
THE TINLEY BEVERAGE COMPANY INC.
(formerly QUIA RESOURCES INC.)

Consolidated Financial Statements

(Expressed in Canadian Dollars)

**For the years ended
December 31, 2016 and 2015**

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of The Tinley Beverage Company Inc. (formerly Quia Resources Inc.), are the responsibility of the management and Board of Directors of the Company.

The 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 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 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”, CFO
Amy Stephenson

Independent Auditors' Report

To the Shareholders of
The Tinley Beverage Company Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Tinley Beverage Company Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

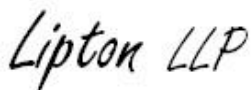
We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Tinley Beverage Company Inc. as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards .

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2.2 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on the Company's ability to continue as a going concern.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 28, 2017

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at December 31,	Notes	2016	2015
Assets			
Current Assets			
Cash		\$ 3,986,443	\$ 1,011,944
Sales taxes recoverable		32,820	87,694
Prepaid expenses		41,359	53,389
Inventory	6	14,779	-
		4,075,401	1,153,027
Intangible asset	4	162,500	162,500
		\$ 4,237,901	\$ 1,315,527
Liabilities			
Current Liabilities			
Trade and other payables	7	\$ 189,787	\$ 51,162
		189,787	51,162
Shareholders' Equity			
Share capital	8	20,009,123	16,251,633
Shares to be issued	4,8	150,000	150,000
Reserve for share based payments	9	1,715,294	1,500,935
Reserve for warrants	10	6,765,962	5,633,110
Reserve for foreign currency translation		(13,041)	(20,676)
Accumulated deficit		(24,579,224)	(22,250,637)
		4,048,114	1,264,365
		\$ 4,237,901	\$ 1,315,527

Going Concern (Note 2.2)

Approved on behalf of the Board of Directors on April 28, 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. (formerly Quia Resources Inc.)

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

For the years ended December 31,	Notes	2016	2015
Sales		\$ 12,573	\$ -
Cost of goods sold		(68,634)	-
Gross margin		(56,061)	-
Expenses			
Sales and marketing		398,853	-
Finance and administration		528,829	764,838
Operations		69,000	-
Product development		206,572	-
Share based payments - options	9	269,056	5,635
Share based payments - contingent shares	8(ix)	7,292	8,333
Share based payments – warrants	10	788,030	-
Foreign exchange (gain) loss		4,894	(3,011)
		2,272,526	775,795
		(2,328,587)	(775,795)
Gain on forgiveness of debt	11(viii)	-	65,677
Gain on sale of legacy assets	5	-	17,340
Net loss		(2,328,587)	(692,778)
Other comprehensive income			
Items that may be reclassified subsequently to loss			
Exchange differences on translating foreign operations		7,635	6,359
Total comprehensive loss		\$ (2,320,952)	\$ (686,419)
Weighted average number of shares outstanding			
		47,230,252	15,890,436
Loss per share-basic and diluted			
Loss per share – net loss		\$ (0.049)	\$ (0.044)

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

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Consolidated Statements of Shareholders' Equity

(Expressed in Canadian Dollars)

	Notes	Share Capital				Reserves				Total
		Number of shares	Amount	Shares to be issued	Conversion component of convertible Debentures	Share based payments	Warrants	Foreign Currency Translation	Accumulated Deficit	
Balance at December 31, 2014		4,581,761	\$ 14,011,456	\$ -	\$ 84,995	\$ 1,495,300	\$ 5,080,491	\$ (27,035)	\$ (21,520,180)	\$ (874,973)
Share based payments	9	-	-	-	-	5,635	-	-	-	5,635
Private placement	8(ii)	7,600,000	259,989	-	-	-	120,011	-	-	380,000
Shares issued for settlement of debentures	8(i)	4,721,873	350,552	-	(84,995)	-	(19,475)	-	(37,679)	208,403
Shares issued for settlement of trade and other payables	8(i)	6,639,000	398,340	-	-	-	-	-	-	398,340
Shares issued for settlement of promissory notes	8(i)	3,501,179	210,071	-	-	-	-	-	-	210,071
Private placement	8(v,vi,vii)	15,100,000	1,057,917	-	-	-	452,083	-	-	1,510,000
Contingent shares issued	8(iv)	166,667	8,333	-	-	-	-	-	-	8,333
Contingent shares to be issued	4	-	-	150,000	-	-	-	-	-	150,000
Cost of issuance		-	(45,025)	-	-	-	-	-	-	(45,025)
Exchange gain on translating foreign operation		-	-	-	-	-	-	6,359	-	6,359
Net loss for the year		-	-	-	-	-	-	-	(692,778)	(692,778)
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	8(x)	150,000	9,000	-	-	-	-	-	-	9,000
Share based payments	9	-	-	-	-	269,056	788,030	-	-	1,057,086
Private placement	8(xi),10	16,176,470	1,972,556	-	-	-	777,445	-	-	2,750,001
Shares issued on exercise of warrants	10	8,538,104	1,852,744	-	-	-	(432,623)	-	-	1,420,121
Shares issued on exercise of options	9	1,153,999	177,887	-	-	(54,697)	-	-	-	123,190
Cost of issuance	8(xi)	-	(261,989)	-	-	-	-	-	-	(261,989)
Share based payments - contingent shares	8(ix)	145,833	7,292	-	-	-	-	-	-	7,292
Exchange gain on translating foreign operation		-	-	-	-	-	-	7,635	-	7,635
Net loss for the year		-	-	-	-	-	-	-	(2,328,587)	(2,328,587)
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

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

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

For the years ended December 31,	Notes	2016	2015
Operating Activities			
Net loss		\$ (2,328,587)	\$ (692,778)
Adjustments to reconcile net loss to cash flow from operating activities:			
Shares issued for services	8(x)	9,000	-
Share based payments - options	9	269,056	5,635
Share based payments - shares	8(ix)	7,292	8,333
Share based payments - warrants	10	788,030	-
Unrealized foreign exchange loss		8,173	8,275
Gain on forgiveness of debt		(538)	(65,677)
Gain on sale of legacy assets		-	(17,340)
Net change in non-cash working capital items:			
Prepaid expenses		12,030	(27,375)
Inventory		(14,779)	-
Sales taxes recoverable		54,874	(84,114)
Trade and other payables		138,625	337,735
Cash flow used in operating activities		(1,056,824)	(527,306)
Investing Activities			
Intangible asset acquired on business combination		-	(12,500)
Cash flow used in investing activities		-	(12,500)
Financing Activities			
Issuance of share capital, net of share issue costs		2,488,012	1,844,975
Shares issued on warrants exercised		1,420,121	-
Shares issued on options exercised		123,190	-
Amounts paid to related parties		-	(242,238)
Loans repaid		-	(51,183)
Cash flow provided from financing activities		4,031,323	1,551,554
Net increase in cash		2,974,499	1,011,748
Cash, beginning of year		1,011,944	196
Cash, end of year		\$ 3,986,443	\$ 1,011,944

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

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

1. NATURE OF OPERATIONS

The Tinley Beverage Company Inc. (“Tinley”), formerly Quia Resources Inc. was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated October 26, 2007 and is listed on the Canadian Securities Exchange under the symbol “TNY”. 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, Tinley changed its name to "The Tinley Beverage Company Inc.". The Company’s (Tinley as consolidated with its subsidiaries) objective is to develop and launch a line of hemp oil-based functional beverages, and was up until the change in business, engaged in the acquisition, exploration and development of properties for the mining of agricultural minerals in North America and Colombia. 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 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 consolidated financial statements were authorized by the Board of Directors of the Company on April 28, 2017.

2.2 Going Concern

As at December 31, 2016, the Company has a working capital of \$3,885,614 (December 31, 2015 – \$1,101,865), has an accumulated deficit of \$24,579,224 (December 31, 2015 - \$22,250,637) and has a loss of \$2,328,587 for the year ended December 31, 2016 (2015 – loss of \$692,778). The ability of the Company to ensure continuing operations is dependent on the Company raising sufficient funds to finance development activities, and securing distribution channels. As of December 31, 2016, such circumstances may have cast substantial 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. These 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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

2. BASIS OF PRESENTATION (continued)

2.4 Basis of consolidation

The consolidated financial statements include the accounts of the Tinley Beverage Company and its wholly owned subsidiaries: Bolivar Gold Corp., QBC Holdings Corp., Kulta Corp., San Lucas Gold Corp. (2013), 2243734 Ontario Limited, Pure Phosphate Inc., Nevada Agrominerals Inc., Colombian Mining Corp., and Hemplify Inc., incorporated on February 8, 2016 in the state of California, together, the “Company.”

The results of subsidiaries acquired or disposed of during the year are included in the 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 the 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 periods 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 the standard has not yet been determined.

- IFRS 15 ‘*Revenue From Contracts with Customers*’ – was issued by the 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.

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

2. BASIS OF PRESENTATION (continued)

2.5 New standards and interpretations not yet effective (continued)

- 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 for withholding tax obligations, and a modification to the 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 Initiatives*' – amendments were issued by the 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 deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Inventory

Inventory of raw materials are initially recognized at cost, and subsequently at the lower of cost and net realizable value (the estimate selling price in the ordinary course of business less estimated costs of completion and applicable selling expenses) using the first in first out costing method.

3.2 Intangible assets

The Company owns a group of intangible assets acquired in a business combination which have an indefinite useful life as there is no foreseeable limit to the cash flows generated by the assets. Factors included in determining that there is no foreseeable limit are as follows:

- There is no technical, technological, commercial or other types of obsolescence;
- The period of control over the asset and legal or similar limits on the use of the assets, such as the expiry dates of related leases are non-existent;
- The useful life of the assets does not depend on the useful life of other assets of the entity.

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Intangible assets (continued)

The useful life of intangible assets that are not being amortized is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for the assets. If they do not, the change in the useful life assessment from indefinite to finite shall be accounted for as a change in an accounting estimate.

3.3 Convertible debt

The proceeds received on the issue of the Company's convertible debt are allocated to its liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted as a financial liability measured at amortized cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognized in the "conversion component of convertible debentures" within the shareholders' equity, net of income tax effects.

3.4 Share based payments

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments.

The costs of share-based payments are measured by reference to the fair value using the Black-Scholes option valuation model at the date on which they are granted.

The costs of share-based payments are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for such transactions at each reporting date until the vesting date and reflects the Company's best estimate of the number of equity instruments that will ultimately vest.

In situations where equity instruments are issued to parties other than employees and the fair value of some or all of the goods or services received by the entity as consideration cannot be reliably measured, the transactions are measured at the fair value of the instruments.

Share issuance costs are netted against proceeds received.

3.5 Research and development

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and use or sell the asset. Other development expenditures are recognized in profit and loss as incurred. To date, no development costs have been capitalized.

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6. Revenue recognition

The Company derives revenue from sales of various forms of specialty beverages.

Revenue, net of allowances for discounts and returns, is measured at the fair value of consideration received or receivable. Revenue is recognized when significant risks and rewards have transferred to the customer, the amount of revenue can be measured reliably, the costs incurred or to be incurred in respect of the transaction can be measured and it is probable that the economic benefits associated with the transaction will flow to the Company. The Company considers significant risks and rewards to be transferred on delivery.

3.7 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the consolidated statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the consolidated statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each date of the consolidated statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the consolidated statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the consolidated statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statements of operations and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. Dilution is calculated based on the net number of common shares issued after proceeds upon the exercise of the options and warrants are used to purchase common shares at the average market price during the year. During the years ended December 31, 2016 and 2015, all of the outstanding share options and warrants were anti-dilutive.

3.9 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with realized gains and losses recognized through earnings (loss). The Company's cash is classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost using the effective interest rate method. The Company has not classified any financial assets as loans and receivables or as held to maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has not classified any financial assets as available-for-sale.

Transactions costs associated with FVTPL or available-for-sale financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

3.10 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of operations and comprehensive loss. At December 31, 2016 and 2015, the Company has not classified any financial liabilities as FVTPL.

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Fair value hierarchy

The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the consolidated statement of financial position, have been classified into three levels as per the fair value hierarchy included in IFRS. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable data. Cash is considered to be level 1 under the fair value hierarchy. Warrants and options are considered to be level 2 under the fair value hierarchy. During the year, there were no transfers between level 1 and level 2 and 3.

3.12 Impairment of intangible assets

At each consolidated statement of financial position date, the Company reviews the carrying amounts of its intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of operations and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent of previously recognized impairment losses.

3.13 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event, it is probable that a future outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the cash flows expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.14 Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of each of the subsidiaries in the consolidated group ("Group") are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the parent company is the Canadian Dollar ("CDN"), which is the presentation currency of the consolidated financial statements. The functional currency of all subsidiaries is the US Dollar ("USD"), with the exception of San Lucas Gold Corp., the functional currency of which is the Colombian Peso ("COL").

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Foreign currency transactions (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of operations and comprehensive loss. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of operations and comprehensive loss within finance income or cost. All other foreign exchange gains and losses are presented separately on a net basis in the consolidated statement of operations and comprehensive loss.

The results and financial position of all the entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the consolidated statement of financial position;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate in effect on the dates of the transactions); and
- all resulting exchange differences are recognized as a separate component of equity as reserves for foreign currency translation.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to reserves for foreign currency translation. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of loss as part of the gain or loss on sale.

The balance due to the Company from its foreign subsidiaries is considered to be an investment in the capital of the subsidiary and is treated as net investment in foreign operations.

3.15 Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements 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 judgements 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 year they become known. Items for which actual results may differ materially from these estimates are described in the following section.

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Significant accounting judgments and estimates (continued)

(i) Warrants and options

Warrants and options are initially recognized at fair value, based on the application of the Black-Scholes option pricing model. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the expected volatility of the share price, forfeitures, dividend yield and risk-free interest rate. The expected volatility is estimated at 230% (2015 – 250%), which is comparable to the volatility of similar companies.

(ii) Impairment of intangible assets

Intangible assets are reviewed for impairment at each consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, management is required to make estimates regarding cash flows generated in the future and an appropriate discount rate.

(iii) Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

4. BUSINESS COMBINATION

On October 29, 2015, the Company acquired all of the intangible assets from Jeff Maser (Maser) 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, to be issued subject to performance escrow based on Tinley meeting a sales target within five years of closing. Over these five years, the Company will release 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. During the year ended December 31, 2016, these conditions were not met and therefore, no shares were issued pursuant to this agreement.

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

4. BUSINESS COMBINATION (continued)

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.

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 (i)	162,500
Total assets	162,500
Total liabilities	-
Net assets acquired	162,500

(i) The Company acquired a group of complementary intangible assets, which have been recorded as a single asset, as the individual assets in the group have indefinite useful lives. The purchased assets, all of which were owned by Jeffrey Maser include:

- Know-how and intellectual property rights to hemp stalk oil infused beverage formulations developed by Maser together with third parties and all business relationships thereto;
- Hemp stalk oil infused beverage business plan;
- Non-binding term sheet with beverage formulator;
- Strategy briefing and work product and all related right to work product from the branding company;
- The domain names; the Twitter handle; the Instagram handle; and the Tinley Beverage Facebook page; and
- Assignment of all right, title and interest in and to any verbal agreements, contract negotiations and purchase order with drink formulators, hemp oil suppliers, packagers, web marketers, distributors and other suppliers and consultants.

There is no impact of the acquisition on revenues and gross margin.

5. INTEREST IN MINERAL PROPERTIES

San Lucas Property

On October 26, 2007, the Company acquired 17 mineral properties in Bolivar, Colombia for \$500,000. In exchange for this non-monetary transaction, the Company issued 10,000,000 common shares at a market price of \$0.05 per share, to the vendor of the claims.

On June 19, 2014, the Company entered into an agreement with Enneract Corporation (“Enneract”), a private Panamanian company, to sell 100% of the issued and outstanding shares of its subsidiary, San Lucas Gold Corp, which holds the San Lucas gold property in Colombia.

Under the terms of the agreement, the Company received a number of common shares resulting in an equity ownership of 5% of Enneract, as well as a 2% smelter return royalty, of which Enneract can buy back half for US \$500,000.

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

5. INTEREST IN MINERAL PROPERTIES (continued)

Murdock Mountain Property:

On November 11, 2013, the Company acquired 2243734 Ontario Limited ("2243734") which holds an option to earn a 65% interest in the Murdock Mountain phosphate project in Nevada. Under the terms of the option agreement and subject to closing the acquisition, the Company will have the right to earn an initial 65% interest by investing an aggregate of \$1,000,000 into the development of the project and have 2 years from the date of the option agreement to complete the earn-in with two extensions to the earn-in period of 6 months each for a total of 3 years, by paying \$30,000 for each extension. The Company has since fulfilled its initial funding obligation and earned its 65% interest in the property.

The option agreement has been amended on October 9, 2014 to extend the earn-in time by 6 months and provides for further automatic extensions based upon the timelines for the Bureau of Land Management to conclude their sage grouse study being conducted for the State of Nevada, and Northeastern California, which encompasses the Murdock Mountain area. On October 9, 2014, the Company contributed \$26,500 towards the aforementioned option agreement.

On December 22, 2015, the Company executed an agreement to sell its interest in the San Lucas and Murdock Mountain properties to a company, in which a former Director of the Company and the wife of a Director, are owners, as described in note 11(v).

6. INVENTORY

As at December 31, 2016, inventory consists of the following:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Raw materials		
Bottles	\$ 6,781	\$ -
Caps	1,148	-
Juice – Strawberry flavour	3,707	-
Juice – Tropical flavour	118	-
Boxes	1,529	-
	<u>13,283</u>	-
Freight & delivery	<u>1,496</u>	-
	<u>\$ 14,779</u>	<u>\$ -</u>

During the twelve months ended December 31, 2016, inventory recognized as an expense in cost of sales amounted to \$68,634 (2015 - \$Nil). Cost of goods sold includes the costs of purchasing and assembling of finished goods inventory. These costs include raw materials, bottling costs, and shipping and handling. The costs also include inventory write downs, much of which were products that spoiled during test batches for new accounts.

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

7. 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:

	December 31, 2016	December 31, 2015
Less than 1 month	\$ 151,616	\$ 24,258
1 to 3 months	13,344	22,648
Over 3 months	24,827	4,256
Total Trade and Other Payables	\$ 189,787	\$ 51,162

8. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value

(b) Issued

- (i) On September 30, 2015, the Company converted \$398,340 of trade and other payables, \$210,071 of promissory notes and \$389,754 of convertible debentures into 6,639,000, 3,501,179 and 4,721,873 post-consolidation common shares respectively. In addition, 591,339 warrants were issued on conversion of debentures, recorded at a value of \$39,202.
- (ii) In August 2015, the Company closed two tranches of a non-brokered private placement consisting of an aggregate of 38,000,000 (7,600,000 post-consolidation) units for aggregate gross proceeds of \$380,000. Each unit is comprised of one (1) Common Share and one half (1/2) of one Common Share purchase warrant, with each whole Warrant exercisable into one (1) Common Share at a price of \$0.02 (\$0.10 post-consolidation) per Common Share for a period of 24 months after the closing date. The term of the Private Placement Warrants is subject to an acceleration right at the option of the Company, provided that the Common Shares trade at or above \$0.05 (\$0.25 post-consolidation) and the Company provides the warrant holders with 30 days prior written notice of the accelerated warrant exercise date.
- (iii) On October 6, 2015, the Company completed the consolidation of issued and outstanding common shares on the basis of 5:1.
- (iv) On October 29, 2015, the Company issued 500,000 common shares at \$0.05 per share as compensation for services, 375,000 of which are subject to performance escrow requirements, 41,667 of which were released from escrow at December 31, 2015. During the year ended December 31, 2015, \$8,333 was recognized as share based payment expense for these shares.
- (v) On November 3, 2015, the Company closed the first tranche of a non-brokered private placement for gross proceeds of \$1,170,500, issuing a total of 11,705,000 units of the Issuer at a price of \$0.10 per Unit. Each Unit consists of one (1) Common Share and one half (1/2) of one Common Share purchase warrant. Each full Warrant entitles the holder to acquire one (1) Common Share at a price of \$0.20 per Common Share for a period of 24 months from the closing date. The First Tranche forms a part of a broader non-brokered private placement of up to approximately \$1,500,000, whereby up to approximately 15,000,000 Units are offered.

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

8. SHARE CAPITAL (continued)

- (vi) On December 11, 2015, the Company closed the second tranche of a non-brokered private placement for gross proceeds of \$284,500, issuing a total of 2,845,000 units of the Issuer at a price of \$0.10 per Unit. Each Unit consists of one (1) Common Share and one half (1/2) of one Common Share purchase warrant. Each full Warrant entitles the holder to acquire one (1) Common Share at a price of \$0.20 per Common Share for a period of 24 months from the closing date. The Second Tranche forms a part of a broader non-brokered private placement of up to approximately \$1,500,000, whereby up to approximately 15,000,000 Units are offered.
- (vii) On December 18, 2015, the Company closed the third tranche of a non-brokered private placement for gross proceeds of \$55,000, issuing a total of 550,000 units of the Issuer at a price of \$0.10 per Unit. Each Unit consists of one (1) Common Share and one half (1/2) of one Common Share purchase warrant. Each full Warrant entitles the holder to acquire one (1) Common Share at a price of \$0.20 per Common Share for a period of 24 months from the closing date. The Third Tranche forms a part of a broader non-brokered private placement of up to approximately \$1,500,000, whereby up to approximately 15,000,000 Units are offered.
- (viii) On December 23, 2015, the Company signed an asset purchase agreement on October 29, 2015 to issue 3,000,000 common shares at \$0.05 per share, subject to regulatory escrow requirements and additional performance escrow requirements (Note 4).
- (ix) Pursuant to the agreement in Note 8(iv), as at December 31, 2016, a total of 312,500 shares were released, and the remaining 187,500 shares were cancelled as the director resigned on September 22, 2016. During the year ended December 31, 2016 \$7,292 was recognized as share-based payment expense.
- (x) 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 with Creatrix Labs LLC and Madflower Creative Group LLC (the "Consultants") whereby the Consultants provide the Company with marketing and business development, events and sales management services to the Company.
- (xi) 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. The share issuance costs associated with this private placement is \$261,989.

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

9. 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. All options expire on the fifth anniversary from the date of issue unless otherwise specified.

A summary of stock options issued and outstanding is as follows:

	December 31, 2016		December 31, 2015	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
	\$	#	\$	#
Outstanding at beginning of year	0.46	2,084,500	2.40	329,190
Granted (i)	0.11	2,058,000	0.11	1,810,500
Granted (ii)	0.08	600,000	-	-
Granted (iii)	0.33	600,000	-	-
Expired	31.32	(19,000)	0.50	(55,190)
Exercised (iv)	0.11	(1,153,999)	-	-
Forfeited	0.17	(1,780,001)	-	-
Outstanding at end of year	0.17	2,389,500	0.46	2,084,500
Exercisable at end of year	0.18	828,764	2.95	196,000

During the year ended December 31, 2016, the Company granted a total of 3,258,000 options as follows:

- (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. 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;
- (iii) On November 4, 2016, the Company granted 600,000 options to exercisable at \$0.33 per share for a period of 5 years from the date of grant.

The weighted average fair value of options granted during the year is \$0.11 (2015 - \$0.05).

- (iv) For options exercised during the year, the weighted average share price at the exercise date was \$0.33 (2015 - n/a).

The following table provides additional information about outstanding stock options at December 31, 2016:

Exercise price range	Number of Options outstanding	Weighted Average Remaining Life (Years)
\$0.08	475,000	4.48
\$0.11	1,314,500	4.01
\$0.33	600,000	4.84
\$0.08 - \$0.44	2,389,500	4.31

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

9. SHARE BASED PAYMENTS (continued)

The estimated fair value of share based compensation during the year ended December 31, 2016 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	January 27, 2016	March 3, 2016	August 4, 2016	November 3, 2016	October 29, 2015	December 23, 2015
Number of options	2,058,000	250,000	350,000	600,000	900,000	910,500
Exercise price	\$0.11	\$0.08	\$0.08	\$0.33	\$0.110	\$0.110
Share price	\$0.05	\$0.070	\$0.04	\$0.44	\$0.050	\$0.050
Expected life of options	5 years	5 years	5 years	5 years	5 years	5 years
Expected volatility	230%	230%	230%	230%	250%	250%
Risk-free interest rate	0.51%	0.59%	0.58%	0.63%	0.75%	0.65%
Expected dividend yield	0%	0%	0%	0%	0%	0%

The following is a continuity schedule of the options outstanding during the year:

Year ended	December 31, 2016		December 31, 2015	
	Number of options (#)	\$	Number of options (#)	\$
Balance at beginning of year	2,084,500	1,500,935	329,190	1,495,300
Options granted (i)(ii)(iii)	3,258,000	238,888	1,810,500	5,635
Options forfeited (iv)	(1,780,001)	30,168	-	-
Options exercised	(1,153,999)	(54,697)	-	-
Options expired	(19,000)	-	(55,190)	-
Balance at end of year	2,389,500	1,715,294	2,084,500	1,500,935

Share based payments

- (i) During the year ended December 31, 2016, \$207,630 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.
- (ii) During the year ended December 31, 2016, \$31,258 of share based payments expense was recognized in relation to the vesting of the options issued on December 23, 2015.
- (iii) During the year ended December 31, 2015, \$5,635 of share based payments expense was recognized in relation to the vesting of the options issued on July 14, 2014, October 29, 2015 and December 23, 2015.
- (iv) During the year ended December 31, 2016, \$30,168 of share based payments expense was recognized in relation to the forfeiture of options issued in 2014.

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

10. WARRANTS

A summary of warrants issued and outstanding is as follows:

Expiry date	No. of Warrants outstanding	Weighted Average Exercise Price	
June 17, 2017	453,738	\$	0.75
August 13, 2017	925,000		0.10
September 30, 2017	166,360		0.20
November 3, 2017	1,690,000		0.20
December 11, 2017	471,875		0.20
December 18, 2017	150,000		0.20
April 27, 2018	8,088,235		0.25
April 27, 2018	1,232,828		0.17
Balance December 31, 2016	13,178,036	\$	0.24

The following table summarizes the assumptions used with the Black-Scholes valuation model during the year ended December 31, 2016:

Date Issued	October 27, 2016	October 27, 2016 (i)
No. of warrants	8,088,235	1,232,828
Exercise price	\$ 0.25	\$0.17
Expected life in years	1.5	1.5
Volatility	230%	230%
Risk-free interest rate	0.58%	0.58%
Dividend yield	0%	0%
Fair value	\$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.

The following table summarizes the assumptions used with the Black-Scholes valuation model during the year ended December 31, 2015:

Date Issued	August 13, 2015	August 23, 2015	September 30, 2015	November 3, 2015	December 11, 2015	December 18, 2015	Totals
No. of warrants	3,200,000	600,000	591,339	5,852,500	1,422,500	275,000	11,941,339
Exercise price	\$0.10	\$0.10	\$0.20	\$0.20	\$0.20	\$0.20	
Expected life in years	2	2	2	2	2	2	
Volatility	250%	250%	250%	250%	250%	250%	
Risk-free interest rate	0.41%	0.33%	0.52%	0.59%	0.48%	0.50%	
Dividend yield	-	-	-	-	-	-	-
Fair value	\$101,063	\$18,948	-	\$350,448	\$85,170	\$16,465	\$572,094

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

10. WARRANTS (continued)

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

	No. of Warrants	December 31, 2016	No. of Warrants	December 31, 2015
Balance at beginning of year	12,558,710	\$ 5,633,110	683,515	\$ 5,080,491
Warrants issued	9,321,063	1,565,475	11,941,339	552,619
Warrants exercised	(8,538,104)	(432,623)	-	-
Warrants expired	(163,633)	-	(66,144)	-
Balance at the end of year	13,178,036	\$ 6,765,962	12,558,710	\$ 5,633,110

11. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

- (i) During the year ended December 31, 2016, \$6,390 (2015 - \$8,100) was incurred for rent to FMI Capital Advisory Inc. (formerly Foundation Opportunities Inc.) ("FMICAI"), a company in which the Secretary and Director of the Company, has an indirect interest, through a family trust for the benefit of the minor children of the director. The Company and FMICAI 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 with FMICAI. Accordingly, consulting fees to FMICAI for the year ended December 31, 2016 was \$84,000 (2015 - \$109,000). As at December 31, 2016, included in accounts payable is \$16,008 (December 31, 2015 - \$nil) payable to FMICAI.
- (ii) During the year ended December 31, 2016, \$17,115 (2015 - \$55,350) in legal fees were incurred for services provided by a law firm in which the Secretary and Director of the Company is a partner. At December 31, 2016, included in accounts payable is \$5,249 (December 31, 2015 - \$2,403) payable to this law firm.
- (iii) During the year ended December 31, 2016, directors received stock-based compensation of \$223,247 (2015 - \$Nil) in addition to cash compensation of \$91,175 (2015 - \$67,500) for services rendered. As at December 31, 2016, included in accounts payable is \$16,950 (December 31, 2015 - \$nil) payable to the directors of the Company.
- (iv) The Company and Branson Corporate Services ("Branson") entered into a management services agreement which includes the services of the Company's Chief Financial Officer. During the year ended December 31, 2016, \$68,700 (2015 - \$93,000) in management, accounting and administrative services were provided by Branson. As at December 31, 2016 \$nil (December 31, 2015 - \$nil) is included in accounts payable.
- (v) On December 22, 2015, the Company executed an agreement to sell its interest in the San Lucas and Murdock Mountain properties (Note 5) to a company in which a former Director of the Company and the wife of a Director, are owners, in exchange for an assumption of accounts payable in the amount of \$17,340 and other contingent liabilities. (Note 5).

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

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

- (vi) In 2014, the Company issued \$340,286 in convertible debentures. Of this amount, \$79,000 in debentures was purchased by directors of the Company, \$75,000 was purchased by a company in which one of the directors is the chief executive officer, and, \$80,000 in debentures was issued to an individual who is related to a director. The debentures were converted into post-consolidation 2,654,395 common shares and 508,735 warrants on September 30, 2015.

Pursuant to a debt settlement agreement, \$245,675 of the trade and other payables, \$268,017 of the debentures, and \$210,017 of the promissory notes owing to related parties has been converted to common shares and warrants.

- (vii) During the year ended December 31, 2016, 250,000 options were exercised by a director, who, at present, is no longer a director of the Company at an exercise price of \$0.11 per share. In addition, 375,000 and 125,000 warrants were exercised by a director, who, at present, is no longer a director of the Company at an exercise price of \$0.10 and \$0.20, respectively. As part of the private placement during 2016, 60,000 units were purchased by a member of key management for \$10,200, which represents the fair value of the units. Each unit comprises of one share and one share purchase warrant.
- (viii) During the year ended December 31, 2015, \$65,500 payable to the former CEO was forgiven.

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:

	2016	2015
Short-term employee benefits, including salaries and fees	\$ 308,650	\$ 389,500
Share-based compensation	38,550	13,968
Professional fees	17,115	55,351
	\$ 364,315	\$ 458,819

12. INCOME TAXES

The reported income taxes differ from the amounts obtained by applying domestic rates of the parent company, domiciled in Canada, of 26.50% (2015 – 26.50%) to the net loss as follows:

	2016	2015
Components of the income tax provision:		
Income tax at statutory tax rates	\$ (617,000)	\$ (185,000)
Difference between Canadian and foreign tax rates	(42,000)	-
Share issue costs	(23,000)	(12,000)
Stock based compensation, and other non-deductible expenses	282,000	9,000
Change in tax benefits not recognized	400,000	188,000
	\$ -	\$ -

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

12. INCOME TAXES (continued)

The primary differences which give rise to the deferred income tax recoveries at December 31, 2016 and December 31, 2015 are as follows:

	2016	2015
Deferred income tax assets:		
Share issuance costs	\$ 69,000	\$ 22,000
Mineral properties and other	525,000	525,000
Operating losses carried forward	3,789,000	2,416,000
Deferred tax assets not recognized	\$ 4,383,000	\$ 2,963,000

Share issued costs will be fully amortized in 2021. The mineral properties temporary differences may be carried forward indefinitely. Deferred income tax assets have not been recognized due to the uncertainty of realization.

Tax Losses Carried Forward

The Company has accumulated non-capital losses for income tax purposes, which can be carried forward to be applied against future taxable income. The right to use the losses expires as follows:

2025	\$ 834,504
2026	918,464
2027	889,768
2028	1,879,930
2029	44,551
2030	565,521
2031	731,743
2032	1,168,220
2033	888,174
2034	497,439
2035	768,531
2036	1,356,158
Indefinite	2,867,567
	<u>\$ 13,410,570</u>

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

13. 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, support the Company's normal operating requirements and achieve its growth objectives. 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 December 31, 2016, the Company considers its capital to be share capital, shares to be issued, reserve for warrants, reserve for share based payments, reserve for foreign currency translation, and accumulated deficit totaling \$4,048,114 (2015 – \$1,264,365).

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 year ended December 31, 2016. The Company is not subject to externally imposed capital requirements.

14. FINANCIAL AND OTHER RISK FACTORS

Fair Value

The carrying amount of cash and trade and other payables approximates fair value due to the relatively short term maturity of these financial instruments. 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.

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 December 31, 2016, the Company had a cash balance of \$3,986,443 (December 31, 2015 - \$1,011,944) available to settle current liabilities of \$189,787 (December 31, 2015 - \$51,162).

All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms. The Company manages this risk by maintaining sufficient levels of cash to meet the short-term obligations.

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

14. FINANCIAL AND OTHER RISK FACTORS (continued)

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 December 31, 2016, the Company has U.S. dollar cash of \$109,423 (2015 - \$nil) available to use against U.S. dollar trade and other payables of \$23,100 (2015 - \$20,500).

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 and accounts payable that are denominated in US dollars. As at December 31, 2016, 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 year ended December 31, 2016 would have been approximately \$13,276 higher/lower respectively as a result of foreign exchange losses/gains on translation of US dollar denominated financial instruments.

15. COMPARATIVE FIGURES

During the year ended December 31, 2016, the Company commenced product development and commercial sale of its hemp-infused beverage and accordingly reclassified certain comparative figures to conform to the current period's presentation, which resulted in reclassifying management and consulting (\$541,764), office and general (\$129,813), travel (\$4,158), and professional fees (\$89,103) totaling \$764,838 to finance and administration expenses. Net loss and comprehensive loss previously reported have not been affected by this reclassification. Since the amounts are reclassifications within operating activities in the consolidated statements of loss and comprehensive loss, this reclassification did not have any effect on the consolidated statements of financial position.

16. SUBSEQUENT EVENTS

- a. Subsequent to the year ended December 31, 2016, the Company engaged in the following financing activities:
 - (i) Warrant activities subsequent to the year ended December 31, 2016 as follows:
 - 1,158,571 warrants were exercised at \$0.20 for proceeds of \$231,714;
 - 145,000 warrants were exercised at \$0.10 for proceeds of \$14,500;
 - 201,418 warrants were exercised at \$0.17 for proceeds of \$34,241, resulting in issuance of 201,418 warrants with an exercise price of \$0.25, and the issuance of 201,418 common shares. Refer to Note 10.
 - 1,485,821 warrants were exercised at \$0.25 for proceeds of \$371,455.

The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2016 and 2015

16. SUBSEQUENT EVENTS (continued)

(ii) Option activities subsequent to the year ended December 31, 2016 as follows:

- 150,000 options exercisable at \$0.33 and vest over two years were granted to two consultants as part of their service payment.
- 169,500 options were exercised at \$0.11 for proceeds of \$18,645.
- 140,000 options exercisable at \$0.11 per share were cancelled.

b. Subsequent to the year ended December 31, 2016, the Company formed the following subsidiaries in California, USA:

(i) Tinley Collective, a California Central Organization Cooperative Corporation organized under Section 12256, et seq., of the California Corporations Code and registered with the Office of the Secretary of State for the State of California, facilitates the association of qualified medical patients for the purpose of collectively cultivating medical cannabis for its members.

(ii) A wholly-owned limited liability management company in California.