



THE TINLEY BEVERAGE COMPANY INC.

Condensed Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

March 31, 2024

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.

Table of Contents

March 31, 2024

	Page
Consolidated Financial Statements	
Condensed Interim Consolidated Statements of Financial Position	4
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss	5
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)	6
Condensed Interim Consolidated Statements of Cash Flows	7
Notes to Condensed Interim Consolidated Financial Statements	8-23

THE TINLEY BEVERAGE COMPANY INC.
Condensed Interim Consolidated Statements of Financial Position
As at March 31, 2024 and December 31, 2023
(Unaudited - Expressed in Canadian Dollars)

	As at March 31, 2024	As at December 31, 2023
	\$	\$
<u>Assets</u>		
Current Assets		
Cash	280,166	59,989
Accounts receivable (Note 4)	236,846	17,236
Inventories (Note 5)	534,403	276,848
Prepaid expenses (Note 7)	104,663	100,705
Note receivable (Note 6)	40,517	38,671
Total Current Assets	1,196,595	493,449
Non-Current Assets		
Property and equipment (Note 8)	3,451,902	3,525,768
Total Non-Current Assets	3,451,902	3,525,768
Total Assets	4,648,497	4,019,217
<u>Liabilities</u>		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	1,311,649	2,040,703
Deferred revenue	110,970	108,317
Convertible note (Note 10)	1,009,610	961,244
Total Current Liabilities	2,432,229	3,110,264
Non-Current Liabilities		
Convertible grid note (Note 11)	2,695,304	2,410,320
Convertible grid note – embedded derivative (Note 11)	954,760	1,065,744
Total Non-Current Liabilities	3,650,064	3,476,064
Total Liabilities	6,082,293	6,586,328
<u>Shareholders' Equity (Deficiency)</u>		
Share capital (Note 12)	43,286,778	42,192,513
Reserve for share-based payments (Note 13)	3,357,557	3,391,582
Reserve for warrants (Note 14)	825,862	545,776
Contributed surplus	17,652,628	17,016,022
Accumulated other comprehensive loss	(327,073)	(340,742)
Accumulated deficit	(66,229,548)	(65,372,262)
Total Shareholders' Equity (Deficiency)	(1,433,796)	(2,567,111)
Total Liabilities and Shareholders' Equity (Deficiency)	4,648,497	4,019,217

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

Approved on behalf of the Board of Directors

"Paul Burgis" (signed) - Director *"Theodore Zittell" (signed) - Director*

THE TINLEY BEVERAGE COMPANY INC.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three months ended March 31, 2024 and 2023
(Unaudited - Expressed in Canadian Dollars)

	2024	2023
	\$	\$
Sales	238,416	557,091
Cost of goods sold (Note 5)	(103,930)	(343,346)
Gross Profit	134,486	213,745
Operating Expenses		
General and administration (Note 17)	515,835	762,232
Depreciation of property and equipment (Note 8)	159,480	287,227
Sales and marketing	85,592	130,777
Share-based payments (Note 13)	56,805	83,362
Foreign currency translation loss (gain)	36,363	(136,496)
Depreciation of right-of-use assets	-	162,453
Product development	-	33,297
	854,075	1,322,852
Net Loss before Other Income (Expense)	(719,589)	(1,109,107)
Other Income (Expense)		
Change in fair value of embedded derivatives (Notes 10 and 11)	110,984	1,162,821
Interest income	894	889
Interest and accretion on convertible notes (Notes 10 and 11)	(249,575)	(390,625)
Gain on sale of vehicle	-	41,714
Net Loss	(857,286)	(294,308)
Other Comprehensive Income (Loss)		
Gain (loss) on translation of foreign operations	13,669	(5,928)
Comprehensive Loss	(843,617)	(300,236)
Weighted average number of common shares outstanding	206,502,422	150,859,565
Net Loss per Share		
Basic and diluted	(0.004)	(0.002)

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 (Deficiency)
For the Three Months ended March 31, 2024 and 2023
(Unaudited - Expressed in Canadian Dollars)

	Share Capital		Reserves			Contributed surplus	Accumulated deficit	Accumulated other comprehensive loss	Total
	Number of shares	Amount	Share-based payments	Warrants					
	#	\$	\$	\$	\$				
Balance, December 31, 2022	150,859,565	42,192,513	5,722,629	2,331,516	12,489,931	(60,381,262)	(136,757)	2,218,570	
Share-based payments (Note 13)	-	-	83,362	-	-	-	-	83,362	
Exchange loss on translation of foreign operations	-	-	-	-	-	-	(5,928)	(5,928)	
Net loss for the period	-	-	-	-	-	(294,308)	-	(294,308)	
Balance, March 31, 2023	150,859,565	42,192,513	5,805,991	2,331,516	12,489,931	(60,675,570)	(142,685)	2,001,696	
Balance, December 31, 2023	149,359,565	42,192,513	3,391,582	545,776	17,016,022	(65,372,262)	(340,742)	(2,567,111)	
Issuance of shares and warrants via private placement and debt settlement (Note 12)	80,000,000	1,139,783	-	860,217	-	-	-	2,000,000	
Share issuance costs (Note 12 and 14)	-	(45,518)	-	(34,355)	-	-	-	(79,873)	
Share-based payments (Note 13)	-	-	56,805	-	-	-	-	56,805	
Forfeiture of options (Note 13)	-	-	(90,830)	-	90,830	-	-	-	
Expiry of warrants (Note 14)	-	-	-	(545,776)	545,776	-	-	-	
Exchange gain on translation of foreign operations	-	-	-	-	-	-	13,669	13,669	
Net loss for the period	-	-	-	-	-	(857,286)	-	(857,286)	
Balance, March 31, 2024	229,359,565	43,286,778	3,357,557	825,862	17,652,628	(66,229,548)	(327,073)	(1,433,796)	

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, 2024 and 2023
(Unaudited - Expressed in Canadian Dollars)

	2024	2023
	\$	\$
<u>Operating Activities</u>		
Net loss for the period	(857,286)	(294,308)
Adjustments for non-cash items:		
Interest and accretion on convertible notes (Notes 10 and 11)	249,575	390,625
Depreciation of property and equipment (Note 8)	159,480	287,227
Share-based payments (Note 13)	56,805	83,362
Change in fair value of embedded derivatives (Notes 10 and 11)	(110,984)	(1,162,821)
Interest income	(894)	(889)
Depreciation of right-of-use assets	-	162,453
Interest on lease obligations	-	6,412
Gain on sale of vehicle	-	(41,714)
	(503,304)	(569,653)
Changes in non-cash working capital:		
Accounts receivable (Note 4)	(219,610)	(45,270)
Inventories (Note 5)	(257,555)	(14,473)
Prepaid expenses (Note 7)	(3,958)	35,936
Accounts payable and accrued liabilities (Notes 9 and 12)	(195,554)	127,499
Deferred revenue	2,653	19,147
Cash Flows used in Operating Activities	(1,177,328)	(446,814)
<u>Investing Activities</u>		
Purchases of property and equipment (Note 8)	-	(23,583)
Proceeds from sale of vehicle	-	70,718
Cash Flows provided by Investing Activities	-	47,135
<u>Financing Activities</u>		
Proceeds from private placement (Note 12)	1,466,500	-
Share issue costs (Note 12)	(79,873)	-
Lease payments	-	(227,225)
Proceeds from convertible grid note (Note 11)	-	741,115
Cash Flows provided by Financing Activities	1,386,627	513,890
Increase in cash for the period	209,299	114,211
Cash, beginning of period	59,989	183,623
Effects of foreign exchange on cash	10,878	(138,444)
Cash, end of period	280,166	159,390

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, 2024
(Unaudited - Expressed in Canadian Dollars)

1. Nature of Operations

The Tinley Beverage Company Inc. (“Tinley”) was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated October 26, 2007. Tinley, with its subsidiaries (see Note 2(c)) (together, the “Company”) manufactured a line of liquor-inspired, non-alcoholic, cannabis-infused beverages for use in California, United States (“US”), through its cannabis-licensed subsidiaries at its Long Beach, California facility (the “Long Beach Facility”). At the Long Beach Facility, the Company also manufactured cannabis-infused beverages for contract manufacturing clients. The Company closed and exited from the Long Beach Facility on August 31, 2023. At that time, the Company transferred its bottling line assets to its strategic partner Blaze Life Holdings, LLC’s (“BLH”) new manufacturing and distribution facility in Canoga Park (the “Canoga Park Facility”), and under the terms of the January 23, 2023 Management Services Agreement between Tinley and BLH (the “MSA”) the Company also relocated certain management services previously located at the Long Beach Facility to the BLH locations ensuring continued operations. Under certain terms of the MSA, the Company continues deriving revenue from its previous third party brand manufacturing clients through the Canoga Park Facility. The Company also produces a line of liquor-inspired, non-alcoholic, non-cannabis-infused beverages, which continue to be distributed and sold at non-cannabis-licensed retail locations in the US. The Company’s common shares are listed on the Canadian Securities Exchange under the trading symbol “TNY” and on the OTCQB 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, 2023.

These condensed interim consolidated financial statements were reviewed, approved and authorized for issuance by the Board of Directors (“Board”) of the Company on May 30, 2024.

(b) Going Concern

These condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. 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. For the three months ended March 31, 2024, the Company incurred a net loss of \$857,286 (2023 - \$294,308), and incurred negative cash flow from operating activities of \$1,177,328 (2023 - \$446,814), and as of that date, had a working capital deficiency of \$1,235,634 (December 31, 2023 - \$2,616,815) and an accumulated deficit of \$66,229,548 (December 31, 2023 - \$65,372,262). The Company failed to repay the convertible note on maturity (see note 10). It is not possible to predict whether financing efforts will continue to be successful in the future or if the Company will attain profitable levels of operations. These conditions, including the unpredictability of the cannabis-infused beverage business, represent material uncertainties which may cast significant doubt on the Company’s ability to continue as a going concern. The Company is pursuing opportunities to grow the Company’s brands with the objective of increasing revenue.

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

(c) Basis of Consolidation

These 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

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2024
(Unaudited - Expressed in Canadian Dollars)

condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

(d) Significant Accounting Judgments and Estimates

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

Going concern

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

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the condensed interim 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

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2024
(Unaudited - Expressed in Canadian Dollars)

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 condensed interim 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. Material accounting policy information

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, 2023.

4. Accounts Receivable

Accounts receivable consisted of the following:

	March 31, 2024	December 31, 2023
	\$	\$
Trade receivables	188,170	2,199
Sales taxes recoverable	48,676	15,037
	236,846	17,236

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2024
(Unaudited - Expressed in Canadian Dollars)

5. Inventories

Inventories consisted of the following:

	March 31,	December 31,
	2024	2023
	\$	\$
Raw materials	295,022	248,614
Finished goods	239,381	28,234
	534,403	276,848

For the three months ended March 31, 2024, inventories recognized as an expense in cost of goods sold amounted to \$103,930 (2023 – \$343,346).

6. Note Receivable

On August 12, 2022, ILLA Canna LLC, a related party controlled by a director of the Company, issued the Company a secured promissory note in the amount of \$37,071 (USD \$29,000) as part of the Company's sale of a vehicle. This amount represents 50% of the sale price of the vehicle; the other 50% was paid in cash. The promissory note is 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 for the period ended March 31, 2023:

	\$
Balance, beginning of period	38,671
Issuance	-
Accrued interest	894
Payments	-
Effect of foreign exchange	952
Balance, March 31, 2024	40,517

7. Prepaid Expenses

Prepaid expenses consisted of the following:

	March 31,	December 31,
	2024	2023
	\$	\$
Advances paid to suppliers	88,967	21,575
Prepaid insurance	15,696	79,130
	104,663	100,705

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2024
(Unaudited - Expressed in Canadian Dollars)

8. Property and Equipment

	Plant Equipment	Total
	\$	\$
Cost at:		
December 31, 2023	6,256,232	6,256,232
Additions	-	-
Dispositions	-	-
Effects of foreign exchange	153,260	153,260
March 31, 2024	6,409,492	6,409,492
Accumulated depreciation at:		
December 31, 2023	2,730,464	2,730,464
Dispositions	-	-
Depreciation	159,480	159,480
Effect of foreign exchange	67,646	67,646
March 31, 2024	2,957,590	2,957,590
Net Book Value:		
December 31, 2023	3,525,768	3,525,768
March 31, 2024	3,451,902	3,451,902

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

	March 31, 2024	December 31, 2023
	\$	\$
Trade payables	1,005,571	1,736,027
Accrued liabilities	306,078	304,676
	1,311,649	2,040,703

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:

	March 31, 2024	December 31, 2023
	\$	\$
Less than 1 month	1,311,649	1,975,703
1 to 3 months	-	65,000
	1,311,649	2,040,703

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2024
(Unaudited - Expressed in Canadian Dollars)

10. Convertible Note

On June 10, 2022, the Company issued a secured convertible note (the “Gillis Note”) to the former President of Tinley’s USA branded products for \$782,272 (USD \$612,250) (the “Advance”). The principal amount of the Gillis Note is to be repaid, in cash, by the Company on the date which was one year following issuance of the Note (the “Maturity Date”), and bears interest at 12% per annum. The Gillis Note is 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 would 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.

The Gillis Note is 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 11).

In the event of a Liquidity Event (defined as any one of the following events: (i) the approval by shareholders of the Corporation representing in the aggregate more than 50% of all issued and outstanding Common Shares of any offer, whether by way of a take-over bid, or otherwise, for all or any of the Common Shares; (ii) the acquisition hereafter, by whatever means (including, without limitation, by way of an arrangement, merger or amalgamation), by any person (or two or more persons acting jointly or in concert), directly or indirectly, of the beneficial ownership of Common Shares or rights to acquire Common Shares that, together with such person's then owned Common Shares and rights to acquire Common Shares, if any, represent in the aggregate more than 50% of all issued and outstanding Common Shares; or (iii) the sale by the Corporation of all or substantially all of its assets (other than to an affiliate of the Corporation in circumstances where the affairs of the Corporation are, directly or indirectly, and where holders of Common Shares remain substantially the same following the sale as existed prior to the sale)), all of the remaining indebtedness would 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 Gillis Note is a derivative financial instrument as the Gillis Note is denominated in US dollars, while convertible in Canadian dollars. As the conversion price in a different currency requires a variable number of shares to settle the Gillis Note, the Gillis Note is treated as having an embedded derivative that is treated as a financial liability under IFRS. On initial recognition, the derivative is recognized at fair value. The fair value of the derivative upon initial recognition was calculated to be \$384,743 using the Black Scholes valuation model. The difference between the principal amount of the Gillis Note and the derivative component of the note, has been allocated to the convertible note.

The fair value at issuance of the embedded derivative was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.11; expected life of 1.00 year; \$nil dividends; 119% volatility; risk-free interest of 3.35%; and the exercise price of \$0.105.

On June 10, 2023, the Gillis Note became due and payable on demand. The fair value of the embedded derivative was reduced to \$nil based on its intrinsic value as the convertible debt is now due on demand. As at March 31, 2024 the Gillis Note remains outstanding.

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2024
(Unaudited - Expressed in Canadian Dollars)

The following table reflects the continuity of the convertible note and embedded derivative for the three months ended March 31, 2024:

	Convertible Note	Embedded Derivative
	\$	\$
Balance, beginning of period	961,244	-
Additions	-	-
Allocation to embedded derivative	-	-
Issuance cost	-	-
Accrued interest	24,703	-
Accretion	-	-
Change in fair value	-	-
Effect of foreign exchange	23,663	-
Balance, March 31, 2024	1,009,610	-

11. 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”). The BLH Note bears interest at the 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, is convertible into Units at the option of BLH at a Conversion Price of \$0.105 per Unit. Each Unit would 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 a result of this transaction BLH became a related party.

As at March 31, 2024, the amount advanced under the BLH Note is \$4,336,000 (USD \$3.2 million) due on June 10, 2027. The assets of the Company and the Company’s US subsidiary, Algonquin, are pledged against the BLH Note.

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 33.33% 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 33.33% 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) to a director of the Company. The advisory fees were included in share issue costs.

The BLH Note is a derivative financial instrument as the BLH Note is denominated in US dollars, while convertible in Canadian dollars. As the conversion price in a different currency requires a variable number of shares to settle the BLH Note, the BLH Note is treated as having an embedded derivative that is treated as a financial liability under IFRS. On initial recognition, the derivative is recognized at fair value. The fair value of the derivative upon initial recognition was calculated to be \$2,398,654 using the Black Scholes valuation model. The difference between the principal amount of the BLH Note and the derivative component of the note, has been allocated to the convertible note.

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2024
(Unaudited - Expressed in Canadian Dollars)

The fair value of the embedded derivative as part of the June 10, 2022, instalment payment of \$1,277,700 (\$1,000,000 USD) was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.11; expected life of 5.00 years; \$nil dividends; 102% volatility; risk-free interest of 3.35%; and the exercise price of \$0.105.

The fair value of the embedded derivative as part of the July 4, 2022, instalment payment of \$643,350 (\$500,000 USD) was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.105; expected life of 4.94 years; \$nil dividends; 102% volatility; risk-free interest of 3.17%; and the exercise price of \$0.105.

The fair value of the embedded derivative as part of the August 4, 2022, instalment payment of \$642,700 (\$500,000 USD) was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.10; expected life of 4.85 years; \$nil dividends; 103% volatility; risk-free interest of 2.66%; and the exercise price of \$0.105.

The fair value of the embedded derivative as part of the October 24, 2022, instalment payment of \$686,100 (\$500,000 USD) was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.07; expected life of 4.63 years; \$nil dividends; 104% volatility; risk-free interest of 3.57%; and the exercise price of \$0.105.

The fair value of the embedded derivative as part of the December 13, 2022, instalment payment of \$203,205 (\$150,000 USD) was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.07; expected life of 4.49 years; \$nil dividends; 103% volatility; risk-free interest of 2.85%; and the exercise price of \$0.105.

The fair value of the embedded derivative as part of the February 1, 2023, instalment payment of \$466,235 (\$350,000 USD) was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.06; expected life of 4.36 years; \$nil dividends; 99% volatility; risk-free interest of 2.85%; and the exercise price of \$0.105.

The fair value of the embedded derivative as part of the March 16, 2023, instalment payment of \$274,880 (\$200,000 USD) was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.05; expected life of 4.24 years; \$nil dividends; 99% volatility; risk-free interest of 2.90%; and the exercise price of \$0.105.

The fair value at December 31, 2022 of the embedded derivative was determined using the Black Scholes valuation model using the following assumptions: stock price of \$0.07; expected life of 4.44 years; \$nil dividends; 101% volatility; risk-free interest of 3.30%; and the exercise price of \$0.105.

The embedded derivative is fair valued at each reporting date.

The fair value at December 31, 2023 of the embedded derivative was determined using the Black Scholes valuation model was \$1,065,744 and the change in fair value being a gain of \$790,405, using the following assumptions: stock price of \$0.04; expected life of 3.44 years; \$nil dividends; 130% volatility; risk-free interest of 3.10%; and the exercise price of \$0.105.

The fair value at March 31, 2024 of the embedded derivative was determined using the Black Scholes valuation model was \$954,760 and the change in fair value being a gain of \$110,984, using the following assumptions: stock price of \$0.035; expected life of 3.19 years; \$nil dividends; 138% volatility; risk-free interest of 3.45%; and the exercise price of \$0.105.

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2024
(Unaudited - Expressed in Canadian Dollars)

The following table reflects the continuity of the convertible note and embedded derivative for the three months ended March 31, 2024:

	Convertible Note	Embedded Derivative
	\$	\$
Balance, beginning of period	2,410,320	1,065,744
Additions	-	-
Allocation to embedded derivative	-	-
Issuance cost	-	-
Accrued interest	129,111	-
Accretion	95,761	-
Change in fair value	-	(110,984)
Effect of foreign exchange	60,112	-
Balance, March 31, 2024	2,695,304	954,760

12. 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	Resulting share capital amount
	#	\$	\$	\$	\$
Balance, January 1, 2023	150,859,565	-	-	-	42,192,153
Balance, March 31, 2023	150,859,565	-	-	-	42,192,153
Balance, January 1, 2024	149,359,565	-	-	-	42,192,513
Issuance on private placement & debt settlement - January 26, 2024 (a)	80,000,000	2,000,000	(45,518)	(860,217)	1,094,265
Balance, March 31, 2024	229,359,565	2,000,000	(45,518)	(860,217)	43,286,778

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2024
(Unaudited - Expressed in Canadian Dollars)

Share capital transactions for the three months ended March 31, 2024

- (a) On January 26, 2024, the Company closed a non-brokered private placement of 58,660,000 Units of the Company at a price of \$0.025 per Unit for gross proceeds of \$1,466,500 and the settlement of \$533,500 of outstanding indebtedness of the Company pursuant to the issuance of an additional 21,340,000 Units to certain creditors. Each Unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to purchase one common Share for \$0.05 until January 26, 2027. The \$533,500 of outstanding indebtedness, was previously part of accounts payable and accrued liabilities, that was settled is a non-cash transaction and was not included in the cash flow statement.

13. 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, 2024 and 2023:

	2024		2023	
	Weighted average exercise price	Number of options outstanding	Weighted average exercise price	Number of options outstanding
	\$	#	\$	#
Outstanding, beginning of period	0.13	18,695,000	0.34	16,190,000
Granted	0.06	10,150,000	0.10	1,800,000
Forfeited	0.50	(100,000)	-	-
Forfeited	0.70	(100,000)	-	-
Forfeited	1.00	(100,000)	-	-
Outstanding, end of period	0.10	28,545,000	0.32	17,990,000
Exercisable, end of period	0.11	19,640,833	0.32	17,902,500

Options grants for the three months ended March 31, 2023

On January 30, 2023, the Company granted 1,800,000 stock options to two directors and a management company controlled by a director at an exercise price of \$0.10 per share. The options expire on January 30, 2028. The options vested immediately.

Options grants for the three months ended March 31, 2024

On February 9, 2024, the Company granted 10,150,000 options to certain directors, officers, employees and consultants. The options are exercisable at an exercise price of \$0.06 per share until February 9, 2029.

Options forfeited during the three months ended March 31, 2024

On February 1 2024, 100,000 options granted on March 9, 2021 to a former consultant with an at an exercise price of \$0.50 per share were forfeited.

On February 1, 2024, 100,000 options granted on March 9, 2021 to a former consultant with an exercise price of \$0.70 per share were forfeited.

On February 1 2024, 100,000 options granted on March 9, 2021 to a former consultant were forfeited with an exercise price of \$1.00 per share were forfeited.

Black-Scholes valuation assumptions

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

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2024
(Unaudited - Expressed in Canadian Dollars)

Options granted during the three months ended March 31, 2023

Grant date	January 30, 2023
Number of options	1,800,000
Exercise price per share	\$0.10
Share price	\$0.07
Expected life of options	5 years
Expected volatility	99.28%
Risk-free interest rate	3.04%
Forfeiture rate	10%

Options granted during the three months ended March 31, 2024

Grant date	February 9, 2024
Number of options	10,150,000
Exercise price per share	\$0.06
Share price	\$0.06
Expected life of options	5 years
Expected volatility	121.11%
Risk-free interest rate	3.65%
Forfeiture rate	10%

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2024
(Unaudited - Expressed in Canadian Dollars)

The following table summarizes information of options outstanding as at March 31, 2024:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining life
	#	#	\$	\$	Years
September 4, 2024	125,000	125,000	0.56	53,087	0.43
December 23, 2024	880,000	880,000	0.41	271,507	0.73
December 23, 2024	290,000	290,000	0.41	89,474	0.73
January 27, 2026	1,025,000	1,025,000	0.41	304,018	1.83
February 24, 2026	50,000	50,000	0.47	15,927	1.90
August 17, 2026	200,000	200,000	0.23	31,354	2.38
September 29, 2026	25,000	20,833	0.17	2,869	2.50
September 15, 2027	5,500,000	5,500,000	0.10	285,759	3.46
January 30, 2028	1,300,000	1,300,000	0.10	57,720	3.84
February 9, 2029	10,150,000	1,250,000	0.06	460,232	4.87
June 11, 2033	9,000,000	9,000,000	0.05	324,000	9.20
	28,545,000	19,640,833	0.10	1,895,947	5.59

During the period ended March 31, 2024, the Company recognized share-based payments related to the vesting of stock options of \$56,805 (2023 - \$83,362).

14. Reserve for Warrants

The following summarizes the warrant activities for the three months ended March 31, 2024 and 2023 (see Note 20):

	2024		2023	
	Number of warrants outstanding	Fair value	Number of warrants outstanding	Fair value
	#	\$	#	\$
<i>Share purchase warrants</i>				
Balance, beginning of period	7,655,666	467,826	28,234,580	1,940,161
Issued January 26, 2024	80,000,000	825,862	-	-
Expired	(7,655,666)	(467,826)	-	-
Balance, end of period	80,000,000	825,862	28,234,580	1,940,161
<i>Broker Warrants Type I^(a)</i>				
Balance, beginning of period	-	-	29,750	6,614
Expired	-	-	-	-
Balance, end of period	-	-	29,750	6,614
<i>Broker Warrants Type II^(b)</i>				
Balance, beginning of period	262,232	77,950	1,340,010	384,741
Expired	(262,232)	(77,950)	-	-
Balance, end of period	-	-	1,340,010	384,741
Total	80,000,000	825,862	29,604,340	2,331,516

- (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.

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2024
(Unaudited - Expressed in Canadian Dollars)

Warrant activities for the three months ended March 31, 2024

On January 26, 2024, the Company issued 80,000,000 Warrants, at an exercise price of \$0.05 per share, in connection with the January 26, 2024 private placement and debt settlement as disclosed in Note 12(a).

Expired warrants during the three months ended March 31, 2024

On January 19, 2024, 2,080,666 warrants issued on January 19, 2022 at an exercise price of \$0.20 per share expired unexercised.

On February 25, 2024, 3,450,000 warrants issued on February 25, 2022 with an exercise price of \$0.20 per share expired unexercised. On the same day, 108,000 Broker Warrants Type II issued on February 25, 2022 with an exercise price of \$0.15 also expired unexercised.

On March 30, 2024, 2,125,000 warrants issued on March 30, 2021 with an exercise price of \$0.50 per share expired unexercised. On the same day, 154,232 Broker Warrants Type II issued on March 30, 2021 with an exercise price of \$0.40 also expired unexercised.

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 during the three months ended March 31, 2024

Issuance date	January 26, 2024
Number of warrants	80,000,000
Exercise price	\$0.05
Share price	\$0.04
Expected life of warrants	3 years
Expected volatility	137.89%
Risk-free interest rate	3.84%

The following table summarizes information of warrants outstanding as at March 31, 2024:

	Number of warrants outstanding	Exercise price	Weighted average remaining life
<i>Share purchase warrants</i>	#	\$	Years
January 26, 2027	80,00,000	0.05	2.82
Balance, end of period	80,000,000	0.05	2.82

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2024
(Unaudited - Expressed in Canadian Dollars)

15. 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, 2024 and 2023 were as follows:

	2024	2023
	\$	\$
Short-term employee benefits, including salaries and consulting fees	106,500	162,385
Share-based compensation	56,678	81,287
	163,178	243,672

- (a) During the three months ended March 31, 2024, the Company incurred consulting fees with the CEO and director of \$54,000 (2022 – \$54,000). As at March 31, 2024, \$112,637 (December 31, 2023 – \$189,087) was outstanding and included in accounts payable and accrued liabilities.
- (b) During the three months ended March 31, 2024, the Company incurred consulting fees with the Chief Financial Officer of \$45,000 (2022 – \$45,000). As at March 31, 2024, \$16,950 (December 31, 2023 – \$Nil) was outstanding and included in accounts payable and accrued liabilities.
- (c) During the three months ended March 31, 2024, the Company incurred director fees with a director who is not part of key management of \$7,500 (2022 - \$7,500). As at March 31, 2024, \$2,500 (December 31, 2023 – \$Nil) was outstanding and included in accounts payable and accrued liabilities.
- (d) During the three months ended March 31, 2023, the Company incurred wage expenses with the former President of Tinley’s USA branded products of \$41,635. As at March 31, 2023, no balance was outstanding.

Other related party transactions

- (e) During the three months ended March 31, 2024, the following related party share based compensation was paid:

	2024	2023
	\$	\$
Directors	22,672	44,400
Officers	34,006	1,367
Company controlled by director	-	35,520
	56,678	81,287

16. 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, 2024, 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 negative \$1,433,796 (December 31, 2023 – \$2,567,111).

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2024
(Unaudited - Expressed in Canadian Dollars)

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, 2024.

17. General and Administrative Expenses

The Company's general and administration expenses incurred for the three months ended March 31, 2024 and 2023 are as follows:

	2024	2023
	\$	\$
Occupancy cost	222,507	42,117
Corporate costs and administration	215,144	232,830
Consulting and management fees	55,603	59,751
Professional fees	14,692	78,984
Payroll and salaries	7,889	340,050
Travel and promotion	-	2,088
Interest on lease liabilities	-	6,412
	515,835	762,232

18. 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.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Cash is held with Canadian and US chartered banks 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 and note receivable balances. No ECL has been recorded as at March 31, 2024.

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 March 31, 2024, the Company had a cash balance of \$280,166 (December 31, 2023 – \$59,989) to settle current liabilities of \$2,432,229 (December 31, 2023 – \$3,110,264).

The undiscounted contractual maturity of all financial liabilities for the period ended March 31, 2024 is as follows:

	Total	Within 1 year	1 to 3 years	3 to 5 years
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,311,649	1,311,649	-	-
Convertible note	1,009,610	1,009,610	-	-
Convertible grid note	6,817,053	-	-	6,817,053
Total	9,138,312	2,321,259	-	6,817,053

THE TINLEY BEVERAGE COMPANY INC.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2024
(Unaudited - Expressed in Canadian Dollars)

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, 2024.

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.

As at March 31, 2024 and December 31, 2023 the Company had the following financial assets and financial liabilities in USD:

	March 31, 2024	December 31, 2023
	\$	\$
Cash	161,485	14,934
Trade receivables	137,459	217
Note receivable	29,901	29,239
Trade and other payables	(589,783)	(1,005,233)
Convertible note	(745,100)	(726,783)
Convertible grid note	(3,868,515)	(3,708,603)
Net exposure to USD	(4,874,553)	(5,396,229)

Had the value of the USD increased or decreased by 1%, the net loss and comprehensive loss would have increased or decreased by USD \$48,746 (December 31, 2023 – USD \$53,962), respectively, as a result of this exposure.

This analysis only addresses the impact on the consolidated financial instruments with respect of currency movement on the Company's financial instruments and excludes any other economic or geo-political implications of such currency fluctuation. In practice, the actual result may differ from this analysis and the difference may be material.

19. Contingencies

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

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations in that specific state or local jurisdiction. While management of the Company believes that the Company is in compliance with applicable local and state regulations as at March 31, 2024, 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.

20. Comparative Figures

The comparative figures for 2022 have been restated to reclassify \$5,053,308 from warrants reserve to contributed surplus.

21. Subsequent Events

On May 17, 2024, the Company granted 3,000,000 options to the new chief executive officer. The options are exercisable at an exercise price of \$0.05 per share for a period of five years and vest over a period of two years.