THE TINLEY BEVERAGE COMPANY INC.

Consolidated Financial Statements

(Expressed in Canadian Dollars)

Years Ended December 31, 2017 and 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of The Tinley Beverage Company 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 consolidated statements 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"
Jeffrey Maser, CEO

"David Berman"
David Berman, CFO

LIPTON
Chartered Accountants

Lipton LLP
245 Fairview Mall Drive
Suite 600
Toronto, Ontario
M2J 4T1

Tel: 416.496.2900
Fax: 416.496.0559
www.liptonllp.com
Member of JHI Worldwide

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, 2017 and December 31, 2016, 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 control as management determines is 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 audit 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 control 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 audits 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, 2017 and December 31, 2016 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(b) to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on The Tinley Beverage Company Inc.'s ability to continue as a going concern.

Lipton LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 26, 2018

THE TINLEY BEVERAGE COMPANY INC.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2017	As at December 31, 2016
	$	$
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	**3,584,780**	3,986,443
Short-term investments (Note 4)	**1,113,337**	-
Accounts receivable (Note 5)	**38,497**	32,820
Inventories (Note 6)	**23,579**	14,779
Prepaid expenses	**73,948**	41,359
Total Current Assets	**4,834,141**	4,075,401
Non-Current Assets		
Equipment (Note 7)	**28,132**	-
Intangible assets (Note 8)	**12,500**	162,500
Total Assets	**4,874,773**	4,237,901
Liabilities		
Current Liabilities		
Accounts payable (Note 9)	**254,617**	189,787
Total Liabilities	**254,617**	189,787
Shareholders' Equity		
Share capital (Note 10)	**23,958,573**	20,009,123
Shares to be issued (Note 8)	**-**	150,000
Reserve for share-based payments (Note 11)	**2,154,407**	1,715,294
Reserve for warrants (Note 12)	**5,322,984**	6,765,962
Accumulated other comprehensive loss	**(31,977)**	(13,041)
Accumulated deficit	**(26,783,831)**	(24,579,224)
Total Shareholders' Equity	**4,620,156**	4,048,114
Total Liabilities and Shareholders' Equity	**4,874,773**	4,237,901

Going concern (Note 2(b))
Subsequent events (Note 18)

Approved on behalf of the Board of Directors:

"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.
Consolidated Statements of Operations and Comprehensive Loss
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016
	$	$
Sales	**31,095**	12,573
Cost of goods sold (Note 6)	**(90,044)**	(68,634)
Gross margin	**(58,949)**	(56,061)
Operating Expenses		
Sales and marketing	**796,814**	398,853
General and administration (Note 16)	**752,464**	597,829
Product development	**100,530**	206,572
Share-based payments – options (Note 11)	**307,501**	269,056
Share-based payments – contingent shares (Note 10)	**-**	7,292
Share-based payments – warrants (Note 12)	**-**	788,030
Foreign exchange loss	**55,096**	4,894
Impairment of intangible assets (Note 8)	**150,000**	-
	2,162,405	2,272,526
Net Loss before Other Income	**(2,221,354)**	(2,328,587)
Other Income		
Interest and other income (Note 4)	**16,747**	-
Net Loss	**(2,204,607)**	(2,328,587)
Other Comprehensive Income		
Exchange gain on translation of foreign operations	**18,936**	7,635
Total Comprehensive Loss	**(2,185,671)**	(2,320,952)
Weighted Average Number of Common Shares Outstanding	**72,542,019**	47,230,252
Net Loss per Share		
Basic and Diluted	**(0.03)**	(0.05)

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

THE TINLEY BEVERAGE COMPANY INC.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Share Capital		Reserves					
	Number of shares	Amount	Shares to be issued	Share-based payments	Warrants	Accumulated deficit	Accumulated other comprehensive loss	Total
	#	$	$	$	$	$	$	$
Balance at January 1, 2016	**42,310,480**	**16,251,633**	**150,000**	**1,500,935**	**5,633,110**	**(22,250,637)**	**(20,676)**	**1,264,365**
Shares issued for services (Note 10)	150,000	9,000	-	-	-	-	-	9,000
Share-based payments (Notes 11 and 12)	-	-	-	269,056	788,030	-	-	1,057,086
Share-based payments - contingent shares (Note 10)	145,833	7,292	-	-	-	-	-	7,292
Shares issued from private placements (Note 10)	16,176,470	1,972,556	-	-	777,445	-	-	2,750,001
Shares issued on exercise of warrants (Note 12)	8,538,104	1,852,744	-	-	(432,623)	-	-	1,420,121
Shares issued on exercise of options (Note 11)	1,153,999	177,887	-	(54,697)	-	-	-	123,190
Cost of issuance (Note 10)	-	(261,989)	-	-	-	-	-	(261,989)
Exchange gain on translation of foreign operations	-	-	-	-	-	-	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**	**(24,579,224)**	**(13,041)**	**4,048,114**
Share-based payments (Notes 11 and 12)	-	-	-	307,501	361,725	-	-	669,226
Shares issued on exercise of warrants (Note 12)	11,174,908	3,894,772	-	-	(1,804,703)	-	-	2,090,069
Shares issued on exercise of options (Note 11)	364,000	54,678	-	(18,388)	-	-	-	36,290
Exchange (loss) on translation of foreign operations	-	-	-	-	-	-	(18,936)	(18,936)
Contingent shares to be issued (Note 8)	-	-	(150,000)	150,000	-	-	-	-
Net loss for the year	-	-	-	-	-	(2,204,607)	-	(2,204,607)
Balance at December 31, 2017	**80,013,794**	**23,958,573**	**-**	**2,154,407**	**5,322,984**	**(26,783,831)**	**(31,977)**	**4,620,156**

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

THE TINLEY BEVERAGE COMPANY INC.
Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016
	$	$
Operating Activities		
Net loss for the year	**(2,204,607)**	(2,328,587)
Adjustments for non-cash items:		
Shares issued for services	**-**	9,000
Share-based payments – options (Note 11)	**307,501**	269,056
Share-based payments – shares (Note 10)	**-**	7,292
Share-based payments – warrants (Note 12)	**-**	788,030
Accrued interest on short-term investments (Note 4)	**(4,997)**	-
Unrealized loss in short-term investments	**4,780**	-
Foreign exchange loss	**8,334**	8,173
Impairment of intangible assets (Note 8)	**150,000**	-
Gain on forgiveness of debt	**-**	(538)
	(1,738,989)	(1,247,574)
Changes in non-cash working capital:		
Accounts receivable (Note 5)	**(5,677)**	54,874
Inventories (Note 6)	**(8,800)**	(14,779)
Prepaid expenses	**(32,589)**	12,030
Accounts payable (Note 9)	**64,830**	138,625
Cash Flows (Used in) Operating Activities	**(1,721,225)**	(1,056,824)
Investing Activities		
Purchases of equipment (Note 7)	**(28,132)**	-
Purchases of short-term investments (Note 4)	**(1,113,120)**	-
Cash Flows (Used in) Investing Activities	**(1,141,252)**	-
Financing Activities		
Proceeds from issuance of shares, net of issuance costs	**-**	2,488,012
Proceeds from exercise of warrants (Note 10)	**2,451,794**	1,420,121
Proceeds from exercise of options (Note 10)	**36,290**	123,190
Cash Flows Provided by Financing Activities	**2,488,084**	4,031,323
(Decrease) increase in cash and cash equivalents	**(374,393)**	2,974,499
Effects of foreign exchange on cash and cash equivalents	**(27,270)**	-
Cash and cash equivalents, beginning of year (Note 4)	**3,986,443**	1,011,944
Cash and cash equivalents, end of year (Note 4)	**3,584,780**	3,986,443

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

1. NATURE OF OPERATIONS

The Tinley Beverage Company Inc. (the "Company" or "Tinley") was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated October 26, 2007. The Company manufactures a line of liquor-inspired, alcohol-free, cannabis-infused beverages for use in California, United States ("US"). The Company also manufactures the "Hemplify" and "Tinley's Tonics" line of products, which are available in retail locations in California and online throughout the US. The address of the Company's registered office is located at 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada. The Company's common shares are currently listed on the Canadian Securities Exchange under the trading symbol "TNY".

2. BASIS OF PRESENTATION

(a) 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"). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These consolidated financial statements were reviewed, approved and authorized by the Board of Directors of the Company on April 26, 2018.

(b) Going Concern

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. During the year ended December 31, 2017, the Company had a net loss of $2,204,607, negative cash flow from operations of $1,721,225, and is dependent on the its ability to obtain additional financing. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. In assessing whether the going concern assumption was appropriate, management took into account all relevant information available about the future, which was at least, but not limited to, the 12-month period following December 31, 2017. Subsequent to year-end, various financing strategies occurred including the following:

- The Company closed a brokered private placement of 5,055,000 Units at a price of $1.00 per Unit, for gross proceeds of $5,055,000.
- The Company issued 2,437,350 common shares as a result of the exercise of 2,381,700 warrants for total cash proceeds of $595,425, and 55,650 finders' warrants which were exercised for total cash proceeds of $9,461.
- The Company is actively monitoring cash forecasts and managing performance against its forecasts.

(c) Basis of Measurement

The consolidated financial statements have been prepared in accordance with IFRS, on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. BASIS OF PRESENTATION (continued)

(d) Basis of Consolidation

These consolidated financial statements include the accounts of Tinley and its wholly-owned subsidiaries: Hemplify Inc., Algonquin Springs Beverage Management LLC [(i)] and Tinley Collective (a Cooperative Cooperation) [(ii)], Bolivar Gold Corp., QBC Holdings Corp., Kulta Corp., San Lucas Gold Corp. and Colombian Mining Corp. (collectively the "Company").

(i) Incorporated on February 3, 2017 in the State of California.
(ii) Incorporated on February 6, 2017 in the State of California.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are-deconsolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

(e) Significant Accounting Judgments and Estimates

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

Impairment of intangible assets

Intangible assets are reviewed for impairment at each reporting 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. The impairment test for cash generating units ("CGUs") to which goodwill is allocated is based on the value in use of the CGU, determined in accordance with the expected cash flow approach. The calculation is based on assumptions used to estimate future cash flows, the cash flow growth rate and the discount rate.

Warrants and options

Warrants and options are initially recognized at fair value, based on the application of the Black-Scholes valuation 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, expected forfeitures, expected dividend yield, expected term of the warrants or option, and expected risk-free interest rate.

2. BASIS OF PRESENTATION (continued)

(e) Significant Accounting Judgments and Estimates (continued)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and Cash Equivalents

Cash and cash equivalents consist of bank balances and short-term deposits with an original maturity of three months or less held in Canadian chartered banks and reputable Canadian financial institutions.

(b) Inventories

Inventories are initially recognized at cost, and subsequently measured at the lower of cost and net realizable value (the estimate selling price in the ordinary course of business less any applicable selling expenses) using the "first-in-first-out" method. Cost comprises all costs of purchase, and other costs incurred in bringing the inventories to their present location and condition.

(c) 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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Equipment

Equipment is carried at cost less accumulated amortization and accumulated impairment losses. The cost of equipment comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Amortization commences when title and ownership have transferred to the Company and is readily available for its intended use. Amortization is recorded on a straight-line basis as follows:

- Machinery and equipment: 5 years

An asset's residual value, useful life and amortization method are reviewed at each reporting date and adjusted if appropriate. When parts of an item of equipment have different useful lives, the components are accounted for as separate items of equipment.

(e) Income Taxes

Income tax expense comprises current and deferred income tax expense. Current and deferred taxes are recognized in net loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

Current income taxes

Current income taxes are recognized and measured at the amount expected to be recovered from, or payable to, the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred income taxes

Deferred income taxes are recorded for temporary differences at the date of the consolidated statements of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of a deferred income tax asset is reviewed at the end of the reporting period and is 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 the end of the reporting period 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 end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, they relate to income taxes levied by the same taxation authority and the Company has the legal rights and intent to offset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Equity

Common shares, stock options and warrants are classified as equity. Incremental costs directly attributable to the issuance of common shares and warrants are recognized as a deduction from equity, net of any tax effects.

(g) 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 period. 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 to purchase common shares at the average market price during the year. During the years ended December 31, 2017 and 2016, all of the outstanding share options and warrants were anti-dilutive.

(h) 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 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.

(i) 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 net loss as incurred. To date, no development costs have been capitalized.

(j) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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 of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures 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 risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company had no material provisions at December 31, 2017 and 2016.

(l) 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 at each reporting date with realized gains and losses recognized through profit or loss. The Company's cash and cash equivalents and short-term investments are classified as FVTPL.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost at each reporting date using the effective interest ("EI") method as described below. The Company's loan and receivables are comprised of accounts receivable.

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 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.

(m) 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 EI method. The EI method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The EI 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 accounts payables are classified as other financial liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Financial Liabilities (continued)

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 in net loss. As at December 31, 2017 and 2016, the Company had not classified any financial liabilities as FVTPL.

(n) Fair Value Hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. Financial instruments classified as Level 1 include cash and cash equivalents;
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Financial instruments classified as Level 2 include short-term investments; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company does not have any financial instruments classified as Level 3.

(o) Impairment

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 (or CGU) is increased to the revised estimate of its recoverable amount, to the extent of previously recognized impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Foreign Currency Transactions

Functional and presentation currency

Items included in the consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of Tinley is the Canadian Dollar, which is the presentation currency of the consolidated financial statements. The functional currency of all subsidiaries is the US Dollar ("USD").

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 (losses) resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net 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 statements 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 accumulated other comprehensive loss.

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 accumulated other comprehensive loss. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in accumulated other comprehensive loss are recognized in the statement of loss as part of the gain or loss on sale.

(q) New Accounting Standards and Recent Pronouncements

The Company adopted the following amendments effective January 1, 2017. The amendments were adopted in accordance with the applicable transitional provisions. There was no material impact on the Company's consolidated financial statements:

- IAS 7 *'Statement of Cash Flows'* ("IAS 7") was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) New Accounting Standards and Recent Pronouncements (continued)

- IAS 12 *'Income Taxes'* ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences.

At the date of authorization of these consolidated financial statements, the IASB and International Financial Reporting Interpretations Committee ("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 had not early adopted:

- IFRS 9 *'Financial Instruments'* ("IFRS 9") was issued by IASB in July 2014 and will replace IAS 39 *'Financial Instruments: Recognition and Measurement'*. 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 through profit and loss. 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 credit 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.

- IFRS 15 '*Revenue from Contracts with Customers'* ("IFRS 15") was issued by the IASB in May 2014 and replace IAS 18 *'Revenue'*, IAS 11 *'Construction Contracts'* and some revenue-related interpretations. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based, five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

- IFRS 16 *'Leases'* ("IFRS 16") was issued in January 2016 and replaces IAS 17 *'Leases'* as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated amortization and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) New Accounting Standards and Recent Pronouncements (continued)

- IFRIC 22 *'Foreign Currency Transactions and Advance Consideration'* ("IFRIC 22") was issued on December 8, 2016. IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves an advance payment or receipt, and is applicable for annual periods beginning on or after January 1, 2018.
- IFRIC 23 *'Uncertainty over Income Tax Treatments'* ("IFRIC 23") was issued in June 2017. IFRIC 23 clarifies the determination of taxable profit (or loss), tax bases, unused tax loses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 and requires an entity to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it uses or plans to use in its income tax filing. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019 and permits early adoption.

4. CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

As at December 31, 2017, the Company had invested in various short-term guaranteed investment certificates ("GICs") and fixed-income securities valued at $504,648 and $608,688 (December 31, 2016 – $nil and $nil), respectively. The Company also invested $887,976 (December 31, 2016 – $nil) in high-interest savings accounts of which the funds were classified as cash equivalents at year-end. Interest income of $4,997 had been accrued to date.

5. ACCOUNTS RECEIVABLE

	December 31, 2017	December 31, 2016
	$	$
Sales taxes recoverable	**24,299**	32,820
Trade receivables	**14,198**	-
	38,497	32,820

The age of accounts receivable is 90 days past due.

6. INVENTORIES

As at December 31, 2017, inventories consisted of the following:

	December 31, 2017	December 31, 2016
	$	$
Raw materials	**23,579**	14,779
	23,579	14,779

For the year ended December 31, 2017, inventories recognized as an expense in cost of good sold amounted to $90,044 (2016 – $68,634), which included $44,308 (2016 – $nil) of write-downs to reduce the carrying amount of inventories to net realizable value. Cost of goods sold includes the cost of purchasing and assembling of finished goods inventory. These costs include raw materials, bottling costs, and shipping and handling.

(Expressed in Canadian Dollars)

7. EQUIPMENT

	Machinery and equipment	Total
	$	$
Cost at:		
January 1, 2017	-	-
Additions	28,132	28,132
December 31, 2017	**28,132**	28,132
Accumulated amortization at:		
January 1, 2017	-	-
Amortization	-	-
December 31, 2017	-	-
Net book value:		
December 31, 2016	-	-
December 31, 2017	**28,132**	28,132

As at December 31, 2017, the balance of $28,132 was related to equipment not yet available for use. No amortization has been taken on this asset.

8. BUSINESS COMBINATION AND INTANGIBLE ASSETS

On October 29, 2015, the Company acquired all of the intangible assets from Jeff Maser (“Maser”) for $162,500, payable in cash of $12,500 and up to $150,000 in consideration shares. 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.

The $162,500 intangible assets have been recorded as a single asset, as the individual assets in the group have indefinite useful lives. The purchased assets include:

- Know-how and intellectual property rights to hemp stalk oil infused beverage formulations developed together 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 facebook page;
- 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.

(Expressed in Canadian Dollars)

8. BUSINESS COMBINATION AND INTANGIBLE ASSETS (continued)

For purposes of impairment testing, intangibles with an indefinite life were allocated to the smallest identifiable group of assets that generate cash flows independently (CGU). These intangible assets are used for product development and therefore, the smallest identifiable group of assets would be the cash flows of the wholly-owned subsidiary, Hemplify, which is developing and selling these products. During the year ended December 31, 2017, management identified that the intangible assets listed above were not generating sufficient cash flows to support their carrying amount, which resulting in an impairment loss, equal to the difference between the carrying amount and the recoverable amount.

The recoverable amount of the CGU was determined based on a value-in-use calculation, determined using a three-year cash flow projection. The key assumptions used in the estimation of the recoverable amount are as follows:

- Budgeted earnings before interest, taxes, depreciation and amortization ("EBITDA") was estimated taking into account past experience, estimated sales volume, and price changes for the next three years;
- Pre-tax discount rate of 29%; and
- Average growth rate of 1%.

9. ACCOUNTS PAYABLE

	December 31, 2017	December 31, 2016
	$	$
Trade payables	**107,426**	127,374
Accrued liabilities	**147,191**	62,413
	254,617	189,787

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 a maturity analysis of the trade and other payables:

	December 31, 2017	December 31, 2016
	$	$
Less than 1 month	**183,012**	151,616
1 to 3 months	**26,606**	13,344
Over 3 months	**44,999**	24,827
	254,617	189,787

10. SHARE CAPITAL

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value.

Issued

Holders of the Company's common shares are entitled to receive dividends which may be declared from time to time and are entitled to one vote per share at meetings of the Company.

2017 share capital transactions

During the year ended December 31, 2017, 11,174,908 common shares were issued as a result of the exercise of warrants for cash proceeds of $2,451,794 (2016 – 8,538,104 shares issued; cash proceeds $1,420,121) (see Note 12).

During the year ended December 31, 2017, 364,000 common shares were also issued as a result of the exercise of options for cash proceeds of $36,290 (2016 – 1,153,999 shares issued; cash proceeds $123,190) (see Note 11).

2016 share capital transactions

On April 13, 2016, the Company issued 150,000 common shares at a fair value of $0.06 per share, pursuant to a consulting agreement whereby the Consultants provide the Company with marketing and business development, events and sales management services to the Company.

On September 22, 2016, following resignation of a director, 187,500 escrowed shares were cancelled and returned to treasury. 500,000 shares were originally issued to the director on October 29, 2015, subject to performance requirements. 312,500 common shares were previously released from escrow. During the year ended December 31, 2016, $7,292 was recognized in share-based payment expense.

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.

11. RESERVE FOR SHARE-BASED PAYMENTS

The Company maintains a stock option plan to provide additional incentive to its officers, directors, employees and consultants in their effort to conduct business on behalf of the Company. Options granted vest over a vesting period between two to five years. All options expire on the fifth anniversary from the date of issue unless otherwise specified.

(Expressed in Canadian Dollars)

11. RESERVE FOR SHARE-BASED PAYMENTS (continued)

The following is a summary of stock options activities for the years ended December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	$	**#**	**$**	**#**
Outstanding, beginning of year	**0.17**	**2,389,500**	0.46	2,084,500
Granted	**-**	**-**	0.11	2,058,000
Granted	**-**	**-**	0.08	600,000
Granted	**-**	**-**	0.33	600,000
Granted	**0.33**	**150,000**	-	-
Granted	**0.35**	**600,000**	-	-
Granted	**0.30**	**100,000**	-	-
Granted	**0.68**	**350,000**	-	-
Expired	**-**	**-**	31.32	(19,000)
Exercised	**0.10**	**(364,000)**	0.11	(1,153,999)
Forfeited	**0.19**	**(215,000)**	0.17	(1,780,001)
Outstanding at end of year	**0.28**	**3,010,500**	0.17	2,389,500
Exercisable at end of year	**0.24**	**2,054,250**	0.18	828,764

The weighted average fair value of stock options granted during the year ended December 31, 2017 is $0.30 (2016 – $0.11).

For stock options exercised during the year ended December 31, 2017, the weighted average share price at the exercise date was $0.56 (2016 – $0.33).

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

Options granted in 2017

Grant date	**November 22, 2017**	**August 17, 2017**	**July 12, 2017**	**March 22, 2017**
Number of options	350,000	100,000	600,000	150,000
Exercise price	$0.68	$0.30	$0.35	$0.33
Share price	$0.61	$0.245	$0.255	$0.24
Expected life of options	5 years	5 years	5 years	2 years
Expected volatility	170%	170%	170%	170%
Risk-free interest rate	1.69%	1.39%	1.44%	1.05%
Expected dividend yield	0%	0%	0%	0%

(Expressed in Canadian Dollars)

11. RESERVE FOR SHARE-BASED PAYMENTS (continued)

Options granted in 2016

Grant date	**November 4, 2016**	**August 8, 2016**	**March 3, 2016**	**January 27, 2016**
Number of options	600,000	350,000	250,000	2,058,000
Exercise price	$0.33	$0.08	$0.08	$0.11
Share price	$0.44	$0.04	$0.07	$0.05
Expected life of options	5 years	5 years	5 years	5 years
Expected volatility	230%	230%	230%	230%
Risk-free interest rate	0.63%	0.58%	0.59%	0.51%
Expected dividend yield	0%	0%	0%	0%

The following table summarizes information of options outstanding as at December 31, 2017:

Date of expiry	**Number of options outstanding**	**Exercise price**	**Weighted average remaining life**
	#	**$**	**Years**
March 22, 2019	75,000	0.33	1.22
December 23, 2020	910,500	0.11	2.98
January 27, 2021	25,000	0.11	3.08
August 4, 2021	350,000	0.08	3.59
November 3, 2021	600,000	0.44	3.84
July 12, 2022	600,000	0.35	4.53
August 17, 2022	100,000	0.30	4.63
November 22, 2022	350,000	0.68	4.90
	3,010,500	**0.24**	**3.77**

12. WARRANTS

The following summarizes the warrant activities for the years ended December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
	Number of warrants outstanding	**Fair Value**	Number of warrants outstanding	Fair Value
	#	**$**	#	$
Balance, beginning of year	**13,178,036**	**6,765,962**	12,558,710	5,633,110
Warrants issued	**1,147,245**	**361,725**	9,321,063	1,565,475
Warrants exercised	**(11,174,908)**	**(1,804,703)**	(8,538,104)	(432,623)
Warrants expired	**(703,738)**	**-**	(163,633)	-
Balance, end of year	**2,446,635**	**5,322,984**	13,178,036	6,765,962

(Expressed in Canadian Dollars)

12. WARRANTS (continued)

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

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

Issuance date	**October 27, 2016**	**October 27, 2016**
Number of warrants	8,088,235	1,232,828 (i)
Exercise price	$0.25	$0.17
Expected life of warrants	1.5 years	1.5 years
Expected 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 which closed on October 27, 2017 (see Note 10). 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 information of warrants outstanding as at December 31, 2017:

Date of expiry	**Number of warrants outstanding**	**Exercise price**	**Weighted average remaining life**
	#	**$**	**Years**
April 27, 2018	2,340,297	0.25	0.32
April 27, 2018	85,583	0.17	0.32
April 27, 2018	20,756	0.25	0.32
	2,446,635	**0.25**	**0.32**

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executives and non-executive directors, officers and any employees. Compensation provided to key management personnel during the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
	$	$
Short-term employee benefits, including salaries and consulting fees	**526,649**	308,650
Share-based compensation	**230,448**	38,550
Professional fees	**-**	17,115
	757,097	364,315

(i) During the year ended December 31, 2017, the Chief Executive Officer ("CEO") of the Company were paid consulting fees of $156,000 (2016 – $156,000) for services rendered. As at December 31, 2017, an amount of $86,592 (December 31, 2016 – $nil) owing to the CEO for reimbursement of expenses was included in accounts payable.

(ii) During the year ended December 31, 2017, the Chief Financial Officer ("CFO") of the Company were paid consulting fees of $48,030 (2016 – $nil) for services rendered. As at December 31, 2017, an amount of $5,630 (December 31, 2016 – $nil) owing to the CFO for compensation on services rendered was included in accounts payable.

(iii) During the year ended December 31, 2017, directors considered to be part of key management were paid fees of $247,119 (2016 – $91,175) for services rendered. As at December 31, 2017, $6,500 (December 31, 2016 – $16,950) of this amount was included in accounts payable.

(iv) The Company and Branson Corporate Services ("Branson") entered into a management services agreement which includes the services of the former CFO of the Company. During the year ended December 31, 2017, $75,500 (2016 – $68,700) in management, accounting and administrative services were provided by Branson while it was affiliated with the former CFO. As at December 31, 2017, an amount of $681 (December 31, 2016 – $nil) owing to the former CFO was included in accounts payable.

Other related party transactions

(i) During the year ended December 31, 2017, directors received stock-based compensation of $45,998 (2016 – $223,247).

(ii) During the year ended December 31, 2016, $17,115 in legal fees were incurred for services provided by a law firm in which the former Secretary and Director of the Company is a partner. During the year ended December 31, 2017, the amount of $5,249 previously owed was paid off.

(Expressed in Canadian Dollars)

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

Other related party transactions (continued)

(iii) During the year ended December 31, 2016, $6,390 was incurred for rent to FMI Capital Advisory Inc. ("FMICAI"), a company in which the former Secretary and Director of the Company, had 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. As at December 31, 2017, an amount of $16,008 (December 31, 2016 – $16,008) owing to FMICAI was included in accounts payable.

14. INCOME TAXES

The reported income taxes differ from the amounts obtained by applying domestic rates of the parent company domiciled in Canada of 26.5% (2016 – 26.5%) to the net loss as follows:

	2017	2016
	$	$
Component of income tax provision:		
Income tax at statutory tax rates	**(583,000)**	(617,000)
Difference between Canadian and	**(183,000)**	(42,000)
Stock-based compensation and other non-deductible expenses	**119,000**	282,000
Change in tax benefits not recognized	**647,000**	377,000
	-	-

The following are temporary differences that gave rise to the deferred tax assets, which have not been recognized in the consolidated financial statements:

	2017	2016
	$	$
Deferred income tax assets:		
Intangible assets	**142,000**	8,000
Share issuance costs	**175,000**	261,000
Mineral properties and others	**1,783,000**	1,783,000
Operating losses carried forward	**15,220,000**	13,156,000

Share issuance 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.

(Expressed in Canadian Dollars)

14. INCOME TAXES (continued)

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	835,000
2026	918,000
2027	890,000
2028	1,880,000
2029	44,000
2030	565,000
2031	732,000
2032	1,168,000
2033	888,000
2034	497,000
2035	769,000
2036	1,331,000
2037	1,835,000
Indefinite	2,868,000
	15,220,000

15. CAPITAL RISK MANAGEMENT

When managing capital, the Company's objective is to ensure it continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the beverage production.

The Board of 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, 2017, the Company considers its capital to be share capital, shares to be issued, reserve for share-based payments, reserve for warrants, and accumulated other comprehensive loss, totaling $4,620,156 (December 31, 2016 – $4,048,114).

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

The Company is not subject to externally imposed capital requirements and there were no changes in the Company's approach to capital management during the year ended December 31, 2017.

(Expressed in Canadian Dollars)

16. GENERAL AND ADMINISTRATION EXPENSES

The Company's general and administration expenses incurred for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
	$	$
Corporate costs and administration	**263,569**	214,503
Consulting and management fees	**254,970**	275,983
Professional fees	**168,925**	73,366
Travel and promotional	**65,000**	33,977
	752,464	597,829

17. FINANCIAL RISK MANAGEMENT

Fair value

The carrying amount of cash and cash equivalents, trade receivables, short-term investments and trade and other payables on the consolidated statements of financial position approximate their fair value due to the relatively short-term maturity of these financial instruments.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Cash is held with reputable Canadian and US chartered banks and in various liquid guaranteed interest-bearing instruments which are closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments is minimal. The maximum exposure to credit risk at year-end is limited to the accounts receivable balance.

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, 2017, the Company had a cash and cash equivalents balance of $3,584,780 (December 31, 2016 – $3,986,443) to settle current liabilities of $254,617 (December 31, 2016 – $189,787).

All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms. Management believes there is sufficient capital in order to meet short-term business obligations, after taking into account cash flows requirements from operations and the Company's cash position as at year-end.

17. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency risk

The Company operates in Canada and the US and is exposed to foreign exchange risk with respect to USD. 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 USD-denominated cash to meet its USD-denominated obligations. As at December 31, 2017, the Company has cash and cash equivalents of USD $505,444 (December 31, 2016 – USD $109,423) available to use against trade and other payables of USD $44,109 (December 31, 2016 – $23,100).

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a 12-month period:

The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, accounts receivable and accounts payable that are denominated in USD. As at December 31, 2017, had the Canadian dollar weakened/strengthened by 10% against the USD with all other variables held constant, the impact on the Company's comprehensive loss for the year ended December 31, 2017 would have been approximately $68,771 (2016 – $13,276) higher/lower respectively as a result of foreign exchange gains (losses) on translation of USD-denominated financial instruments.

18. SUBSEQUENT EVENTS

Subsequent to December 31, 2017, 100,000 common shares were issued as a result of the exercise of stock options, for cash proceeds of $30,000. The options were exercised at a weighted average exercise price of $0.30 per option. All issued shares are fully paid.

Subsequent to December 31, 2017, 2,437,350 common shares were issued as a result of the exercise of 2,381,700 warrants for total cash proceeds of $595,425, and 55,650 finders' warrants which were exercised for total cash proceeds of $9,461. All issued shares are fully paid.

On January 23, 2018, the Company granted 275,000 options to a number of its employees and consultants at an exercise price of $1.20. 200,000 options will expire on January 23, 2020, and 75,000 options will expire on January 23, 2021. The options vest immediately on grant.

On March 1, 2018, the Company entered into a lease agreement for a 20,000 square foot facility in Long Beach, California for cannabis beverage production. The term of the lease is for 5 years and 3 months, ending May 31, 2023. with an option to renew for two (2) additional 36-month periods. Monthly base rent is USD $39,000 and is payable commencing June 1, 2018.

On March 5, 2018, the Company's common shares have qualified to trade on the OTCQX® Best Market in the US. The Company's common shares were upgraded to the OTCQX® Best Market from the Pink® Open Market and began trading under the symbol "TNYBF".

18. SUBSEQUENT EVENTS (continued)

On April 6, 2018, the Company closed a brokered private placement of 5,055,000 Units at a price of $1.00 per Unit, for gross proceeds of $5,055,000. Each Unit consists of one (1) Common Share and one (1) Warrant. Each Warrant entitles the holder to purchase one Common Share at a price of $1.35 per Common Share, for a period of 24 months from closing of the offering. In conjunction of the brokered offering, the Company paid a cash commission of $404,400, and issued 404,400 Agent Unit Options (“Unit Option”) exercisable at $1.00 for 24 months following closing which entitle the Agents to acquire one Common Share and one Warrant, exercisable into one Common Share at $1.35 for a period of 24 months. The Agents also received a corporate finance fee, payable in 202,200 Agents’ Fee Units, comprised of one Common Share and one Warrant exercisable at $1.35 for 24 months.

On April 23, 2018, the Company granted 100,000 options to an employee at an exercise price of $0.87. The options will expire on April 23, 2023 and vest over 3 years as follows: 10,000 options vest immediately on grant, and 30,000 options vesting on each anniversary until fully vested.