THE TINLEY BEVERAGE COMPANY INC.

Management's Discussion and Analysis
of Financial Condition and Results of Operations
For the year ended December 31, 2017

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The following Management's Discussion and Analysis ("MD&A") is current to April 26, 2018 and is management's assessment of the financial position and results of operation together with future prospects of The Tinley Beverage Company Inc. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended December 31, 2017 and 2016, prepared in accordance with International Financial Reporting Standards ("IFRS"). 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. This MD&A includes, but is not limited to, forward-looking statements. Management considers the assumptions on which these forward-looking statements are based to be reasonable at the time the statements were prepared. 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.

1. Description of Business

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. On October 6, 2015, the Company completed a change of business to a pure-play cannabis beverage company (as hereinafter defined), and pursuant to the Articles of Amendment dated October 6, 2015, the Company changed its name to "The Tinley Beverage Company Inc.". The 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".

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.

As at April 26, 2018, the directors and officers of the Company were:

Jeffrey Maser	Chief Executive Officer and Director
David Berman	Chief Financial Officer
Andrew Stodart	Director
Theodore Zittell	Director
David Ellison	Director

2. Business Overview

Financing Developments

Subsequent to December 31, 2017, the Company issued 100,000 common shares 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".

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.

Business Developments

On January 16, 2017, the Company announced that its wholly-owned subsidiary, Hemplify Inc. had signed with LA Distributing Co. ("LA Distributing") for distribution of its Hemplify products throughout Los Angeles County and Orange County. LA Distributing is a leading wholesale distributor that serves over 2,000 businesses, specializing in identifying healthy and innovative beverages.

On February 14, 2017, the Company began accepting patients for the Tinley Collective ("Collective") which 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. 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 Collective to provide management and other services. 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.

On February 21, 2017, the Company made an initial shipment of two 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.

On February 28, 2017, the Company held its Annual and General Meeting of Shareholders. At the meeting, Jeffrey Maser, David Ellison, Theodore Zittell and Andrew Stodart were elected to serve on the Board of Directors (the "Board") for the coming year.

On March 28, 2017, the Company retained a California-based consulting firm to grow Tinley's sales and manufacturing functions. The firm provided the scale and expertise needed to manage the Company's growing operations for its cannabis and hemp Cannabidiol ("CBD") beverages.

On June 21, 2017, the Company launched its creamy chocolate squeeze supplement. This Hemp Extract Squeeze supplement is designed to be mixed with Tinley's cannabis beverages to create chocolate rum and chocolate amaretto desserts and cocktails which would be the first product to be branded under the "Tinley Tonics" banner to be aligned with the Tinley-branded cannabis drinks. The Company's key distributors have agreed to distribute this product at existing retail locations of the Hemplify drinks and expect to place the product in coffee shops and cafes to be sold as an add-in to coffee and smoothies.

On December 1, 2017, the Company appointed David Berman as its Chief Financial Officer ("CFO"). Mr. Berman brings extensive experience in compliance and mergers and acquisitions for verticals including manufacturing, distribution, retail, mobile marketing and online sales.

On February 13, 2018, the Company entered into a lease agreement for a 20,000 square foot facility in Long Beach, California for cannabis beverage production. The Company also announced that its temporary facility in Riverside County has been issued licenses for medicinal and adult use cannabis manufacturing.

Retail Growth Strategy

In 2017, the Company continued 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 further expansion 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.

In February 2018, the Company released Hemplify under updated packaging. The Company also updated the berry flavor and added a lemon-lime flavor. The Company feels that these changes better target the premium, health-oriented consumers that have proven to be the key consumers of the product. The Company also diverted a portion of its sales resources to focus on cannabis dispensaries.

During the transition period, the Company invested little in marketing or shelf merchandising. In many cases, the Company did not fill orders of product placed by retailers, electing instead to wait for new product to be available for shipment, which occurred subsequent to year-end.

Development of Tinley'27 Cannabis-infused Beverages

In 2016, the Company began working with a Southern California-based liquor formulator on an initial lineup of cannabis-infused beverages. The initial products included a coconut rum, a 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, and are also infused with high purity THC distillate. This new line of cannabis-infused beverages is being made available for use in jurisdictions where such products are permitted.

The Company had elected to delay production of its cannabis beverages to incorporate certain terpene technology that enables users to enjoy an uplifting, Sativa-like effect, as well as to comply with the significantly revised regulatory requirements for sale of cannabis products in California. This unique approach overcomes a challenge that is often faced by cannabis edibles, which typically deliver a more neutral, Indica-style effect.

The revised formulations enable Tinley's consumers to enjoy an experience that more closely resembles the social and psychoactive effects of alcoholic beverages. This more directly supports the consumer value proposition of the Tinley'27 alcohol-inspired product line. The technology has been successfully incorporated into Tinley's latest formulations, and the Company remains confident that it will go into production in the near future.

Further, in response to the evolving regulations in California, the Company completed a search for a facility in the State to house its interim bottling line. The interim bottling facility is being used to produce and bottle the Company's line of THC infused beverages, Tinley'27 and Tinley Cocktails, until the Company completes a build of its long-term, full-scale bottling plant in Long Beach. The interim bottling facility is also intended for licensing of third-party beverage producers. The interim bottling facility is located in Riverside County, and the facility received its permits for adult use ("recreational") and medicinal marijuana manufacturing in late February 2018. Tinley has entered into a binding agreement with the facility operator for licensing and production of the Company's products.

In April 2018, the facility operator signed a deal with CMX Distribution ("CMX") to carry the Tinley products. CMX is based in Costa Mesa, California, and distributes cannabis products throughout the State via a network of affiliate distributors. CMX is one of the first companies to receive both state and local distribution licenses in a major Southern California metropolitan area.

In April 2018, CMX also took delivery of initial batches of Tinley margarita and coconut rum. The batches were used primarily for product feedback, logistic/supply chain control and verification, and additional forms of structured and lifestyle product testing. In accordance with California cannabis regulations, these initial products must be distributed through licensed distributors, such as CMX and licensed dispensaries, including for the foregoing purposes.

<u>CBD Product Progress</u>

In October 2017, the Company disclosed that its Hemplify CBD product line was accepted for placement at a 14-store premium grocer, representing the Company's largest customer to date. The chain offers a variety of CBD products in locations in Los Angeles and throughout Southern California. The Company has also placed Hemplify in a 4-location natural grocery store and café chain, as well as in numerous independent grocers and convenience stores throughout Los Angeles and Orange Counties. It has also begun a trial with a Texas distributor, representing the Company's first "bricks and mortar" distribution outside California.

In October 2017, the Company also announced that Hemplify was renewed at all its key accounts and continued to add additional retailers. However, the Company noted that sell-through could remain uneven, consistent with most early-stage mainstream products. As a result, the Company leveraged consumer and buyer feedback on Hemplify to incorporate into its next-generation versions of the product. These products included an updated berry product and a new lemon-lime flavor, all launched under significantly updated packaging. The Company completed roll out of these products on shelves in March 2018.

In April 2018, the Company began allocating additional sales resources to placing Hemplify in cannabis dispensaries, in preparation for sales of its cannabis-based products in this channel, as well as due to the significant level of consumer awareness of CBD that exists in this channel.

In recognition of the Company's progression from a development-stage to ongoing production-stage venture, the Company has shifted several functions from outsourced consultants to full-time internal team members, primarily in sales and production functions. This includes the hiring of a full-time, senior production manager in April 2018, who previously served in a similar capacity in a large local brewery.

Long-Term Bottling Facility

In February 2018, the Company announced the signing of a lease for a 20,000 square foot structure in Long Beach, which is situated on 45,000 square feet of land approximately 16 miles from downtown Los Angeles.

The Company intends to retrofit the existing structure to install batching and bottling equipment that is uniquely designed for the needs of cannabis drinks. This equipment will accommodate the solubilization technology and processes that Tinley uses for its cannabis and terpene-infused, liquor-style beverages. The bottling line will also be designed for a variety of bottle, label and closure styles to accommodate future products as well as enable co-packing services for third-party brands that wish to build cannabis-infused versions of their products. The equipment will enable both carbonated and non-carbonated beverages, as well as those that contain perishable ingredients and that require clean-label claims.

Due to the central location of the property, Tinley also intends to use a portion of the building to build a licensed cannabis distributor. This distributor will be equipped to cater to the unique needs of beverage products including refrigeration and large-format packaging. The Company intends to operate the distributor in cooperation with existing local distributors and operators. The facility will also house a beverage R&D and internal testing center to enable continuous product innovation and quality assurance. The Company believes that this lineup of services will enable it to maintain control over all aspects of its supply chain, provide investors with exposure to a broader portfolio of beverage products and offer an end-to-end beverage development solution for third-party brands.

The Company recently completed an engineering session where equipment was identified that can achieve 10-15 million bottles per year capacity. The retail prices for Tinley's retail products are expected to range from $6 to $30 per bottle. The Company believes that this will provide ample capacity for it to offer co-packing and distribution services to third-party beverage companies to exploit any capacity on the line that is not used for Tinley's own beverages. The Company notes that there can be no assurance that customer demand will require the line to operate at capacity. However, the Company expects the cannabis beverage category to grow significantly and therefore is intending to be positioned to handle this level of demand in the event this product category growth comes to fruition.

The Company will now continue production in its interim bottling facility until the Long Beach facility is retrofitted and permitted for operations in accordance with California state regulations. This process is expected to take up to 12 months.

Territorial Expansion

The Company is pleased with the Canadian Government's recent decision to allow edibles and drinks within one year of the intended launch of recreational cannabis products, expected to occur as early as Summer 2018. As previously announced, the Company has been engaged in discussions with Canadian licensed producers and intends to finalize such agreements such that they can be modelled upon the Company's California operations and experience. The Company remains committed to prioritizing its California operations due to the State's market size and regulatory structure. The Company also views Nevada as a priority expansion opportunity due to the State's large tourism industry, year-round warm climate and proximity to the Company's California operations.

3. Overall Performance

Selected Annual Information

The Company's selected annual financial information as at and for the three most recently completed financial years ended December 31 are summarized as follows:

	2017	2016	2015
	$	$	$
Sales	31,095	12,573	-
Operating loss	(2,221,354)	(2,328,587)	(775,795)
Net loss	(2,204,607)	(2,328,587)	(692,778)
Loss per share – basic and diluted	(0.030)	(0.049)	(0.044)
Total assets	4,874,773	4,237,901	1,315,527
Total liabilities	254,617	189,787	51,162
Total shareholders' equity	4,620,156	4,048,114	1,264,365

Selected Quarterly Financial Results

The Company's selected financial information for the eight most recently completed quarters are as follows:

	Q4 2017	Q3 2017	Q2 2017	Q1 2017
	$	$	$	$
Sales	(35,456)	16,271	34,295	15,985
Operating loss	913,821	469,518	488,416	349,599
Net loss	(911,416)	(468,140)	(477,203)	(347,848)
Loss per share – basic and diluted	(0.012)	(0.006)	(0.007)	(0.005)
Working capital	4,579,524	3,369,217	3,941,170	3,903,029

	Q4 2016	Q3 2016	Q2 2016	Q1 2016
	$	$	$	$
Sales	5,681	6,892	-	-
Operating loss	1,443,676	255,834	314,268	314,809
Net loss	(1,443,676)	(255,834)	(314,268)	(314,809)
Loss per share – basic and diluted	(0.029)	(0.006)	(0.007)	(0.007)
Working capital	3,885,614	323,282	541,121	800,511

Three Months ended December 31, 2017

Results of Operations

During the three months ended December 31, 2017 ("Q4 2017"), the Company generated negative sales of $35,456, as compared to sales of $5,681 for the three months ended December 31, 2016 ("Q4 2016"). The net decrease in sales is a result of various charges and inventory adjustments at year-end, including customer credits for expired products and customer returns. Some of these charges were also incurred to address a refreshment of finished product to customers in the coming months.

During Q4 2017, the Company incurred total operating loss of $913,821, as compared to $1,443,676 in Q4 2016. The significant decrease in operating expenses in the current comparative period is primarily due to the recognition of finders' warrants issued from the October 27, 2016 private placement – valued at $788,030 – as shared-based payments in Q4 2016. The Company also incurred general and administration expenses of $340,876 in Q4 2017 (Q4 2016 – $198,183), which was partially offset by a decrease in sales and marketing activities of $136,192 (Q4 2016 – $248,501).

Net loss for the three months ended December 31, 2017 was $911,416 ($0.012 per share on a basic and diluted basis), as compared to a net loss of $1,443,676 ($0.029 per share on a basic and diluted basis) for Q4 2016.

Cash Flows

Net cash used in operating activities for the three months ended December 31, 2017 was $509,163, as compared to net cash flows used in operations of $340,002 in Q4 2016. The higher net cash used in operations in Q4 2017 was related to the growth strategy that the Company had continued to fulfill in Fiscal 2017, as the scope of operations had continued to grow.

There were minimal investing activities for Q4 2017, as the Company had added equipment valued at approximately $15,000.

Net cash received from financing activities for the three months ended December 31, 2017 was $1,412,180, as compared to $4,022,323 of net cash flows from financing activities in Q4 2016. The financing cash inflows from Q4 2017 comprised of cash proceeds of $1,399,431 and $12,749 received from various warrants and options exercised during the current quarter. The higher amount of cash raised in Q4 2016 was also the result of the October 27, 2016 private placement, which raised approximately $2.7 million for the Company through issuance of 16,176,470 Units, as well as cash proceeds of $1,420,121 and $123,190 received from exercises of warrants and options, respectively, during the comparable period.

As at April 26, 2018, the Company had approximately $8 million in cash, including cash equivalents and liquid investments.

Year ended December 31, 2017

Results of Operations

During the year ended December 31, 2017 ("Fiscal 2017"), the Company generated total sales of $31,095, as compared to sales of $12,573 for the year ended December 31, 2016 ("Fiscal 2016"). The increase in sales was primarily the result of the Company's increased distribution during the year, namely through the its Hemplify product offering. Cost of sales, however, was higher in Fiscal 2017 at $90,044 (Fiscal 2016 – $68,634) and included write-offs of some expired finished products and some obsolete packaging materials. As with many start-up companies in the beverage industry, the Company expects to increase its margins going forward as cost efficiencies are realized from increased production volumes, however, there can be some impact related to the evolution of product offerings that may result in obsolete packaging and expired raw material and finished goods inventory.

During Fiscal 2017, the Company incurred total operating expenses of $2,162,405, as compared to $2,272,526 in Fiscal 2016. Excluding the impact of the non-cash share-based payments, foreign exchange loss and impairment on intangible assets, operating expenses in Fiscal 2017 were lower by approximately $447,000. Sales and marketing expenses were $796,814 (Fiscal 2016 – $398,853), for an increase of

$397,961, as the Company expanded its sales force in the year and marketing efforts for a full fiscal year compared to only a partial year of marketing and sales in 2016. In addition, the Company participated in several new marketing events during the year and introduced its Tinley'27 cannabis-infused products with additional marketing efforts. General and administration expenses were $752,464 (Fiscal 2016 – $597,829), of which the increase was primarily the result of increased day-to-day expenses and professional fees incurred as the Company increased in scope of operations and added some personnel. Product development costs decreased to $100,530 in Fiscal 2017, as compared to $206,572 from Fiscal 2016. The decrease was in align with the Company's growth strategy, where the bulk of its efforts were put into production during Fiscal 2017, whereas the Company was focused with developing new products in Fiscal 2016. Nevertheless, towards the end of Fiscal 2017, product development costs were incurred with the work done to introduce Tinley'27 cannabis-infused products to the market on a test basis.

During Fiscal 2017, the Company incurred a one-time charge of $150,000 for the impairment of intangible assets in relation to its policy on testing for impairment. This impairment charge relates to a portion of the intellectual property acquired from Jeffrey Maser in 2015.

Net loss for the year ended December 31, 2017 was $2,204,607 ($0.030 per share on a basic and diluted basis), as compared to a net loss of $2,328,587 ($0.049 per share on a basic and diluted basis) for Fiscal 2016.

Cash Flows

Net cash used in operating activities for the year ended December 31, 2017 was $1,721,225, as compared to net cash flows used in operations of $1,056,824 in Fiscal 2016. The higher net cash used in operations in Fiscal 2017 was related to the growth strategy that the Company had continued to fulfill, as the scope of operations had continued to grow during the year.

Net cash used in investing activities for the year ended December 31, 2017 was $1,141,252, as the Company did not engage in any investing activities in Fiscal 2016. With the additional funds which the Company raised from the October 2016 private placement financing, excess cash were invested into various short-term guaranteed investment certificates ("GICs") and fixed-income securities. During Fiscal 2017, the Company had also made new equipment additions of $28,132 used in its US operations.

Net cash received from financing activities for the year ended December 31, 2017 was $2,488,084, as compared to $4,031,323 of net cash flows from financing activities in Fiscal 2016. The financing cash inflows from Fiscal 2017 comprised of cash proceeds of $2,451,794 and $36,290 received from various warrants and options exercised during the year. The higher amount of cash raised in Fiscal 2016 was the result of the October 27, 2016 private placement, which raised approximately $2.75 million for the Company through issuance of 16,176,470 Units, in addition to cash proceeds of $1,420,121 and $123,190 received from exercises of warrants and options, respectively, during the year.

Working Capital and Liquidity Outlook

As at December 31, 2017, the Company had working capital of $4,579,524, as compared to working capital of $3,885,614 as at December 31, 2016.

As at December 31, 2017, the Company had total accessible cash and cash equivalents and liquid investment assets of $4,698,117 available for working capital and other operational purposes, comprised of $3,584,780 in cash and cash equivalents (December 31, 2016 – $3,986,443) and investments in short-term GICs and fixed-income securities valued at $1,113,337 (December 31, 2016 – $nil). The GICs and the fixed-income securities will mature starting in the second half of 2018 and into 2019 but are cashable at an earlier date if necessary.

As at December 31, 2017, the Company had cash and cash equivalents 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.

Canadian Companies with U.S. Marijuana-Related Assets

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 (Revised) *Issuers with U.S. Marijuana-Related Activities* (the "Staff Notice"), which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the US as permitted within a particular state's regulatory framework. All issuers with US cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in required disclosure documents.

As a result of the Company's operations in the US, the Company is properly subject to the Staff Notice and accordingly provides the following disclosure:

I. <u>All Issuers with U.S. Marijuana-Related Activities</u>

A. Nature of the Company Involvement in the U.S. Marijuana Industry

The Company will be offering cannabis-infused products within the State of California. Under California law, the Medical and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA") only allows license holders to engage in commercial cannabis activities. A pre-condition to obtaining a California commercial cannabis license is obtaining a valid license, permit, or authorization from a local municipal government. With a local license, permit, or authorization, an applicant can apply for a State temporary license, which will allow the applicant to operate for 120 days. During this time, the applicant may submit an application for an annual license.

At this time, the Company has not applied for a local license, permit, or authorization to conduct any commercial cannabis activities. Therefore, the Company will not be directly engaging in any commercial cannabis activities within the State of California until and if such time as such authorizations are received. The Company's products are currently being produced by a commercial cannabis manufacturer ("Manufacturer") that has obtained all required licenses to conduct commercial cannabis manufacturing in the State of California. The Manufacturer has a license from the local municipality and a temporary state application issued by Department of Public Health Manufactured Cannabis Safety Branch ("DPHMCSB"). The Company has entered into an Intellectual Property Agreement with the Manufacturer, and in accordance with the terms of said agreement, they will be manufacturing the Company's products in accordance with the applicable local and state laws and regulations.

If the Company intends to modify its operations such that commercial cannabis licensure will be required, the Company will provide an updated disclosure associated with the legal and regulatory concerns of such modified operations.

B. Marijuana Illegality

In the US, cannabis is largely regulated at the state level. To the Company's knowledge, there are to date a total of 29 states, plus the District of Columbia, Puerto Rico and Guam that have legalized cannabis in some form. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, 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. Cannabis is categorized as a Schedule I controlled substance under the CSA and as such, violates federal law in the US. 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. Thus, enforcement of relevant laws is a significant risk.

C. Guidance from Federal Authorities

As a result of the conflicting views between state legislatures and the US federal government regarding cannabis, investments in cannabis businesses in the US are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "Cole Memorandum") addressed to all US district attorneys acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the US, several US states have enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined certain priorities for the Department of Justice ("DOJ") relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that, in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority.

On January 4, 2018, Attorney General Jeff Sessions issued a memorandum (the "Sessions Memorandum") that rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of US Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principals are included in chapter 9.27.000 of the US Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute marijuana activities, despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how actively federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. Medical cannabis is currently protected against enforcement by enacted legislation from US Congress in the form of the

Rohrabacher-Blumenauer Amendment, which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding. Due to the ambiguity of the Sessions Memorandum in relation to medical cannabis, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, and also divert the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favor of the Company.

For the reasons set forth above, the Company's existing operations in the US, and any future operations or investments the Company may engage in, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate in the US or any other jurisdiction.

As the Sessions Memorandum demonstrates, the US approach to enforcement of cannabis violations of the CSA can change at any time. While there is some uncertainty at the federal level, on March 23, 2018, the omnibus spending bill signed into law by President Trump included an updated version of the Rohrabacher-Blumenauer amendment, which, as stated above, prohibits the DOJ from using federal funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession or cultivation of medical cannabis. The amendment applies to medical cannabis but not recreational cannabis and does not change the designation of cannabis as a Schedule I controlled substance under the CSA. This protection is limited to medical cannabis only and the amendment will once again be up for renewal when the bill expires later this year on September 30, 2018.

While there are no explicit federal protections for adult-use commercial cannabis activity, on April 11, 2018, President Trump made a verbal commitment to Republican Senator, Cory Gardner, to not interfere with the Colorado cannabis industry. Further, Senator Gardner stated, "President Trump has assured me that he will support a federalism-based legislative solution to fix this states' rights issue once and for all." At this time, such bipartisan legislation has not yet been finalized, but Senate Garner went on to say, "[m]y colleagues and I are continuing to work diligently on a bipartisan legislative solution that can pass Congress and head to the President's desk to deliver on his campaign position. . ."

D. Related Risks

MAUCRSA establishes a highly regulated system for all commercial cannabis activities in the state of California. This system requires all commercial cannabis activity to be conducted by licensees who are subject to the laws and regulations of the system. At this time, the Company's products are being produced by the Manufacturer, which holds various licenses, including a Type 6 Manufacturing License, which permits it to manufacture the Company's products. The Manufacturer relies on a variety of third-party licensees to obtain ingredients and get the Company's products to authorized consumers. Each and every third-party licensee contracting with the Manufacturer is be subject to the stringent laws and regulations governing cannabis activities in the State of California. In addition to fines, the penalties for non-compliance range from 5-day license suspension to complete revocation of the license. This creates additional risk for the production and sale of the Company's products.

In addition to the risks associated with third-party licensees, there are also general concerns associated operating in the California cannabis industry. Some, but not all of these concerns are set forth below:

1. Banking – 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.

2. 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.

3. Food and Drug Administration – 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.

4. 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.

5. 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.

6. License Issuance and Renewals – At this time, the Manufacturer has only obtained a temporary state license. There is no guarantee that the Manufacturer will obtain an annual license. Even if the Manufacturer obtains an annual license, it must be renewed annually and there is no guarantee that such license will be renewed each year.

E. Financing Considerations

Given the illegality of cannabis under US federal law, there is no guarantee that the Company will be able to access both public and private capital. Until now, the Company has been able to rely on public capital to fund continued operations.

F. Operating Exposure

The Company currently has no operations in Canada. All of the Company's cannabis-based operations are located within the State of California. In addition to the Company's cannabis-based operations discussed herein, the Company manufactures and sells a CBD-based beverage. This CBD-based beverage is manufactured and sold within the parameters set forth by the FDA. The Company estimates that approximately Five Percent (5%) of its business will be based on the production and sale of non-cannabis products.

G. Legal Advice, Compliance, and Potential Exposure

The Company is monitoring compliance with California Law on an ongoing basis. The Company has engaged California-based marijuana regulatory compliance counsel, who have substantial experience advising marijuana companies on how to comply with California law. The Company's counsel has been tasked with monitoring California law on an ongoing basis and ensuring that the Company's operations comply with all California marijuana laws. The Company has regularly scheduled calls with compliance counsel to discuss compliance matters. Nevertheless, there is no assurance that the Company or the Manufacturer will be able to maintain or remain in compliance with California or other state laws.

In connection with the Manufacturer's upcoming annual license application, the Company will provide the Manufacturer with Standard Operating Procedures, which shall include internal compliance procedures. While the Company will maintain and update its Standard Operating Procedures, there is no assurance the Company's Standard Operating Procedures will be sufficiently acceptable in the future. Moreover, even if the Manufacturer complies with each and every law and regulation, they may still 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.

II. Involvement with Cultivation and Distribution

A. U.S. Marijuana Issuers with Direct Involvement in Cultivation or Distribution

At this time, the Company's involvement in the California Cannabis Industry is limited to the contractual arrangement it has established with the Manufacturer. In addition to conducting manufacturing activities, the Manufacturer also conducts commercial cannabis cultivation. However, the Company is only contracted with the Manufacturer for manufacturing activities. Further, the Manufacturer uses cannabis purchased from third party licensees, rather than cannabis cultivated under its own licenses, to manufacture the Company's products. The Manufacturer is also contracted directly with a licensed cannabis distributor for delivery of the Company's products and does not conduct such distribution services itself. Therefore, the Company does not believe it is subject to the disclosure requirements for "U.S. Marijuana Issuers with Direct Involvement in Cultivation or Distribution" set forth in the Staff Notice. If the Company's operations change in the future, it will provide the appropriate amended version of this disclosure. In the event the Company is subject to these disclosure requirements, the Company reserves the right to update this document accordingly.

B. U.S. Marijuana Issuers with Indirect Involvement in Cultivation or Distribution

As stated above, the Company has no direct involvement in the cultivation or distribution of cannabis or cannabis products. The Company is only indirectly involved in commercial cannabis manufacturing through the Manufacturer's manufacturing of the Company's products. Therefore, the Company believes that it is not subject to the disclosure requirements for "*U.S. Marijuana Issuers with Indirect Involvement in Cultivation or Distribution"* set forth in the Staff Notice. The Company reserves the right to amend these disclosures in the event that it determines that it is subject to these disclosures.

III. U.S. Marijuana Issuers with Material Ancillary Involvement

A. Reasonable Assurances

The DPHMCSB lists the Manufacturer as a temporary state license holder. Further, the Company has been informed by the Manufacturer's attorney that they are operating in compliance with all applicable laws and regulations. On this basis, the Company is informed and believes that the Manufacturer "is in compliance with applicable licensing requirements and the regulatory framework enacted by [California]."

Note: The Company has obtained legal advice regarding compliance with applicable state regulatory frameworks and exposure and implication arising from US federal laws in the states where it conducts operations. As of April 26, 2018, the Company has not received any notices of violation, denial or non-compliance from any US authorities.

The following is the summary of the Company's statements of financial position as at December 31, 2017:

	Subsidiaries (US)	Total
	$	$
Current assets	**243,953**	243,953
Non-current assets	**28,132**	28,132
	272,085	321,876
Current liabilities	**31,325**	31,325
Non-current liabilities	**-**	-
Total liabilities	**31,325**	31,325

The liabilities exclude all liabilities and intercompany transactions between subsidiaries and the Company, as a Canadian parent company.

The following is the summary of operating losses from US cannabis-related activities for the year ended December 31, 2017:

	Subsidiaries (US)	Total
	$	$
Revenue	**31,095**	31,095
Cost of goods sold	**(90,044)**	(90,044)
Operating expenses	**(1,061,377)**	(1,061,377)
Net loss from operations	**(1,120,326)**	(1,120,326)

The operating expenses exclude share-based payments incurred at the corporate office in Canada.

4. 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 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.

(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.

5. Financial Risk Management

Fair value

The carrying amount of cash and cash equivalents, trade receivables, short-term investments and accounts 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.

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.

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.

6. Capital 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 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 warrants, reserve for share-based payments, 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.

7. Summary of Significant Accounting Policies

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

- 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.

- 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.

Disclosure of Outstanding Share Data April 26, 2018

	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited Common Shares	90,808,344 Common Shares
Securities convertible or exercisable into voting or equity shares		Stock Options to acquire up to 3,285,500 Common Shares of the Company; Warrants to acquire up to 5,726,535 Common Shares of the Company.

Off-Balance Sheet Arrangements

As at December 31, 2017 and the date of this MD&A, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the results of operations or financial condition of the Company.

Subsequent Events

Subsequent to December 31, 2017, the Company issued 100,000 common shares 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".

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.

8. 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's shares could decline, and investors could lose all or part of their investment. The following is a summary of 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 as a start-up company. 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, investors 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, many of which possess greater financial and marketing 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 dependent on the performance of its senior management. The loss of 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 Company's activities 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 (the "US 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 US 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 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 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.

On April 19, 2018, the FDA advisory committee unanimously recommended supporting the approval of the new drug application for Epidiolex, a CBD product for the treatment of seizures associated with Lennox-Gastaut syndrome and Dravet syndrome in patients two years of age and older. Upon the approval of Epidiolex, it is possible that FDA may begin taking enforcement action against companies selling CBD products, although it is unknown what actions and when will be taken.

The Company relies on the supply of hemp stalk oil extracts, which is imported into the US from other countries. The United States Drug Enforcement Administration ("DEA") and the US Customs and Border

Protection Agency will not permit the entry of hemp extract into the US 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 US 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 US 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 US must apply for a permit with the DEA. If in the 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.

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, discontinuation of products, adverse impact on the Company's reputation with its clients and consumers generally and could have a material adverse effect on its results of operations and financial condition. 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. The 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

The Company's insurance coverage is intended to address all material risks to which it is exposed and is adequate and customary in its current state of operations. However, 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's 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's 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.

9. Cautionary Note Regarding Forward Looking Statements

This MD&A 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 the Company to fund the capital and operating expenses necessary to achieve the business objectives of the Company, 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.

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 Company's President and CEO, and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the year covered by this MD&A, management of the Corporation, with the participation of the President and CEO, and CFO, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President and CEO, and CFO, have concluded that, as of the end of the period covered by this MD&A, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company'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 Company, including the President and CEO, and CFO, as appropriate to allow timely decisions regarding required disclosure.

10. 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 IFRS 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 has approved the audited consolidated financial statements on the recommendation of the Audit Committee.

April 26, 2018

Jeffrey Maser
Chief Executive Officer