
THE TINLEY BEVERAGE COMPANY INC.

Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

**For the six months ended
June 30, 2017 and 2016**

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim condensed consolidated financial statements of The Tinley Beverage Company Inc. are the responsibility of the management and Board of Directors of the Company.

The unaudited interim condensed consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the date of the statement of financial position. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim condensed consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim condensed consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

” Jeffrey Maser”, CEO
Jeffrey Maser

“Amy Stephenson”, Interim CFO
Amy Stephenson

NOTICE TO READER

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim condensed consolidated financial statements for the six months ended June 30, 2017 and 2016 have not been reviewed by the Company’s auditors.

The Tinley Beverage Company Inc.

Unaudited Interim Condensed Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

As at,

	Notes	June 30, 2017	(Audited) December 31, 2016
		\$	\$
Assets			
Current Assets			
Cash		3,946,217	3,986,443
Accounts receivable		62,288	32,820
Prepaid expenses		59,205	41,359
Inventory	4	42,675	14,779
		4,110,385	4,075,401
Intangible assets	3	162,500	162,500
		4,272,885	4,237,901
Liabilities			
Current Liabilities			
Trade and other payables	5	169,215	189,787
		169,215	189,787
Shareholders' Equity			
Share capital	6	21,155,287	20,009,123
Shares to be issued		150,000	150,000
Reserve for share based payments	7	1,828,239	1,715,294
Reserve for warrants	8	6,395,551	6,765,962
Reserve for foreign exchange losses		(21,132)	(13,041)
Accumulated deficit		(25,404,275)	(24,579,224)
		4,103,670	4,048,114
		4,272,885	4,237,901
Going concern	2.2		

Approved on behalf of the Board of Directors on August 29, 2017:

"Jeffrey Maser" (signed)

CEO and Director

"David Ellison" (signed)

Director*The accompanying notes are an integral part of these consolidated financial statements*

The Tinley Beverage Company Inc.

Unaudited Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

For the three and six months periods ended June 30, 2017 and 2016

		Three months ended		Six months ended	
		June 30,		June 30,	
		2017	2016	2017	2016
	Notes	\$	\$	\$	\$
Sales (net)		34,295	-	50,280	-
Cost of goods sold		(24,484)	-	(38,718)	-
Gross profit		9,811	-	11,562	-
Expenses					
Sales and marketing		265,563	63,184	432,190	100,606
Finance and administration		136,642	133,505	256,403	329,401
Operations		-	30,000	-	30,000
Product development		23,218	43,478	11,921	102,521
Share based payments - options	7	37,403	44,024	120,460	88,085
Share based payments - shares		-	3,125	-	4,167
Foreign exchange (gain) loss		25,590	(2,780)	17,041	(25,165)
		(488,416)	(314,806)	(838,015)	(629,615)
Gain on forgiveness of debt		-	538	-	538
Other income		1,402	-	1,402	-
Net income (loss)		(477,203)	(314,268)	(825,051)	(629,077)
Other comprehensive loss					
Items that will be reclassified subsequently to loss					
Exchange differences on translating foreign operations		(7,439)	(1,271)	(8,091)	(32,917)
Total comprehensive loss		(484,642)	(315,539)	(833,142)	(661,994)
Loss per share-basic and diluted					
Loss per share – net loss		(0.007)	(0.007)	(0.012)	(0.015)
Weighted average number of shares outstanding		70,928,886	42,443,346	70,280,392	42,386,359

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

The Tinley Beverage Company Inc.

Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

(Expressed in Canadian Dollars)

For the six months period ended June 30, 2016 and 2017

	Notes	Share Capital			Reserves			Total	
		Number of shares	Amount	shares to be issued	Share based payments	Warrants	Foreign Exchange		Deficit
Balance at December 31, 2015		42,310,480	\$ 16,251,633	\$ 150,000	\$ 1,500,935	\$ 5,633,110	\$ (20,676)	\$ (22,250,637)	\$ 1,264,365
Shares issued pursuant to agreement		150,000	\$ 9,000	-	-	-	-	-	9,000
Share based payment	7	-	-	-	88,085	-	-	-	88,085
Contingent shares issued		83,333	4,165	-	-	-	-	-	4,165
Contingent shares escrowed		-	150,000	(150,000)	-	-	-	-	-
Exchange loss on translating foreign operation		-	-	-	-	-	(32,917)	-	(32,917)
Net loss for the period		-	-	-	-	-	-	(629,077)	(629,077)
Balance at June 30, 2016		42,543,813	16,414,798	-	1,589,020	5,633,110	(53,593)	(22,879,714)	703,621
Share based payments	7	-	-	-	180,971	788,030	-	-	969,001
Private placement	6b(iii)	16,176,470	1,972,556	-	-	777,445	-	-	2,750,001
Share issued on exercise of warrants	8	8,538,104	1,852,744	-	-	(432,623)	-	-	1,420,121
Share issued on exercise of options	7	1,153,999	177,887	-	(54,697)	-	-	-	123,190
Share issue cost		-	(261,989)	-	-	-	-	-	(261,989)
Contingent shares issued		62,500	3,127	-	-	-	-	-	3,127
Contingent shares escrowed		-	(150,000)	150,000	-	-	-	-	-
Exchange loss on translating foreign operation		-	-	-	-	-	40,552	-	40,552
Net loss for the year		-	-	-	-	-	-	(1,699,510)	(1,699,510)
Balance at December 31, 2016		68,474,886	\$ 20,009,123	\$ 150,000	\$ 1,715,294	\$ 6,765,962	\$ (13,041)	\$ (24,579,224)	\$ 4,048,114
Share issue cost		-	(84,000)	-	-	84,000	-	-	-
Share based payments		-	-	-	120,460	-	-	-	120,460
Share issued on exercise of warrants	8	3,422,103	1,204,004	-	-	(454,411)	-	-	749,593
Share issued on exercise of options	7	169,500	26,160	-	(7,515)	-	-	-	18,645
Exchange loss on translating foreign operation		-	-	-	-	-	(8,091)	-	(8,091)
Net loss for the period		-	-	-	-	-	-	(825,051)	(825,051)
Balance at June 30, 2017		72,066,489	\$ 21,155,287	\$ 150,000	1,828,239	\$ 6,395,551	\$ (21,132)	\$ (25,404,275)	\$ 4,103,670

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

The Tinley Beverage Company Inc.

Unaudited Interim Condensed Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

For the six months ended June 30,

	Notes	2017 \$	2016 \$
Operating Activities			
Net loss		(833,142)	(661,994)
Adjustments to reconcile net loss to cash flow from operating activities:			
Share based payments - options	8	120,460	88,085
Share based payments - shares		-	4,165
Unrealized foreign exchange loss (gain)		(2,053)	(375)
Net change in non-cash working capital items:			
Prepaid expenses		(17,846)	(23,594)
Accounts receivable		(36,283)	-
Inventory	4	(27,896)	-
Promissory note receivable		-	(1,500)
Sales tax receivable		6,815	57,876
Trade and other payables	6	(18,519)	(12,579)
Cash flow used in operating activities		(808,464)	(549,916)
Financing Activities			
Shares issued pursuant to agreement		-	9,000
Shares issued on warrants exercised	9	749,593	-
Shares issued on options exercised	8	18,645	-
Cash flow provided from financing activities		768,238	9,000
Net increase (decrease) in cash		(40,226)	(540,916)
Cash at beginning of period		3,986,443	1,011,944
Cash at end of period		3,946,217	471,028

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

The Tinley Beverage Company Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended June 30, 2017 and 2016

1. NATURE OF OPERATIONS

The Tinley Beverage Company Inc. (the "Company" or "Tinley"), formerly Quia Resources Inc. was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated October 26, 2007. On October 6, 2015, the Company completed the Change of Business (as hereinafter defined), and pursuant to the Articles of Amendment dated October 6, 2015, the Company changed its name to "The Tinley Beverage Company Inc". The Company's objective is to develop and launch a line of hemp oil-based functional beverages. The address of the Company's registered office is Suite 2905 – 77 King Street West Toronto, Ontario, M5K 1H1.

On October 6, 2015, the Company completed the consolidation of issued and outstanding common shares on the basis of 5:1. This has been reflected in the comparative figures presented.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

The Company's unaudited interim condensed 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"). The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The statements do not include all of the information that would be required for full annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2016.

These unaudited interim condensed consolidated financial statements were authorized by the Board of Directors of the Company on August 29, 2017.

2.2 Going Concern

As at June 30, 2017, the Company has a working capital of \$3,941,170 (December 31, 2016 – \$3,885,614), has an accumulated deficit of \$25,404,275 (December 31, 2016 - \$24,579,224), primarily from activities prior to the company's conversion from a mining exploration company to a beverage company, and has a comprehensive loss of \$833,142 (2016 – \$661,994) for the six months ended June 30, 2017. The ability of the Company to ensure continuing operations is dependent on the Company raising sufficient funds to finance development activities, securing distribution channels and achieving profitability. There is doubt as to the Company's ability to continue as a going concern and ultimately the appropriateness of the use of accounting principles applicable to a going concern. Nevertheless, the Company does believe it has sufficient working capital to continue operations through fiscal 2017 and beyond. These unaudited interim condensed consolidated financial statements have been prepared using accounting principles applicable to a going concern and do not reflect adjustments, which could be material, to the carrying values of the assets and liabilities, should the going concern not be appropriate.

2.3 Basis of presentation

These unaudited interim condensed consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2016 annual financial statements.

The Tinley Beverage Company Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended June 30, 2017 and 2016

2. BASIS OF PRESENTATION (continued)

2.4 Basis of consolidation

The unaudited interim condensed consolidated financial statements include the account for the Tinley Beverage Company and its wholly owned subsidiaries: Hemplify Inc., Tinley Collective and its associated management company, as well as legacy, non-operating subsidiaries including Bolivar Gold Corp., QBC Holding Corp., Kulta Corp., San Lucas Gold Corp. (2013), 2243734 Ontario Limited, Pure Phosphate Inc., Nevada Agrominerals Inc. and Colombian Mining Corp., together, the “Company”.

The results of subsidiaries acquired or disposed of during the year are included in the unaudited interim condensed consolidated statements of operations and comprehensive loss from the effective date of acquisition or up to the effective date of disposal as appropriate.

2.5 New standards and interpretations not yet effective

At the date of authorization of these consolidated financial statements, the IASB and IFRIC have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted.

- IFRS 9 ‘*Financial Instruments: Classification and Measurement*’ – as issued by IASB in July 2014, and will replace IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released in July 2014 also introduced a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets.
- IFRS 9 is effective for annual period beginning on or after January 1, 2018, with earlier adoption permitted. The Company will adopt this new standard as of its effective date. The extent of the impact of adoption of standard has not yet been determined.
- IFRS 15 ‘*Revenue From Contracts with Customers*’ – was issued by IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company will adopt this new standard as of its effective date. The Company is currently analyzing the possible impact of this Standard on its consolidated financial statements.
- IFRS 16 ‘*Leases*’ – was issued in January 2016 and replaces the previous guidance on leases. This standard provides a single recognition and measurement model to be applied to leases, with required recognition of assets and liabilities for most leases. This standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if the Company is also applying IFRS 15, *Revenue from Contracts with Customers*. The Company will adopt this new standard as of its effective date. The Company is currently evaluating the impact of the adoption of this new standard on its consolidated financial statements.
- IFRS 2 ‘*Share-based Payment*’ - was issued by the IASB in June 2016, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share based payments, share-based payment transactions with a net settlement feature or withholding tax obligations, and a modification to the

The Tinley Beverage Company Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended June 30, 2017 and 2016

2. BASIS OF PRESENTATION (continued)

2.5 New standards and interpretations not yet effective (continued)

terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply to annual periods beginning on or after January 1, 2018. The Company will adopt the amendments as of the effective date. The Company is currently analyzing the possible impact of the amendments on its consolidated financial statements,

- IAS 7 '*Disclosure Initiative*' – amendments were issued by IASB in January 2016, which include additional disclosures to enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments become effective for annual periods beginning on or after January 1, 2017. The Company will adopt the amendments as of the effective date. The Company is currently analyzing the possible impact of the amendments on its consolidated financial statements.
- IAS 12 '*Recognition of Deferred Tax Asset for Unrealized Losses*' – amendments were issued by the IASB in January 2016, which clarify that the existence of a deductive temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. These amendments become effective for annual periods beginning on or after January 1, 2017. The Company will adopt the amendments as of the effective date. The Company is currently analyzing the possible impact of the amendments on its consolidated financial statements.

3. BUSINESS COMBINATION

On October 29, 2015, the Company acquired all of the intangible assets for \$162,500 payable in cash and shares.

The consideration transferred includes the following:

Consideration transferred	\$
Cash	12,500
Consideration shares	150,000
Total	162,500

The arrangement between the parties provides for the payment of consideration shares of 3,000,000 common shares at a price of \$0.05 per share, issued on December 23, 2015 and subject to performance escrow based on Tinley meeting an earnings target within five years of closing. Over these five years, the Company will release consideration of 1,500,000 consideration shares if sales exceed \$1 million over any four consecutive quarters. An additional 1,500,000 consideration shares will be released if sales exceed \$3 million over any four consecutive quarters.

Goodwill calculated in this acquisition represents the expected synergies from combining the operations of Maser with the Company, revenue growth, future market development and customer relations. These benefits are not recognized separately from goodwill since the resulting future economic benefits cannot be measured reliably. Goodwill from this acquisition represents a negligible amount at the acquisition date:

The Tinley Beverage Company Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended June 30, 2017 and 2016

3. BUSINESS COMBINATION (continued)

Consideration transferred	\$
Consideration transferred	162,500
Fair value of net assets acquired	(162,500)
Goodwill	-

The fair value of net assets acquired from Maser is broken down as follows:

	\$
Intangible assets	162,500
Total assets	162,500
Total liabilities	-
Net assets acquired	162,500

The fair value of the net assets acquired was determined using management's estimates. There is no impact of the acquisition on revenues and gross margin.

4. INVENTORY

As at June 30, 2017, inventory was \$42,675 (December 31, 2016 – \$14,779).

During the six months ended June 30, 2017, inventory recognized as an expense in cost of sales amount to \$38,718 (2016 - \$Nil). Cost of goods sold includes the cost of purchasing and assembling of finished goods inventory. These costs include raw materials, bottling costs, and shipping and handling.

5. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases and other payables. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

	June 30, 2017	December 31, 2016
	\$	\$
Less than 1 month	115,471	151,616
1 to 3 months	12,610	13,344
Over 3 months	41,134	24,827
Total Trade and Other Payables	169,215	189,787

The Tinley Beverage Company Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended June 30, 2017 and 2016

6. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value

(b) Issued

- (i) On April 13, 2016, the Company issued 150,000 common shares at a deemed price of \$0.06 per share, pursuant to a consulting agreement whereby the Consultants provide the Company with marketing and business development, events and sales management services to the Company.
- (ii) On September 22, 2016, following the resignation of a director, 187,500 escrowed shares were cancelled and returned to treasury. 500,000 shares were originally issued to this director on October 29, 2015 and subject to performance escrow requirements. 312,500 were previously released from escrow.
- (iii) On October 27, 2016, the Company closed a non-brokered private placement of 16,176,470 units for gross proceeds of \$2,750,001. The offering was completed at a price of \$0.17 per unit; each unit comprised of one common share of the Company and one-half of one common share purchase warrant, with each full warrant being exercisable for one common share at an exercise price of \$0.25 per common share for a period of 18 months from the date of closing.

7. SHARE BASED PAYMENTS

The Company established 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 issued in 2014 and 2015 vest evenly over five years and two years, respectively. Options granted in 2016 are vested 25-50% immediately and the remaining balance at 25% every six months. Options granted in 2017 were vest immediately. All options expire on the fifth anniversary from the date of issue unless otherwise specified.

The following summarizes the stock option activities during the six months ended June 30, 2017 and year ended December 31, 2017:

	June 30, 2017		December 31, 2016	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
	\$	#	\$	#
Outstanding, beginning of period/year	0.17	2,389,500	0.46	2,084,500
Granted (i)	-	-	0.11	2,058,000
Granted (ii) (iii)	-	-	0.08	600,000
Granted (iv)	-	-	0.33	600,000
Granted (v)	0.33	150,000	-	-
Expired	-	-	31.32	(19,000)
Exercised	0.11	(169,500)	0.11	(1,153,999)
Forfeited	0.19	(215,000)	0.17	(1,780,001)
Outstanding at end of period/year	0.20	2,155,000	0.17	2,389,500
Exercisable at end of period/year	0.21	1,522,500	0.18	828,764

The Tinley Beverage Company Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended June 30, 2017 and 2016

7. SHARE BASED PAYMENTS (continued)

- (i) On January 27, 2016, the Company granted 2,058,000 options exercisable at \$0.11 for a period of 5 years from the date of grant;
- (ii) On March 3, 2016, the Company granted 250,000 options exercisable at \$0.08 per share for a period of 5 years from the date of grant.
- (iii) On August 8, 2016, the Company granted 350,000 options exercisable at \$0.08 per share for a period of 5 years from the date of grant;
- (iv) On November 4, 2016, the Company granted 600,000 options exercisable at \$0.33 per share for a period of 5 years from the date of grant.
- (v) On March 22, 2017, the Company granted 150,000 options exercisable at \$0.33 per share for a period of 2 years from the date of grant.

Share based payments

- a. During the six months ended June 30, 2017, \$28,500 of share based payments expense was recognized in relation to the vesting of the options granted on March 22, 2017.
- b. During the six months ended June 30, 2017, \$80,670 of share based payments expense was recognized in relation to the vesting of the options issued on January 27, 2016, March 3, 2016, August 4, 2016, and November 3, 2016.
- c. During the six months ended June 30, 2017, \$11,290 of share based payments expense was recognized in relation to the vesting of the options issued on December 23, 2015.

The following is a continuity schedule of the options outstanding during the six months ended June 30, 2017 and December 31, 2016:

Period/Year ended	June 30, 2017		December 31, 2016	
	Number of options (#)	Fair Value \$	Number of options (#)	Fair Value \$
Balance, beginning of period/year	2,389,500	1,715,294	2,084,500	1,500,935
Options granted	150,000	120,460	3,258,000	238,888
Options forfeited	(215,000)	-	(1,780,001)	30,168
Options exercised	(169,500)	(7,515)	(1,153,999)	(54,697)
Options expired	-	-	(19,000)	-
Balance at end of period/year	2,155,000	1,828,239	2,389,500	1,715,294

The following table summarizes outstanding stock options as at June 30, 2017:

Exercise Price Range	Number of Options Outstanding	Weighted Average Remaining Life (Years)
\$0.08	475,000	3.89
\$0.11	1,005,000	3.53
\$0.33	600,000	4.35
\$0.33	75,000	1.73
\$0.08 - \$0.33	2,155,000	3.78

The Tinley Beverage Company Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended June 30, 2017 and 2016

7. SHARE BASED PAYMENTS (continued)

The estimated fair value of share based compensation was determined using the Black-Scholes option pricing model with the following assumptions. Expected volatility was determined based on historical volatility of the Company and comparable companies.

Grant date	March 22, 2017	November 4, 2016	August 8, 2016	March 3, 2016	January 27, 2016
Number of options	150,000	600,000	350,000	250,000	2,058,000
Exercise price	\$0.33	\$0.33	\$0.08	\$0.08	\$0.11
Share price	\$0.24	\$0.44	\$0.04	\$0.07	\$0.05
Expected life of options	2 years	5 years	5 years	5 years	5 years
Expected volatility	230%	230%	230%	230%	230%
Risk-free interest rate	0.77%	0.63%	0.58%	0.59%	0.51%
Expected dividend yield	0%	0%	0%	0%	0%
Fair Value	\$28,500	\$235,552	\$12,423	\$15,582	\$91,249

8. WARRANTS

The following summarizes warrant activities for the six months ended June 30, 2017 and year ended December 31, 2016:

	June 30, 2017		December 31, 2016	
	No. of Warrants	Fair Value	No. of Warrants	Fair Value
Balance, beginning of the period/year	13,178,036	\$ 6,765,962	12,558,710	\$ 5,633,110
Warrants issued	328,258	84,000	9,321,063	1,565,475
Warrants exercised	(3,422,103)	(454,411)	(8,538,104)	(432,623)
Warrants expired	(453,738)	-	(163,633)	-
Balance, the end of the period/year	9,630,453	\$ 6,395,551	13,178,036	\$ 6,765,962

As at June 30, 2017, the Company has the following warrants issued and outstanding:

Expiry date	No. of Warrants outstanding #	Weighted Average Exercise Price (\$)
August 13, 2017	780,000	0.10
September 30, 2017	142,164	0.20
November 3, 2017	690,000	0.20
December 11, 2017	337,500	0.20
December 18, 2017	150,000	0.20
April 27, 2018	6,626,219	0.25
April 27, 2018	904,570	0.17
Balance June 30, 2017	9,630,453	0.22

The Tinley Beverage Company Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended June 30, 2017 and 2016

8. WARRANTS (continued)

The following tables summarize the assumptions used with the Black-Scholes valuation model for six months ended June 30, 2017, and the year ended December 31, 2016:

Date Issued	Six months ended June 30, 2017 (ii)	October 27, 2016	October 27, 2016 (i)
No. of warrants	328,258	8,088,235	1,232,828
Exercise price	\$ 0.25	\$ 0.25	\$0.17
Expected life in years	1.0	1.5	1.5
Volatility	230%	230%	230%
Risk-free interest rate	0.68 – 0.76%	0.58%	0.58%
Dividend yield	-	-	-
Fair value	\$84,000	\$777,445	\$788,030

- (i) These are finder warrants issued as compensation as part of the private placement. Each warrant entitles the holder on exercise to receive one unit at a price of \$0.17. Each unit comprises one common share and one warrant exercisable into one common share at an exercise price of \$0.25. The fair value of the finder warrants at the grant date is \$0.64 per warrant.
- (ii) These are underlying warrants issued as brokers compensation of the private placement expiring April 27, 2018. Each warrant entitles the holder on exercise to receive one common share at a price of \$0.25.

Volatility on the above warrant valuations were based on the historical volatility of the Company and similar companies.

9. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

- (a) During the six months ended June 30, 2017, \$Nil (2016 - \$4,500) was incurred for rent a company in which the Secretary and Director of the Company, has an indirect interest, through a family trust. The Company and this related party also entered into a consulting agreement on May 15, 2015. In consideration for services, the Company agreed to pay a monthly fee of \$10,000 inclusive of rent which was renegotiated to \$7,000 in July 2016. In September 2016, the Company discontinued its engagement. Accordingly, consulting fees for the six months ended June 30, 2017 was \$Nil (2016 - \$60,000). As at June 30, 2017, \$16,008 (December 31, 2016 - \$16,008) is included in accounts payable.
- (b) During the six months ended June 30, 2017, \$8,701 (2016 - \$13,392) in legal fees were incurred for services provided by a law firm in which the Secretary and Director of the Company is a partner. As at June 30, 2017, included in accounts payable is \$9 (December 31, 2016 - \$5,249) payable to this law firm.
- (c) During the six months ended June 30, 2017, directors received stock-based compensation of \$91,960 (2016 - \$31,625) in addition to cash compensation of \$172,313 (2016 - \$108,000) for services rendered. As at June 30, 2017, \$33,590 (December 31, 2016 - \$16,950) payable to the directors of the Company, and \$16,950 (December 31, 2016 - \$16,950) payable to the former director of the Company is included in accounts payable.
- (d) The Company entered into a management services agreement which include the services of the Company's Chief Financial Officer. During the six months ended June 30, 2017, \$45,500 (2016 - \$30,000) in management, accounting and administrative services were incurred under this agreement. As at June 30, 2017, \$9,001 (December 31, 2016 - \$Nil) is included in account payable.

The Tinley Beverage Company Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended June 30, 2017 and 2016

9. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

Key Management compensation

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors. Compensation provided to key management is as follows:

Six months ended June 30,	2017	2016
Short-term employee benefits, including salaries and fees	\$ 217,813	\$ 198,000
Share-based compensation	91,960	31,625
Professional fees	8,701	13,392
	<u>\$ 318,474</u>	<u>\$ 243,017</u>

10. CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of share capital, shares to be issued, reserve for warrants and reserve for share based payments. When managing capital, the Company's objective is to ensure the entity 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 exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

As at June 30, 2017, the Company considers its capital to be share capital, shares to be issued, reserve for warrants, reserve for share based payments, reserve for foreign exchange gains (losses), totaling \$4,103,670 (December 31, 2016 – \$4,048,114).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the six months ended June 30, 2017. The Company is not subject to externally imposed capital requirements.

11. FINANCIAL AND OTHER RISK FACTORS

Fair Value

The carrying amount of due to related parties and trade and other payables approximates fair value due to the relatively short-term maturity of these financial instruments. The carrying value of loans and interest payable approximate the fair value based on discounted cash flows. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price if one exists.

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 United States chartered banks which are closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments is minimal.

The Tinley Beverage Company Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended June 30, 2017 and 2016

11. FINANCIAL AND OTHER RISK FACTORS (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at June 30, 2017, the Company had a cash balance of \$3,946,217 (December 31, 2016 - \$3,986,443) to settle current liabilities of \$169,215 (December 31, 2016 - \$189,787).

All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms. The Company feels there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holding cash.

Foreign Currency Risk

The Company operates in Canada and the United States and is exposed to foreign exchange risk with respect to US dollars. The Company raises funds in Canadian dollars for its operations in the US. Foreign exchange risk arises on cash and trade payables from operations in the US. The Company believes that its results of operations and cash flows would be affected by a sudden change in foreign exchange rates. The Company mitigates this risk by maintaining sufficient U.S. dollar denominated cash to meet its U.S. dollar denominated obligations. As at June 30, 2017, the Company has U.S. dollar cash of \$736,390 (2016 - \$109,423) available to use against U.S. dollar trade and other payables of \$51,813 (2016 - \$23,100).

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period:

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, accounts payable, due to related parties, loans and interest payable that are denominated in US dollars. As at June 30, 2017, had the Canadian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Company's comprehensive loss for the six months ended June 30, 2017 would have been approximately \$72,086 higher/lower respectively as a result of foreign exchange losses/gains on translation of US dollar denominated financial instruments.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation. Net loss previously reported has not been affected by this reclassification.

The Tinley Beverage Company Inc.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the six months ended June 30, 2017 and 2016

13. SUBSEQUENT EVENTS

1. The following are warrant activities subsequent to the six months period ended June 30, 2017:
 - a. On July 6, 2017, 15,000 warrants were exercised at \$0.25 for total proceeds of \$3,750;
 - b. On August 1, and August 10, 2017, 780,000 warrants were exercised at \$0.10 for total proceeds of \$78,000;
2. The following are option activities subsequent to the six months period ended June 30, 2017:
 - a. On July 12, 2017, 600,000 options were granted to the directors and officers of the Company at an exercise price of \$0.35 per common share of the Company for a period of five years from the date of issuance;
 - b. On August 1, 2017, 44,500 options were exercised at \$0.11 for proceeds of \$4,895.
3. In July 2017, the Company allocated \$2,000,000 of its cash to term deposits (74%) and fixed income securities (26%).

Term deposits are for a one year term with interest ranging from 1.2% to 2.8%. Fixed income securities mature May 2019 with an interest rate of 2.98%.