THE TINLEY BEVERAGE COMPANY INC. (formerly Quia Resources Inc.)
Management's Discussion and Analysis
of Financial Condition and Results of Operation
For the year ended December 31, 2016

Management's discussion and analysis (MD&A) is current to April 28, 2017 and is management's assessment of the operations and the financial results together with future prospects of The Tinley Beverage Company Inc. ("Tinley" or the "Company"). This MD&A should be read in conjunction with our audited consolidated financial statements and related notes for the years ended December 31, 2016 and 2015, prepared in accordance with International Financial Reporting Standards. All figures are in Canadian dollars unless stated otherwise. This discussion contains forward-looking statements that are not historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to Tinley's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. The Company has adopted National Instrument 51-102F1 as the guideline in presenting the MD&A. Additional information relevant to Tinley's activities, including Tinley's Press Releases can be found on SEDAR at www.sedar.com.

TABLE OF CONTENTS

1. Description of Business

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".

Tinley officially launched its first phase of retail channel test sales on August 27, 2016, approximately three months prior to the end of the fiscal year, in a limited number of stores in Southern California. The Company's initial product is a line of premium, refreshing hemp CBD-infused drinkable supplements that have the potential to become one of the first national brands in this emerging category in the USA. Cannabidiol ("CBD") is a cannabinoid found in hemp stalk that is enjoying increased consumer awareness as it is a non-psychoactive ingredient that is also found in certain strains of medical cannabis. In addition to containing hemp CBD, the supplement is fortified with 9 times the electrolyte potassium of major sports drinks, omega 3 and 9 vitamins. The product is designed for both functionality and refreshment.

Prior to the Change of Business, the Company was engaged in the acquisition, exploration and development of properties for the mining of agricultural minerals in North America and had been, up until the sale of the San Lucas Property, engaged in exploration for precious metals in Colombia. The Company had retained an option to earn a 65% interest in the Murdock Mountain phosphate project in Nevada. On December 22, 2015, the Company completed the sale of this interest, thereby making it a pure-play beverage company. The Company has no continuing interest, residual or otherwise, in any mineral exploration assets and is now focused entirely on cannabis and hemp beverages.

As at April 28, 2017, the directors and officers of the Company were:

Jeffrey Maser	CEO and Director
Amy Stephenson	Interim CFO
Andrew Stodart	Director
Theodore Zittell	Director
David Ellison	Director

2. Recent Developments

Financing Developments

In June 2015, the Company entered into agreements to convert $389,754 of the outstanding balance of the Convertible Debentures into equity as follows: $212,352 was converted into Common Shares at a price of $0.012 ($0.06 post-consolidation) per Common Share, resulting in issuance of 17,695,975 (3,539,195 post-consolidation) Common Shares; and $177,402 was converted into units at a price of $0.03 ($0.15 post-consolidation) per Unit, resulting in issuance of 5,913,390 (1,182,678 post-consolidation) Units. Each Unit is comprised of one Common Share and one half of one Common Share purchase warrant (each, a "**Debenture Conversion Warrant**"). Each Debenture Conversion Warrant is exercisable into one Common Share at a price of $0.04 ($0.20 post-consolidation) per Common Share for a period of 24 months from the date of issuance. The Debenture Conversions were completed on September 30, 2015.

In June 2015, the Company entered into agreements to convert insider loans (the "**Insider Loans**") totaling $210,071 into Common Shares at a price of $0.012 ($0.06 post-consolidation) per Common Share, resulting in issuance of 17,505,895 (3,501,179 post-consolidation) Common Shares. The conversion of Insider Loans was completed on September 30, 2015.

In June 2015, the Company entered into agreements to settle debts in the aggregate amount of $398,340, (the "**Debt Settlement Agreement**"), the terms of which are further outlined in the press release dated July 7, 2015, as follows: an amount of $146,056 has been settled with non-arm's length parties by converting the amount into Common Shares at a price of $0.012 ($0.06 post-consolidation) per Common Share, resulting in issuance of 12,171,360 (2,434,272 post-consolidation) Common Shares; and an amount of $252,284 has been settled with non-arm's length parties by converting the amount into Common Shares at a price of $0.012 ($0.06 post-consolidation) per Common Share, resulting in issuance of 21,023,636 (4,204,727 post-consolidation) Common Shares. The Debt Settlements were completed on September 30, 2015.

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 (the "**Private Placement Units**") for aggregate gross proceeds of $380,000 (the "**Equity Private Placement**"). Each Private Placement Units is comprised of one (1) Common Share and one half (1/2) of one Common Share purchase warrant (each, a "**Private Placement Warrant**"), with each whole Private Placement 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 has provided the warrant holders with a 30 days prior written notice of the accelerated warrant exercise date. The approval of this offering by the TSX Venture Exchange (the "**TSXV**") was conditional on providing undertakings by more than 50% of the shareholders of the Company to support the **Consolidation** (as hereinafter defined) and such undertakings had been provided.

On October 6, 2015, the Company completed the Consolidation (the "**Consolidation**") of issued and outstanding common shares on the basis of 5:1.

On November 3, 2015, the Company closed the first tranche (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 (the "**PP Units**"), at a price of $0.10 per PP Unit. Each PP Unit consists of one (1) Common Share and one half (1/2) of one Common Share purchase warrant (each, a "**PP Warrant**"). Each full PP 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 $1,500,000, whereby up to 15,000,000 PP Units are offered.

On December 11, 2015, the Company closed the second tranche (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 (the "**PP Units**"), at a price of $0.10 per PP Unit. Each PP Unit consists of one (1)

Common Share and one half (1/2) of one Common Share purchase warrant (each, a "**PP Warrant**"). Each full PP 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 $1,500,000, whereby up to 15,000,000 PP Units are offered.

On December 18, 2015, the Company closed the third tranche (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 (the "**PP Units**"), at a price of $0.10 per PP Unit. Each PP Unit consists of one (1) Common Share and one half (1/2) of one Common Share purchase warrant (each, a "**PP Warrant**"). Each full PP 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 $1,500,000, whereby up to 15,000,000 PP Units are offered.

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 (a "Common Share") and one-half of one common share purchase warrant (a "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.

Business Developments

In September 2015, the Company announced that further to its review of potential strategies to maximize shareholder value in the mineral exploration space and specifically strategic alternatives relating to the Company's Murdock Mountain Project, and given the difficult state of the mineral resource space, it had elected to focus on other business opportunities to maximize shareholder value. As a result, it had decided to reposition its business operations as a "Diversified Industries" issuer targeting beverages infused with hemp oil extracts in the United States (the "**Change of Business**").

On October 29, 2015, in light of the proposed Change of Business, the Company entered into an asset purchase agreement (the "**Acquisition Agreement**") with Jeffrey Maser. Pursuant to the terms of the Acquisition Agreement, among other things, the Company purchased from Mr. Maser assets (collectively, the "**Purchased Assets**") relating to, directly or indirectly, the development, manufacturing, marketing, selling and distributing hemp stalk oil infused beverages (the "**Business**"). The purchase price for the acquisition of the Purchased Assets is $162,500 and was satisfied in full by $12,500 in cash and an aggregate of 3,000,000 Common Shares at a price of $0.05 per Share, subject to regulatory escrow requirements and additional performance escrow requirements.

On September 30, 2015, the Company completed its voluntary delisting from the TSX Venture Exchange and on January 28, 2016, the Company was listed on the Canadian Securities Exchange under the symbol "TNY".

Jeffrey Pencer was appointed Head of Product Development and Distribution on October 29, 2015.

In March 2016, Tinley appointed Mr. David Ellison to the Board of Directors. Mr. Ellison is a principal at Acuity Corporate Securities Lawyers in Toronto and provided capital markets, legal and operational services to US-based cannabis cultivators, processors and extractors.

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 will provide the Company with marketing and business development, events and sales management services to the Company.

On May 31, 2016, the Company appointed Mrs. Amy Stephenson as interim Chief Financial Officer. Mrs. Stephenson has a strong familiarity of the cannabis and hemp industries and has over 20 years of senior management and capital markets experience.

On June 16, 2016, Jeff Pencer transitioned from his role as head of product development and operations to become a member of the Company's newly-formed Advisory Board. The Company subsequently retained Richard Chessman and Frank Chessman of Total Marketing Systems to lead sales, bottling operations and distribution. These consultants, both local to the Company's operations in California, have been instrumental in building a premium hydration beverage company from a nascent stage to nearly $1 million per month in revenue.

On June 16, 2016, the Company announced the resignation of Tony Roodenburg from the Board of Directors. Tony had been instrumental in helping the Company transition from mining exploration into the hemp-based beverage business.

On June 17, 2016, the Company having completed a series of test and sampling runs, announced that it has completed the first commercial bottling run for its Hemplify product. This was a key milestone for the Company. The product was featured at various on-premises sales events, such as trade shows and musical events in an effort to develop brand awareness, to drive social media following, and to attract traffic to Hemplify's e-commerce channels.

In August 2016, the Company set up its web store at www.drinkhemplify.com and also listed its products on Amazon.com.

On August 8, 2016, the Company announced the appointment of Mr. Theodore (Ted) Zittell to the Board of Directors in support of the Company's transition to a hemp-based beverage business. Mr. Zittell previously served as President of Cott Corporation's Retail Brands International. He currently consults internationally via his firm, Ted Zittell & Associates Inc. His recent clients include Walmart, Kroger, CVS Pharmacy, P&G, Nestlé, Loblaws, Sainsbury's and Tesco. He also serves as a senior consultant for McMillan Doolittle LLP, a leading Chicago-based retail and consumer experience agency.

On September 26, 2016, the company entered into a distribution agreement with SF Pipes, a sales and distribution company base in the San Francisco Bay Area. SF Pipes acts as a master distributor for the "head" and smoke shop channels. SF Pipes and its network of sub-distributors call on approximately 1,000 stores, mainly in California and neighboring states.

On September 30, 2016 Andrew Stodart joined the company as an independent director, replacing Adam Szweras and Roger Dent, who each resigned from the board. Mr. Stodart has over 25 years of marketing, sales and brand development experience at the executive level in the beverage alcohol industry. During this time, he was responsible for the worldwide sales and marketing of Black Velvet Canadian whisky, the successful development of Dan Aykroyd wines along with the successful launch of Aykroyd's Crystal Head vodka as well as heading the Marketing Group for one of Canada's leading wine companies. Prior to that he held various sales and marketing positions with Everfresh Juice and Coca-Cola. He is currently the president of The Brands Group Inc., a company that provides successful marketing and brand recognition solutions to its international roster of clients.

By November 2016, Hemplify drinks were available in over 100 stores, mainly in California and has also shipped to stores in Nevada, Washington, Colorado, North Carolina and Minnesota. The Company also announced it has created a Hemplify Energy Shot and had placed a purchase order for this product with its California manufacturer, subject to final testing and customer production procedures. An initial production run of the energy shot would follow after successful shelf stability testing.

On November 24, 2016, CannaInvestor Magazine named Tinley as a Top 25 stock for long-term investors in the cannabis sector based on cash resources, revenue projections, management, margins, addressable market, phase of growth and business model.

Retail Growth Strategy

By year ended December 2016, the Company began implementing its retail distribution strategy:

1) The Company received an initial purchase order from luckyvitamin.com, a leading online health and wellness store owned by GNC.
2) Hemplify became available in Sprouts Chula Vista and Eastlake in San Diego County, California and the Company was engaged in discussions to seek to further expand in premium grocery stores.
3) The Company added additional salespeople in Southern California and retained a food brokerage firm in Northern California to expand its coverage of natural good and premium grocery stores throughout the state and Nevada.
4) The Company began a trial with a major convenience store chain and expanded that trial by an additional 25 stores. This brought the total number of stores in this chain to 33.

Development of Tinley' 27 Cannabis-infused Beverages

The Company began working in 2016 with its Los Angeles formulator on an initial lineup of cannabis-infused beverages. The initial products include a Jamaican dark rum, a Fireball-style Cinnamon Whisky, an Italian Amaretto and a ready-to-drink margarita cocktail. All products are alcohol-free however made with the same extracts, essences and flavors as their alcoholic counterparts. They are also infused with high purity THC distillate.

Progress Subsequent to Year End

On January 16, 2017, the Company announced that its wholly-owned subsidiary, Hemplify Inc. had signed with LA Distribution Co. for distribution of Hemplify throughout Los Angeles County and Orange County. LA Distribution Co. is a leading wholesale distributor that serves over 2,000 businesses. It has a strong track record of identifying and being early adopters of healthy and innovative beverages.

On February 14, 2017, the Company announced that it has begun accepting patients for the Tinley Collective. The Tinley Collective (the "Collective") is a Central Organization Cooperation Corporation organized under the California Corporation Code designed to facilitate the association of qualified medical patients for the purpose of collectively procuring medical cannabis for its members, pursuant to Health and Safety Code and formulating into easily-consumable, drinkable products for such members. The Collective provides its members with service pursuant to the Compassionate Use Act and Medical Marijuana Program Act. Tinley has entered into an exclusive contract with the Collective to provide management and other services. The Collective has also partnered with a collective in San Francisco which serves over 10,000 cannabis patients, to provide cannabis oil for Tinley's products. According to ArcView research, California's medical cannabis program generates $2.7 billion in annual revenue, roughly 9 times the size of the Canadian medical cannabis market.

On February 21, 2017, the Company has made an initial shipment of 2 flavors of the Hemplify hemp infused beverage to 10 Bristol Farms stores in Los Angeles and Orange County. Bristol Farms is one of Southern California's premier grocery store chains operating in 10 locations with 3 additional stores under the Lazy Acres banner. It is also the recipient of Zagat's Marketplace Survey for being number one in overall quality and service.

On March 28, 2017, the Company announced that it has retained Critical Mass Group to grow Tinley's sales and manufacturing functions. Critical Mass has a proven track record of helping growing beverage companies maximize their success and profitability by optimizing supply chain management, marketing, sales and distribution.

On April 21, 2017, the Company launched its cannabis-infused beverages at the High Times Cannabis Cup in Southern California. This event takes place annually and is one of the largest cannabis-themed events in the USA. Over 800 patients joined the Tinley Collective over the course of the 3-day event and the Company received significant interest by dispensaries and other collectives in carrying the products.

Future Plans

- The Company intends to continue test marketing the beverage in retail locations in Southern California and online, and continue working to convert such test stores into fully commercial accounts
- The Company plans to produce 100,000 units of Hemplify in its next bottling run, which will also include new flavors.
- The Company also plans to produce a CBD energy shot and coffee creamer. The launch of these products has been delayed due to the Company's focus on its cannabis-infused beverages.

3. Overall Performance

For the year ended December 31, 2016, sales were $12,573 (2015 - $Nil), cost of sales was $68,634 (2015 - $Nil), resulting in gross loss of $56,061(2015 - $Nil).

The majority of the year's revenue was generated in the final three months of the year, during which time the product became available on store shelves. Prior to the first store placement tests on August 27, 2016, the company had completed a small amount of test sales at live events and festivals.

The significant cost of sales is due to writing off inventory that was spoiled during test runs, used as "free fills" for new store listings or other sales samples. Such inventory giveaways are customary for new brands launching in the marketplace to encourage retailers to sample, evaluate and ultimately incur the cost and risk of nurturing new brands on their shelves.

The Company has cash of $3,986,443 (2015 - $1,011,944), an increase of $2,974,499 as the Company has raised $2,750,001 from financing, and $1,543,311 from exercising warrants and options.

Results of Operations

Selected Annual Information

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
	$	$	$
Sales	12,573	-	-
Cost of goods sold	(68,634)	-	-
Gross Profit (Loss)	(56,061)	-	-
Loss from continuing operations	(2,328,587)	(692,778)	(311,207)
Income (loss) from discontinued operations	-	-	319,085
Net income (loss)	(2,328,587)	(692,778)	7,878
Income (loss) per weighted average share			
– from operations - basic and diluted	(0.049)	(0.044)	(0.075)
– from discontinued operations - basic and diluted	-	-	0.077
– net income (loss) - basic and diluted	(0.049)	(0.044)	0.002
Total Net Assets	4,240,901	1,315,527	29,790

Three months ended December 31, 2016

Sales for three months ending December 31, 2016 were $5,681(2015-$nil), and cost of sales for the same period were $64,048 (2015-$nil) resulting in gross loss for three months ending December 31, 2016 of $58,367 (2015 - $nil).

The Company began test sales at its first retail location on August 27, 2016, approximately three months prior to the end of the fiscal year. Prior to that, the Company completed a small amount of test sales at live events and festivals. The Company recorded the cost of spoiled products from test runs, "free fills" for new retail accounts and sales samples in cost of goods sold.

The Company continued its product development efforts during the fourth quarter of 2016, the new Hemplify energy shot underwent shelf stability testing. Product development expenses (except inventory costs as outlined in Note 3) were $51,215 (2015 - $nil). Sales and marketing expenses (except inventory costs as outlined in Note 3) for the three months ending December 31, 2016 were $248,501 (2015 - $nil). Finance and administration costs during the three months decreased by $85,361 from the same period last year. Finance and administration expenses during the three months were $129,183 (2015 - $214,544).

Year ended December 31, 2016

Sales for year ending December 31, 2016 were $12,573 (2015-$nil), cost of sales for the same period were $68,634 (2015-$nil) resulting in gross loss for year ending December 31, 2016 of $56,061 (2015 - $nil). The substantial cost of sales was caused principally by a series of inventory write downs as a result of batches of beverages that encountered shelf stability problems, as well as the use of inventory for "free fills" and sales samples to encourage store placement and brand awareness. The sustainability issue has since been resolved as the Company changed the manufacturing contractor as well as the bottle design. The high cost of sales is also due to shipping costs as the Company does not have the scale to negotiate lower shipping rates. Management believes it can significantly lower shipping costs as volumes grow.

The Company had a net loss of $2,328,587 or $0.049 per share for the year ended December 31, 2016, compared with a net loss of $692,778 or $0.044 a share for the same period ended December 31, 2015. An increase loss of $1,635,809 is mainly due to sales and marketing expenses of $398,853 (2015 - $nil), product development expenses of $206,572 (2015 - $nil) and operations $69,000 (2015 - $nil) offset by lower finance and administration expenses by $236,009 compared to same period last year, as the Company commences its operations in California in 2016. These costs included those related to bottling runs, prepaying future bottling runs, completing shelf stability testing, transitioning to new operational staff, conducting promotional and consumer-feedback events, building the e-commerce platform, purchasing a product liability policy from a specialist insurer for the hemp CBD category, producing point-of-sale materials, building social media content, receiving FDA regulatory consulting, attending business-to-business trade shows and running vendor booths at consumer events.

For the year ended December 31, 2016, finance and administration fees decreased by $236,009 to $528,829 from $764,838 during the same period in 2015. The higher costs in 2015 were largely due to the restructuring, change of business and listing of the company on the Canadian Securities Exchange. In 2016, the Company reallocated certain of its resources to other activities including sales and marketing, product development and operations.

The Company incurred non-cash share-based payments for the year ended December 31, 2016 of $1,064,378 compared to $13,968 for the same period in 2015. Share based payments are booked based on the valuation of options using the Black-Scholes model and based on other payment of expenses in shares.

4. Summary of Quarterly Results

Selected financial information for the eight quarters as follows:

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
	$	$	$	$
Total Revenue	5,681	6,892	-	-
Net Income (loss)	(1,443,676)	(255,834)	(314,268)	(314,809)
Income (loss) Per Share – basic and diluted	$(0.03)	(0.006)	(0.007)	(0.007)

	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
	$	$	$	$
Total Revenue	-	-	-	-
Net Income (loss)	(206,172)	(128,618)	(275,987)	(82,001)
Income (loss) Per Share – basic and diluted	(0.007)	(0.003)	(0.012)	(0.004)

Working Capital

As at December 31, 2016, the Company had net working capital of $3,885,614 compared to $1,101,865 as at December 31, 2015.

A summary of the Company's cash position and changes in cash for the years ended December 31, 2016 and 2015 are provided below:

	Year ended December 31,	
	2016	2015
Cash used in operating activities – net	**(1,056,824)**	(527,306)
Cash used in investing activities	**-**	(12,500)
Cash provided by financing activities	**4,031,323**	1,551,554
Cash provided by discontinued operations	**-**	-
Increase in cash	**2,974,499**	1,011,748
Cash, beginning of period	**1,011,944**	196
Cash, end of period	**3,986,443**	1,011,944

Liquidity Outlook

As at December 31, 2016, the Company had cash of $3,986,443 available, an increase of $2,974,499 from the balance at December 31, 2015 of $1,011,944. This increase is primarily due to financing activities totaling $4,031,323 during the year. The Company received gross proceeds of $1,543,311 from financing activity in warrants and options exercised. The Company also completed a private placement for gross proceeds of $2.75 million. The Company's working capital increased by $2,783,749 to $3,885,614 on December 31, 2016 from $1,101,865 at December 31, 2015.

As at April 28, 2017, the Company had approximately $4,146,687 in cash. This increase from December 31, 2016, after cash used for operating activities, was due to a combination of warrant exercises and revenue.

5. Related-party Transactions

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 use of 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.

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.

During the year ended December 31, 2016, directors received stock-based compensation of $223,247 (2015 - $Nil) $91,175 (2015 - $67,500) was paid for services to directors of the Company. As at December 31, 2016, included in accounts payable is $16,950 (December 31, 2015 - $nil) payable to the directors of the Company.

During the year ended December 31, 2016:

a. 250,000 options were exercised by a former director of the Company at an exercise price of $0.11 per share;
b. 375,000 and 125,000 warrants were exercised by a former director of the Company at an exercise price of $0.10 and $0.20, respectively;
c. 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.

The Company and Branson Corporate Services ("Branson") entered into a management services agreement which includes the services of the Company's Chief Financial Officer. Branson is an entity in which Foundation Financial Holdings Corp owns 49% of the shares. 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.

On December 22, 2015, the Company completed the sale its interest in the 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.

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.

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:

	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

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 exercisable at $0.20 for proceeds of $231,714;
- 145,000 warrants exercisable at $0.10 for proceeds of $14,500;
- 1,485,821 warrants exercisable at $0.25 for proceeds of $371,455;
- 201,418 broker warrants were exercised at $0.17 for proceeds of $34,241, resulting in issuance of 201,418 common shares and warrants with an exercise price of $0.25.

(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 the two consultants as part of their service payment.

- 140,000 options exercisable at $0.11 per share were cancelled.
- 169,500 options were exercised at $0.11 for proceeds of $18,645.

Accordingly, the Company's cash position as at the date of this MD&A is approximately $4,146,687.

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.

Disclosure of Outstanding Share Data April 28, 2017

	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited Common Shares	74,822,696 Common Shares
Securities convertible or exercisable into voting or equity shares		a) Options to acquire up to 2,230,000 common shares b) 10,388,644 Warrants exercisable to acquire common shares of the Company.

Off-Balance Sheet Arrangements
The Company has no off-balance sheet arrangements.

Dividends
The Corporation has neither declared nor paid any dividends on its Common Shares. The Corporation intends to retain its earnings, if any, to finance growth and expand its operation and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

Critical Accounting Estimates

Assessment of Recoverability of Deferred Income Tax Assets

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 statement of financial position.

Deferred income tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the 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 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 statement of financial position. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

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.

Estimate of Share Based Payments and Associated Assumptions
Tinley uses the fair value method in accounting for share based payments. Under this method, share based payments are measured at the fair value of the equity instruments issued, and are amortized over the vesting period. The offset to the recorded cost is to reserve for share based payments.

The Company recorded share based payments based on an estimate of the fair value on the grant date of stock options issued. This accounting required estimates of interest rate, life of options, stock price volatility and the application of the Black-Scholes option pricing model. See note 9 of the December 31, 2016 audited consolidated financial statements for a full disclosure.

Assessment of Recoverability of Sales Taxes Recoverable
The Company assesses the likelihood that these receivables will be recovered and, to the extent that recovery is considered doubtful a provision for doubtful accounts is recorded.

Impairment of Long-lived Assets
Tinley reviews long lived assets for impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses on long-lived assets are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses then are measured by comparing the fair value of assets to their carrying amounts.

Significant accounting judgments and estimates
The preparation of these 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 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. The most significant estimates relate to asset retirement obligations; life of property, plant and equipment, depreciation and depletion of assets; recoverability of

accounts receivable, valuation of deferred income tax amounts, impairment testing and the measurement of share-based payments and warrants. The most significant judgements relate to recoverability of capitalized amounts, recognition of deferred tax assets and liabilities.

6. Financial Instruments and other Instruments

Net Fair Value of Financial Assets and Liabilities

The Company's financial instruments comprise cash, accounts payable and accrued liabilities.

Cash has been designated as held-for-trading, which are measured at fair value. Accounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and are classified as other financial liabilities, which are measured at amortized cost. The Company has no available for sale instruments.

Financial Risk Factors

Fair Value

The carrying amount of cash, and trade and other payables approximate 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. As at December 31, 2016, all financial instruments measured at fair value are considered level 1.

Fair value hierarchy and liquidity risk disclosure

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where measurement is required. The fair value of short-term financial instruments approximates their carrying amounts due to the relatively short period to maturity. These include cash as at December 31, 2016. Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP.

(i) Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level two includes inputs that are observable other than quoted prices included in level one.

(ii) Level three includes inputs that are not based on observable market data.

All of the Company's cash is a level one as per the fair value hierarchy included in GAAP.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

A) Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. 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 included in cash is minimal.

B) Market Risk

i.) 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 trade receivables and trade payables from operations in the US. During the year ended December 31, 2016, the Company commenced operations in the US but incurred net loss primarily in Canada. The Company believes that its results of operations and cash flows would be affected by a sudden change in foreign exchange rates. The Company mitigate this risk by maintaining sufficient liquidity to ensure that it would not impair its ability to pay its U.S. dollar denominated obligations. As at December 31, 2016, the Company has US dollar cash of $109,423 (2015 - $Nil) available to use against U.S. dollar trade and other payables of $23,000 (2015 - $20,500).

ii.) 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, 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) 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.

Risk Factors

There are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. If any of these risks occur, the Company's business, financial condition or results of operation may be materially adversely affected. In such case, the trading price of the Company Shares could decline and investors could lose all or part of their investment. The following is a summary of certain risks that could be applicable to the business of the Company:

Limited operating history in its new area of business.
The Company has a limited operating history in its new area of business, is in the early-stage development and must be considered a start-up. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenue. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Company also has no history of earnings.
Because the Company has a limited operating history in emerging area of business, you should consider and evaluate its operating prospects in light of the risks and uncertainties frequently encountered by early-stage companies in rapidly evolving markets. These risks may include:

- risks that it may not have sufficient capital to achieve its growth strategy;
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues; and
- risks relating to an evolving regulatory regime.

The Company's future growth will depend substantially on its ability to address these and the other risks described in this section. If it does not successfully address these risks, its business may be significantly harmed.

Additional financing
The Company believes that its raised capital is sufficient to meet its presently anticipated working capital and capital expenditure requirements for the near future. This belief is based on its operating plan which, in turn, is based on assumptions, which may prove to be incorrect. In addition, the Company may need to raise significant additional funds sooner to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing to meet its plans for expansion. The Company cannot be sure that this additional financing, if needed, will be available on acceptable terms or at all. Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not

available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Volatile global financial and economic conditions
Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial condition could be adversely impacted.

Competition
The beverage industry is highly competitive. The Company will compete with numerous other businesses in the beverage industry, many of which possess greater financial and marketing resources and other resources than the Company. The beverage business is often affected by changes in consumer tastes and discretionary spending patterns, national and regional economic conditions, demographic trends, consumer confidence in the economy, traffic patterns, local competitive factors, cost and availability of raw material and labor, and governmental regulations. Any change in these factors could materially and adversely affect the Company's operations. The Company's operations can also be substantially affected by adverse publicity resulting from quality, illness, injury, health concerns, public opinion, or operating issues. The Company will attempt to manage these factors, but the occurrence of any one or more of these factors could materially and adversely affect the Company's business, financial condition and results of operations.

Reliance on Management
The success of the Company is currently dependent on the performance of its senior management. The loss of the services of these persons would have a material adverse effect on the Company's business and prospects in the short term. There is no assurance the Company can maintain the services of its officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Factors which may Prevent Realization of Growth Targets
The Company is currently in the early development stage. There is a risk that the additional resources will be needed and milestones will not be achieved on time, on budget, or at all, as they are can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following as it relates to the Company:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;

- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

The Products Sold by the Company are Subject to Regulation Governing Food, Dietary Supplement, Controlled Substances and Related Products

The activities of the Company are subject to regulation by governmental authorities. Achievement of the Company's Business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Business, results of operations and financial condition of the Company.

While cannabinoids, commonly found in hemp oil, can also be commonly found in certain strains of marijuana, which faces significant restrictions on use and distribution under the United States Controlled Substances Act ("**CSA**"), the Company was not sourcing any derivatives from marijuana as at year end for its hemp products.

While oil derived from industrial hemp stalk that has naturally occurring THC content equal to or less than 0.3% is excluded from the definition of marijuana under the CSA, there is no certainty that this exclusion could not be altered by court or governmental action or re-interpretation. There is no certainty that the United States Food and Drug Administration ("**FDA**") will not regulate the use of hemp oil or components of hemp oil as a drug and prohibit use as a dietary ingredient. There is no certainty that hemp oil will be considered a grandfathered dietary ingredient under the Dietary Supplement Health and Education Act of 1994 ("**DSHEA**"), or would otherwise be permitted for use under the DSHEA. The U.S. Food and Drug Administration ("**FDA**") has stated that cannabidiol, a component of hemp oil, is precluded from the definition of a dietary ingredient as it is the subject of an Investigational New Drug application.

The Company relies on the supply of hemp stalk oil extracts, which is imported into the United States from other countries. The United States Drug Enforcement Administration ("**DEA**") and the U.S. Customs and Border Protection Agency will not permit the entry of hemp extract into the United States if it contains any amount of THC which is a marijuana derivative and, therefore, a Schedule I drug. Currently, the definition of "marijuana" in the CSA does not include the plant's "mature stalks", which are used to create hemp (which only contains trace amounts of THC and has no psychoactive effect). Hemp stalk oil is not scheduled under the CSA and therefore, is also not under the enforcement authority of the DEA. Currently, the DEA does not take jurisdiction over hemp stalk oil products, but controls hemp cultivation, and companies that wish to cultivate hemp in the United States must apply for a permit with the DEA. If in future DEA takes jurisdiction to regulate hemp stalk oil products, the Company may become subject to additional licensing requirements, which may require additional capital. There is no assurance that the Company will be able to obtain any such licenses, or be eligible to apply for such licenses, which would adversely affect the Company's Business.

Products containing cannabis and hemp CBD may currently not be manufactured, distributed or sold in Canada unless such activity is undertaken in accordance with the Access to Cannabis for Medical Purposes Regulations ("**ACMPR**") or other appropriate regulatory exemptions. The Company is monitoring changes to Canada's regulations with respect to both medical and recreational cannabis and may seek to pursue opportunities to distribute its products in Canada as such regulatory changes permit.

In April of 2017, the Company began offering products containing cannabis in California. As such, it faces the following risks:

1. Federal Law. The Controlled Substances Act (the "CSA") makes it illegal under federal law to manufacture, distribute or dispense marijuana. 21 U.S.C § 801, et seq. Marijuana and cannabis is a Schedule 1 controlled substance under the CSA. Companies that engage in any form of commerce in the cannabis industry and individuals investing in a cannabis business may be subject to federal criminal prosecution along with civil fines and penalties. Federal enforcement could lead to dissolution, asset forfeiture and total loss of investment.

Since 2013, federal enforcement of state regulated cannabis operations has been deprioritized and defunded. The U.S. Department of Justice issued a memorandum (the "Cole Memo") that indicated that resources would not be directed for federal enforcement activity, including civil enforcement and criminal investigations and prosecutions related to marijuana activities. Essentially, the Cole Memo states that cannabis operations that are compliant with robust state regulatory systems are not priorities for federal enforcement. In 2014, Congress provided that "[n]one of the funds made available… to the Department of Justice may be used … to prevent [various] States from implementing their own State laws that authorize the use, distribution, possession, or cultivation of medical marijuana" (§ 542 of the Consolidated Appropriations Act). In 2016, the Ninth Circuit held that federal judges should stop prosecutions for conduct that is authorized by state medical marijuana laws. 2016 WL 4363168 (9th Cir. Aug. 16, 2016).

This position could change at any time. President Trump has appointed Jeff Sessions as Attorney General, an appointment that does not signal support for the cannabis industry. There is no way to predict how Mr. Trump will enforce federal law or how he will deal with states that have legalized medical or recreational marijuana. Even for businesses compliant with state laws, cannabis-related investments remain a risk under federal law. At present, the Company is solely distributing products in California's medical cannabis industry, however it may seek to distribute via California's recreational industry as well as in other states as regulations permit.

2. State and Local Compliance. In California, the state has enacted a series of laws to regulate medical cannabis, and recently voters passed Proposition 64 to regulate and tax recreational cannabis. The regulatory framework for commercial cannabis enterprises is currently being developed by several state agencies. For medical cannabis, the state anticipates issuing regulations and accepting applications for licenses in 2018. The state legislature may change Proposition 64 so long as the original intent of the initiative is maintained. For recreational cannabis, the state anticipates issuing regulations and accepting applications for licenses in 2018 as well. The cannabis industry will see many changes to laws and regulations in the coming years.

State medical and recreational laws allow local jurisdictions to enact codes so long as those regulations are more restrictive than state laws. Many local jurisdictions are in the process of developing cannabis policies. If the local jurisdiction allows cannabis operations, the business must first obtain local permits before seeking state licensing.

Permit and License requirements create a host of issues that investors should consider, including but not limited to the following:

a. Limitations on the number of licenses and license types available to investors;
b. Rapidly changing laws and regulations;
c. Increased regulatory compliance costs and potentially lower gross margins;
d. Competition; and,
e. Potential changes to business plans, predicted income, or structure of business entities.

In addition to developing regulatory systems and local ordinances, cannabis operations must comply with all state laws and regulations as well as local ordinances and codes. Failure to comply with state and local laws and regulations could result in civil penalties, and in some cases criminal prosecution.

There is no guarantee that any cannabis operation will get a local permit or state license. For a wide variety of reasons, cannabis businesses may not be granted state licenses. Failure to obtain a local permit or state license will prohibit future cannabis-related business activity until the business can obtain the required permits and licenses.

3. Lack of Adequate Banking Systems. Due to federal laws against marijuana, most banks are unwilling to take deposits, issue credit cards, open bank accounts or assist with payroll services for cannabis businesses. While efforts are underway to address the banking issue, cannabis businesses deal primarily with cash. This presents numerous risks related to security, managing cash flow and the inability to invest funds. The California Board of Equalization allows for cash payments of tax bills at county branches located throughout the state. Nevertheless, cash-related issues continue to present risks for investors. The Company presently maintains accounts at multiple major banks for redundancy.

4. Taxes. Under Internal Revenue Code Section 280E, cannabis businesses are prohibited from deducting their ordinary and necessary business expenses, except for some "costs of goods sold" by cultivators. This results in cannabis enterprises facing much higher federal tax rates than similar companies in other industries. While opinions differ, experts estimate from 40% to 70% as the effective federal tax rate imposed by Section 280E.

In addition, the state and localities may levy various taxes on cannabis operators. The recent passage of Proposition 64 imposes new excise taxes, including $9.25 per ounce on flowers, $2.75 per ounce for leaves, and 15% of gross receipts for sales. Local jurisdictions are permitted to impose additional taxes. In total, the aggregate tax rate for cannabis operations is well above other similar industries. Tax rates and structures (example: gross receipts vs square footage) are rapidly changing and will continue to change in the coming years.

5. Food and Drug Administration (FDA). The FDA does not permit or allow any statement that cannabis or cannabinoid is intended to treat or cure any disease. Research and scientific studies

are underway throughout the U.S.; however, no product may make statements of diagnosis, treatment, or cure for any disease without FDA approval.

6. Developing Cannabis Market. The legal commercial cannabis industry in California is nascent. Although the medical collective model has existed since 2004, the commercial medical and recreational regulatory framework is currently being developed by state agencies. Commercial cannabis enterprises will start operating for-profit after state medical licenses become available in 2018. The market for medical and recreational products will likely experience fluctuation as supply chains become operational. Demand for cannabis products has been predicted to be substantial; however, there are no guarantees. Investors must consider the developing nature of the state regulated industry and the corresponding unpredictability of the cannabis market.

7. Product Liability Claims. Insurance law and available products for cannabis operations, and product liability of cannabis, is a major concern for the industry. Investors should be aware that insurance policies may be limited or claims may be challenged by insurance carriers.

8. Background Checks. California and some local jurisdictions require background checks for management and employees as well as applicants for licenses and permits. Although some cannabis-related convictions are not prohibited for obtaining licensing, convictions for other offenses may cause a delay or make a company ineligible for licensing.

9. California's Prohibition of For Profit Activities. At this time and until state licenses are issued, California prohibits cannabis activity, other than as a qualified member of a qualified cooperative or collective. Moreover, until applicable licensing, California prohibits the non-medical commercial use, cultivation, distribution, sale or purchase of cannabis. At this time, it is illegal under California law to engage in any "for profit" activities relating to the purchase and sale of cannabis and to sell, distribute or purchase cannabis for any reason other than certain medical uses, pending the implementation of the Medical Cannabis Regulation and Safety Act, pursuant to which medical cannabis companies may conduct their business in a "for profit" manner, and Proposition 64, pursuant to which recreational cannabis will become legal under California law.

The Company is presently a service-provider to Tinley Collective, a California Cooperative Corporation, and Company does not consider such services to violate California law relating "for profit" activities. However, there is no assurance that this structure will be respected by applicable governmental authorities. In the event that this structure is not respected, Company may be prohibited from engaging in "for profit" activities. California law also both prohibits the purchase and sale of cannabis by any person or entity who is not a member of a collective or cooperative and requires all cannabis transactions be reasonably related to the membership's qualifying medical needs. Such limitations often result in inefficiencies in operations and use of resources and hinders, and otherwise prevents, the growth of the Company's business and of a commercially viable cannabis industry in California.

10. Inspections. As part of the permitting and licensing process, state and local officials will conduct random and scheduled inspections of cannabis operations.

Risks Associated with Increasing Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Due to the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations the Company.

Risks Inherent in an Agricultural Business

A part of the Company's business revolves around purchasing hemp extract, an agricultural product, although the Company will not itself grow or sell hemp. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company intends to manufacture its products indoors under climate controlled conditions, carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Product Liability

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Company's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products developed by the Company are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense relating to the recall and any legal proceedings that might arise in connection with the recall. Company may lose a significant amount of revenue and may not be able to replace that revenue at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company is establishing procedures to test finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by the regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure program may be significantly greater than anticipated by the Company's management, and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of the Company.

Operating Risk and Insurance Coverage

While the Company believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Dividends

The Company has no earnings or dividend record, and does not anticipate paying any dividends on the Company Shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Limited Market for Securities
There can be no assurance that an active and liquid market for the Company Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

Environmental and Employee Health and Safety Regulations
The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Internal Control over Financial Reporting
Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

During the most recent year end there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Evaluation of Disclosure Controls and Procedures
Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Corporation's President and Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the year covered by this management's discussion and analysis, management of the Corporation, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Corporation's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Corporation, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

7. Cautionary Note Regarding Forward Looking Statements

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of the Company to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of Tinley to fund the capital and operating expenses necessary to achieve the business objectives of Tinley, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the consolidated financial statements in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

The Audit Committee has reviewed the audited consolidated financial statements with management. The Board of Directors has approved the audited consolidated financial statements on the recommendation of the Audit Committee.

April 28, 2017

Jeffrey Maser
Chief Executive Officer