial assets and financial liabilities in USD:

	September 30, 2022	December 31, 2021
	$	$
Cash	**114,762**	32,309
Trade receivables	**42,197**	35,921
Note receivable	**29,399**	-
Trade and other payables	**(129,968)**	(114,345)
Lease obligations	**(456,970)**	(970,736)
Convertible note	**(634,794)**	-
Convertible grid note	**(2,060,658)**	-
Net exposure to USD	**(3,096,032)**	(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 $30,960 (December 31, 2021 – USD $10,169), respectively, as a result of this exposure.

Fair value
Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. The Company's financial instruments consist of cash, trade receivables, note receivable, trade and other payables, lease payable, convertible notes.

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.

The fair values of the lease liabilities and convertible notes approximate their carrying amounts as they were measured taking into consideration comparable instruments with similar risks in determining the rates at which to discount their amount in applying their respective measurement models.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

As at September 30, 2022 and December 31, 2021, the Company did not have any financial instruments carried at fair value.

20. Contingencies

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

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

21. Subsequent Events

On October 24, 2022, the Company received additional funds of $686,100 (USD $500,000) representing a scheduled installment per the BLH Note (see Note 12).

On November 14, 2022, 1,250,000 share purchase warrants and 87,500 broker warrants type II issued as part of the November 14, 2019 private placement expired.

On November 26, 2022, 2,125,000 share purchase warrants and 128,188 broker warrants type II issued as part of the November 26, 2019 private placement expired.