



## THE TINLEY BEVERAGE COMPANY INC.

Management's Discussion and Analysis

For the year ended December 31, 2020

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**THE TINLEY BEVERAGE COMPANY INC.**  
**Management's Discussion and Analysis of Financial Condition and Results of Operations**  
**For the year ended December 31, 2020**

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This Management's Discussion and Analysis ("MD&A") constitutes management's assessment of the financial condition and results of operations of The Tinley Beverage Company Inc. ("Tinley" or the "Company") for the year ended December 31, 2020 ("Fiscal 2020"). It is supplemental to, and should be read in conjunction with the audited consolidated financial statements of Tinley for the years ended December 31, 2020 and 2019 ("2020 Financial Statements"). The 2020 Financial Statements and the financial information contained in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. In preparing this MD&A, management has taken into account information available up to April 30, 2021. Unless otherwise indicated, all figures presented in this MD&A are expressed in Canadian Dollars ("\$" or "C\$"). Unless the context otherwise requires, references in this MD&A to the "Company", "Tinley" or "we" refers to Tinley and its subsidiaries.

This MD&A has been prepared with reference to the requirements of National Instrument 51-102 Continuous Disclosure Obligations of the Canadian Securities Administrators ("CSA") and Staff Notice 51-352 (Revised) – Issuers with US Marijuana Related Activities ("Staff Notice").

### **1. Description of Business**

The Tinley Beverage Company Inc. ("Tinley" or the "Company") 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 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 Company's common shares are listed on the Canadian Securities Exchange under the trading symbol "TNY" and on the OTCQX® under the trading symbol "TNYBF" in the United States ("US").

The address of the Company's registered office is 77 King Street West, Suite 2905, Toronto, Ontario, M5K 1H1, Canada.

The Company has two primary product lines: (i) the Beckett's™ Tonics and Beckett's™ '27 line of non-alcoholic spirits and cocktails, and (ii) the liquor-inspired, cannabis-infused Tinley's™ Tonics and Tinley's™ '27 line of products. The Beckett's™ branded non-cannabis versions are available or eligible for sale in mainstream food, beverage and specialty retailers, as well as on premises locations, throughout California and the US. The Tinley's™ branded cannabis-infused beverages are available in licensed dispensaries and delivery services throughout California and are expected to be made available in Canada.

The Company has also built a cannabis beverage facility in California. Situated on approximately 45,000 square feet ("sq. ft.") of property in Long Beach, California, the 20,000 sq. ft. facility is built for cannabis beverage manufacturing and distribution.

On or around December 19, 2018, Richard Gillis, an officer of the Company, formed Lakewood Libations, Inc., a California corporation ("Lakewood") to conduct commercial cannabis manufacturing and distribution operations at the Long Beach facility. At this time, Lakewood has acquired its local and state commercial cannabis licenses for manufacturing and is in the process of acquiring its local distribution license from the City of Long Beach. The Company has executed agreements to purchase one hundred percent (100%) of the shares of Lakewood from Richard Gillis for a nominal fee with the closing of such transaction to take place on the date and time of the Company's choosing ("Acquisition Transaction") which timing will be based on the receipt of regulatory approval for the change in control. As part of the Acquisition Transaction, Richard Gillis has agreed to detailed "use of proceeds" restrictions that include but are not limited to the requirement that the directors and officers of Lakewood only utilize proceeds from Lakewood's operations to fund ongoing operations and not issue any dividends or otherwise expend profits. In connection with the foregoing, Tinley has certain audit rights to ensure Richard Gillis remains in compliance with the Acquisition Transaction agreement. The Company is working closely with the City of Long Beach and the state to ensure the closing of the Acquisition Transaction remains in compliance with applicable laws. At this time, the Company is waiting until Lakewood has received its state and local distribution licenses to close the Acquisition Transaction. Following receipt of such approvals, the Company will close the Acquisition Transaction and await final approval from the city and state regulators. The Company expects Lakewood to continue its commercial cannabis manufacturing activities throughout the approval process.

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Prior to the Acquisition Transaction, the Company has agreed to provide Lakewood with the Long Beach Facility, certain intellectual property for production, equipment and other resources for Lakewood’s operations (collectively, the “Tinley Resources”).

**2. Business Overview**

**Financing Activities**

On June 30, 2020, the Company closed a non-brokered private placement raising gross proceeds of \$1,850,000 through the issuance of 3,700,000 units (“June Units”) at a price of \$0.50 per June Unit. Each June Unit was comprised of one common share of in the capital of Tinley (“Common Share”) and one Common Share purchase warrant, with each warrant exercisable into one Common Share at a price of \$0.70 per share until June 30, 2022.

On August 31, 2020, the Company closed a second private placement raising gross proceeds of \$1,040,000 through the issuance of 2,080,000 units (the “August Units”) at a price of \$0.50 per August Unit. Each August Unit is comprised of one Common Share and one Common Share purchase warrant, with each warrant exercisable into one Common Share at a price of \$0.70 per share until August 31, 2022.

On November 23, 2020 and December 9, 2020, the Company closed an additional private placement (the “December Private Placement”) raising aggregate gross proceeds of \$2,016,056 through the issuance of 4,480,125 units (the “December Units”) at a price of \$0.45 per December Unit. Each December Unit was comprised of one Common Share and one Common Share purchase warrant, with each warrant exercisable into one Common Share at a price of \$0.45 per share for a period of 36 months from the date of issuance.

Subsequent to Fiscal 2020 on March 31, 2021, the Company closed an additional private placement (the “March 2021 Private Placement”) offering which raised gross proceeds of \$850,000 through issuance of 2,125,000 units (“March 2021 Units”) at a price of \$0.40 per March 2021 Unit. Each March 2021 Unit was comprised of one Common Share and one Common Share purchase warrant, with each warrant exercisable into one Common Share at a price of \$0.50 per share until March 31, 2024. In connection with the private placement, the Company paid cash commissions of \$58,892.80 and issued 154,232 broker warrants as compensation to the agents, with each broker warrant exercisable into one March 2021 Unit until March 31, 2024 at an exercise price of \$0.50.

Use of Proceeds Reconciliation

The net cash proceeds of the November 23, 2020 and December 8, 2020 Offerings were \$1,874,922. The following table sets forth a comparison of the disclosure in the Company’s December 9, 2020 press release regarding the Company’s intended use of proceeds and the Company’s current actual use of proceeds as of the date of this MD&A:

<b>Principal use of proceeds</b>	<b>Intended use of proceeds (\$)</b>	<b>Current actual use of proceeds (\$)</b>
Equipment for Long Beach facility <sup>(1)</sup>	200,000	183,521
Marketing of branded products <sup>(2)</sup>	100,000	75,158
Working capital and general corporate purposes <sup>(3)</sup>	1,574,922	1,616,244
<b>Total</b>	<b>1,874,922</b>	<b>1,874,922</b>

**Notes:**

- (1) \$200,000 was expected to be spent on Long Beach manufacturing facility. The funds would allow the Company to accelerate the expansion of additional product formats including aluminum cans and minis.
- (2) \$100,000 was expected to be spent on marketing, including branding. The funds would allow the Company to accelerate the expansion of the Company’s Tinley’s and Beckett’s-branded products in the USA and Canada.
- (3) \$1,574,922 was expected to be spent on working capital and general corporate purposes during the remainder of 2020 and the first quarter of 2020. It also includes costs of ongoing research and development for

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improving product formulations, inventory production, external auditors, legal, insurance and public company costs.

On March 31, 2021, the Company closed another private placement offering which raised gross proceeds of \$850,000 through issuance of 2,125,000 Units at a price of \$0.40. Each Unit is comprised of one common share one Warrant. Each Warrant is exercisable into one common share at a price of \$0.50 for a period of 36 months from closing.

### **Business Developments**

In March 2020, the Company terminated the agreement with its interim licensed manufacturing partner in Coachella Valley and oversaw the decommissioning of the "Phase 2" bottling line, in anticipation of the commissioning of the Company's permanent facility in Long Beach, California. Initial products were produced at Long Beach in August 2020, however full commissioning of this facility was not completed until November 2020. Products produced as part of the final commissioning subsequently became eligible for retail release after normal course post-production testing. As a result, the Company did not have fulsome manufacturing capability for infused products nor significant quantities of infused products available for sale in market for most of the 2020 fiscal year. With Long Beach having been commissioned in Q4 2020, the Company's cannabis-infused operations were restored and its products went back into retail distribution. Additionally, as a result of this commissioning, Lakewood began manufacturing products for Tinley in the third quarter of 2020 and other companies in the first quarter of 2021.

In addition to not having fulsome manufacturing capability for infused products for most of 2020, the Company's non-infused products faced significant restrictions imposed by retailers starting in Q1 2020 as a result of the COVID-19 pandemic. These restrictions included bans on samplings in all cases, which are a key driver of new product launches. The restrictions also included suspension of retailers' programs for new products and, in the case of BevMo!, store shutdowns (limiting to online and curbside pickup, impacting visibility for new brands). The Company believes these retailers remain confident in the Company's products and committed to continued trials and listings of the Company's products in recognition of the impact of COVID-19. The Company is also expanding its listings in additional territories, notably Tennessee and Alberta, as further discussed in "Retail Growth Strategy".

On March 2, 2020, the Company announced that its initial batch of products had been shipped to BevMo!, one of the largest liquor store chains in the West Coast USA. On March 30, 2020, the Company announced that it was able to continue operating under California's COVID-19 restrictions, with both dispensaries and grocery stores being deemed essential services. The release noted the challenges being faced in onboarding and launching products as a result of the COVID-19 pandemic despite the continued operations of its retailers. This release also announced that the Long Beach facility had successfully passed its electrical inspection. The installation of a transformer had been a major cause of the delay of the project.

On April 6, 2020, the Company entered into an exclusive agreement with Shelf Life Distributing ("Shelf Life") to sell and distribute the full line of Tinley's non-alcoholic, cannabis-infused beverages to licensed dispensaries and home delivery services throughout California. Shelf Life is a vertically integrated cannabis company, and its subsidiary, Gold Flora LLC, operates a 625,000 sq. ft. cultivation and manufacturing facility in the Desert Hot Springs. The agreement is intended to enhance Tinley's existing sales, merchandising reach, including budtender education, product demonstration and logistics capabilities.

On April 29, 2020, the Company announced that Lakewood had passed three additional inspections at the Company's Phase 3 Facility in Long Beach: (i) health, (ii) mechanical and (iii) plumbing inspections. Lakewood subsequently completed the fire inspection, the last of the five functional inspections required by the City of Long Beach. Passing the fire inspection enabled the municipality to perform the confirmatory building inspection, which triggered the issuance by the City of Long Beach of a Certificate of Occupancy. The certificate allowed the state cannabis licensing authorities to perform their final site visit and complete necessary ownership reviews.

On May 27, 2020, the Company announced that Lakewood was progressing through final building inspections at the Company's Phase 3 Facility in Long Beach. The Company also began onboarding two additional mass grocery retailers for its non-infused products. This brought the total number of addressable stores, including the existing two chains awaiting launch, to approximately 6,000. The Company planned to conduct trials at selected stores, after which

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these chains would evaluate broader rollout. These chains suspended their new product programs as a result of several COVID-19 restrictions, however, several of these resumed in Fall 2020.

On June 24, 2020, the Company announced that its Phase 3 Facility in Long Beach had passed all remaining municipal inspections. Lakewood received a provisional cannabis manufacturing license from the State of California and a Temporary Certificate of Occupancy from the City of Long Beach. These enabled the issuance of a Conditional Business License. The conditional municipal license enabled the facility's existing state-issued provisional cannabis manufacturing license to become immediately usable for cannabis production. Lakewood's first bottling took place in mid-July 2020.

On July 2, 2020, the Company announced that the Phase 3 Facility in Long Beach, California was granted a license for cannabis manufacturing by the State of California.

On August 31, 2020, the Company announced that inaugural batches of the Company's Tinley's™ '27 beverages had been produced by Lakewood at the Company's facility in Long Beach, California. The full commissioning of the equipment was scheduled to be completed by the Italian manufacturer in September. As a result of COVID-19, certain personnel from the Italian manufacturer were unable to enter the USA, which delayed completion of full commissioning by several months. In this release, the Company also announced that it had signed a contract manufacturing agreement with Level Up Infusions Ltd. ("Level Up"), an Ontario company whereby the Company appointed Level Up as its exclusive manufacturer in Canada of certain cannabis-infused beverage products, subject to Level Up obtaining all approvals and licenses from Health Canada on or before October 30, 2020 and certain minimum orders and delivery commitments from both parties. The release also disclosed certain trials taking place for the Company's Beckett's non-infused products in grocery stores, which experienced challenges due to restrictions on sampling that retailers were imposing as a result of COVID-19.

On October 15, 2020, the Company announced that its Canadian cannabis emulsion provider had begun production of the cannabis-infused emulsion for use by the Company's Canadian manufacturer for the production of its cannabis-infused beverages in Canada.

On November 4, 2020, the Company announced that its Beckett's non-alcoholic spirits and ready-to-drink cocktails became available at Ralphs supermarket stores throughout Southern California. The Company expects its products to be available in an initial group of 40 to 50 stores located in the Company's core regions in and around Los Angeles: Westside, including West Hollywood, the beach cities, and certain municipalities in Orange County, followed by a broader launch throughout the Ralphs network. Ralphs is a subsidiary of Kroger, the largest supermarket chain in the US.

On November 10, 2020, the Company announced that its Beckett's non-alcoholic ready-to-drink cocktails would be available at select Costco warehouses in advance of the US Thanksgiving weekend.

On November 24, 2020, Lakewood completed production of full-scale batches of all of the Company's cannabis-infused beverages at the Company's permanent facility in Long Beach, California. The completion of large-scale batches of both carbonated and non-carbonated beverages marks the culmination of a lengthy buildout and commissioning process for the Company's 20,000 square foot, state of the art cannabis beverage manufacturing and manufacturing facility in Long Beach, California.

On November 30, 2020, the Company announced that the Company's products are available to order for home delivery in all major markets in California through the renowned High Times website.

On November 30, 2020, the Company entered into an agreement with Peak Processing Solutions, a Canadian subsidiary of Australian pharmaceutical company Althea Group Holdings Limited, to produce Tinley's '27 products in Canada.

On December 10, 2020, the Company announced an agreement with Emergent Beverage Partners ("Emergent") to market the Beckett's line of non-alcoholic spirits and cocktails in Texas and Louisiana.

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On January 14, 2021, Lakewood entered into an agreement with MARS Distro, a subsidiary of Headquarters, to create supply chain solutions for Lakewood's manufacturing brands in California.

On January 19, 2021, the Company announced a marketing agreement with Todd Chrisley, of the top-rated reality television show stars in the USA. Under the agreement, the Beckett's™ non-alcoholic spirits and cocktails (non-cannabis-infused) would appear in Todd's television shows and online properties.

On January 28, 2021, Lakewood completed production of both Canadian and US Beckett's (non-infused) ready to drink and multi-server products, and that test sample production of its Canadian Tinley '27 (infused) drinks was performed at one of its two licensed manufacturers in Ontario. It also announced that the manufacturer of its carbonated Tinley's Classics (infused) product line was be delayed. Management is progressing through discussions with other producers that have expressed interest in producing this product line, as well as continuing discussions with its existing manufacturer.

On February 1, 2021, the Company announced that SIP Elixirs, Nevada's top-selling cannabis beverages, will be produced at the Company's cannabis beverage bottling facility in Long Beach.

On February 3, 2021, the Company announced that Cannabis Quencher, one of California's best-selling cannabis beverages, will be produced at its cannabis beverage bottling facility in Long Beach.

On March 2, 2021, the Company announced that its Beckett's "Low No alcohol" products have received a listing on Alberta's Connect Logistics platform. Under contract with the Alberta Gaming, Liquor and Cannabis Commission, Connect Logistics is the exclusive distributor of spirits, wine, coolers, imported beer and related products in the province.

On March 3, 2021, the Company appointed David Hackett as Chief Financial Officer, replacing David Berman.

On March 22, 2021, the Company announced that the first series of third- party products have been manufactured by Lakewood and shipped from its cannabis beverage bottling facility in Long Beach. The Company also announced that Good Stuff Beverage Co., a pioneering California cannabis and CBD beverage brand, will move production of its assortment of natural tonics to the Long Beach facility.

On April 1, 2020, the Company announced the expansion of store listings in Alberta and additional reorders requested for all three of its business lines (manufacturing, infused and non-infused) products from provincial buyers. Plus, ongoing negotiations with a notable Tennessee distributor for its non-infused beverages and an additional seven third-party SKU's to be produced at its bottling facility in Long Beach by Lakewood.

On April 12, 2021, the Company announced that Los Angeles-based Calexo will produce three new zero-calorie sparkling drinks in bottles, and four preservative-free juice beverages in cans at the Company's Long Beach facility.

### **Retail Growth Strategy**

#### **Beckett's™ Tonics and Beckett's™ '27 Non-Alcoholic Spirits and Cocktails**

The Company worked with national brand spirit formulators for several years on making non-alcoholic versions of popular liquors and cocktails. These products are designed for the "lo-no alcohol" beverage category, which allows consumers to enjoy premium, adult beverages without intoxication. This has become one of the fastest-growing trends in the overall beverage industry, with several sources reporting 15 to 400% annualized growth depending on the type of non-alcoholic beverage (based on data provided by CGA Data). In late 2019, the Company announced that its first major customer, BevMo!, one of the West Coast's two largest liquor store retailers, would be launching these products in 150 stores. Like many bars, restaurants, liquor stores and grocery stores, BevMo! is working to expand its offerings of non-alcoholic, adult-style beverages in response to the fast-growing "lo-no alcohol" category.

In January 2020, the Company shipped its Beckett's products to BevMo! and worked on to become approved vendors at two other California and national US retail chains. It also received requests for the products by two other national grocery chains. Collectively, these chains represent over 6,000 stores across the US and Canada. The Company

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expected to begin trials at these retailers as they reopened their new products launch programs in the wake of COVID-19 restrictions. Several of these trials began to take place, however were severely impacted by the inability to conduct sampling as a result of COVID-19. The Company has a sales pipeline of additional mass retailers, led in large part by Richard Gillis, who previously sold to these chains in his role as President of a Western US's second-largest liquor distributor. Despite being deemed an essential service, BevMo! voluntarily closed its stores as a result of COVID-19, thereby limiting exposure to the Company's products. The stores have since re-opened and the retailer has agreed to take the new glass bottle format of the Beckett's™ ready to drink cocktails, previously available in cans.

Similarly, the Company is working to expand exposure to its listings on Walmart.com, Amazon.com and its own Shopify store at [www.drinkbecketts.com](http://www.drinkbecketts.com) through national banner, affiliate, social, influencer and other online marketing programs. Recognizing its strong brand awareness in Canada, the Company is building similar online platforms and marketing programs in Canada.

The Company's agreement with Todd Chrisley is expected to be the core of the Company's marketing programs for the full line of Beckett's™ products throughout 2021 and onward. Todd Chrisley's television programs take place in Nashville, Tennessee, and his shows enjoy their largest ratings in that city. As a result, the Company has gained distribution by Lipman Brothers, Tennessee's oldest liquor distributor. Todd and his family will be engaging in local in-store and on-premise promotions to drive visibility for the products. This visibility is expected to drive demand for the Company's products in local retailers and online. Texas is also a key audience location for the Chrisley television shows, and the Company has retained Emergent Partners, a local beverage brokerage, to obtain store listings in the state.

The Beckett's™ products launched in Alberta, Canada in April 2021, having been onboarded to the province's Liquor Connect platform in March 2021. Working with local sales agents, the products received commitments from nearly 30 retailers, including certain stores in the Sobey's and Co-Op chains.

#### Tinley's™ Tonics and Tinley's™ '27 Infused Beverages

In 2018, the Company licensed its recipes to a third-party manufacturer, which launched an initial run of the first THC-infused product, a non-alcoholic margarita infused with 10mg of THC. This product had been developed with a Southern California-based liquor formulator, along with products inspired by coconut rum, cinnamon whisky, Italian amaretto and Moscow Mule cocktails. In late 2018, after a brief period in market, California made comprehensive updates to its cannabis regulations. One such update, issued as a 'clarification', provided that cannabis could no longer be manufactured with alcohol-style labeling. As a result, the third-party licensee ceased manufacturing its margarita product and begun a process of label redesign.

In addition to the time needed to produce new labels, the Company elected to extend the manufacturing pause by several additional months to implement additional strategic improvements:

- Expansion into a fully automated, higher-capacity "Phase 2" licensed facility bottling line: Having exhausted capacity in the Company's initial "Phase 1" facility, the Company elected to move to a larger facility and install a larger, fully automated bottling line. The 3-phased approach started in 2017. In response to the evolving regulations in California at the time, the Company undertook a search for a facility to house its interim and long-term bottling facilities. The tight real estate market in areas that were zoned for commercial cannabis activity, coupled with the unique facility requirements of bottling facilities, led to a challenging, lengthy process.

The process ultimately resulted in an intellectual property licensing agreement ("IP Agreement") with the former manufacturer (as hereunder defined) for its "Phase 1" operations, and a subsequent arrangement with a new licensed operator and manufacturer its "Phase 2" operations. It also resulted in the aforementioned lease for the "Phase 3" facility in Long Beach for the Company's long-term operations. While this lengthy search process resulted in a delay in producing the Company's products, the Company successfully negotiated lease rates in a highly desirable location – which is critical for beverage distribution – at competitive rates. It also enabled the Company to simultaneously produce products at incrementally larger runs in the initial facilities to build market share and make informed decisions for the design of the Phase 3 facility.

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- Implementation of updated cannabis infusion technology: The Company worked with approximately 20 infusion technology providers to create upgraded versions of its formulations using the various new technologies that begun emerging at the time. This includes the terpene and nano-emulsification technology that has been successfully implemented in the Company’s product lineup. These technologies allow the products to have a rapid onset effect, a full-flower effect, visual clarity, 12-month shelf life, homogenous dispersion of active ingredients and a faster offset of effect. As a result, Tinley’s consumers can enjoy an experience that more closely resembles the social experience of alcoholic beverages, however with a cannabis effect. This more directly supports the consumer value proposition of the “Tinley™ Tonics” and “Tinley™ ’27” alcohol-inspired product lines.

As described in “Business Developments”, the Company did not have fulsome production capabilities for most of 2020 during the transition from the “Phase 2” facility to the commissioning of the Long Beach facility. With the full commissioning of the facility completed in Q4 2020, and the licensing agreement between Lakewood and the Company, the Company’s products are now being produced by Lakewood and back in market and the Company believes that it has sufficient inventory to meet current market demand.

Lakewood’s transition to Mars HQ distribution, announced in January 2021, aims to enhance the delivery capacity of the Company’s products and sales coverage throughout the state.

With robust manufacturing, delivery and sales in place, the Company intends to pursue the following growth strategy:

- Increased focus on key accounts with multiple store locations: The Company intends to focus on sales to multi-store operators where the Company can engage in deeper in-store merchandising and traffic-building initiatives. This is expected to improve the consistency of the Company’s products visibility and pricing in prominent stores. These programs can be deployed at lower expected cost than servicing a large number of independent operators.
- Increased focus on home delivery: The Company is working to deepen its relationships with existing home delivery services and add additional such services. The Company believes that its products are well suited to frequent cannabis users as well as occasional/non-cannabis users, the latter of which generally visit dispensaries less regularly or not at all.
- Influencer marketing: When more robust home delivery services are in place, the Company will aim to leverage its team’s deep media industry relationships to endeavor to enter into agreements with prominent entertainment and sports personalities to provide influencer services.

Restarting tastings and demos: When COVID-19 restrictions ease such that tastings and demos are permitted the Company intends to restart such programs. The Company intends to partner with third-party brands to conduct these programs, which would serve to increase visibility for all products as well as enable all brands to share the costs.

#### Third-Party Brand Manufacturing

On March 1, 2018, the Company entered into two lease agreements for the new 19,760 sq. ft. facility in Long Beach, a bottling facility for cannabis beverage production which is situated on approximately 45,000 sq. ft. of land approximately 16 miles from downtown Los Angeles. It is now being used as the Company’s bottling facility for operations carried out by Lakewood and principal place of business in California.

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

Lakewood’s license on the facility is classified as Type N, which covers beverages and all other forms of cannabis-infused products. Use of the license is conditional upon (i) Lakewood acquiring the required municipal permits and authorizations required for operations, including the Certificate of Occupancy from the City of Long Beach and the final California Department of Public Health (“CDPH”) inspection; (ii) Lakewood completing and receiving approval



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for an ownership review by the City of Long Beach and the CDPH. The license may be used for operations upon receipt of municipal approvals in (i), while approvals in (ii) are pending.

The Company is using Lakewood for manufacturing its own products as well as providing manufacturing services for third-party brands. The Company has announced manufacturing and licensing agreements between Lakewood and several prominent cannabis brands as well as a pipeline of prospective clients. Signed agreements include Cannabis Quencher, one of California's top-selling beverages as well as SIP Elixirs, Nevada's #1 beverage, the latter of which the Company is launching in California (Source: Headset Data).

The facility houses internal beverage testing and R&D capabilities to enable continuous product innovation and quality assurance for the Company's products and its third party brands' products. 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.

Since completing the bottling line, the Company has commissioned a bottling line that is capable of producing mini bottles. It is also in the process of commissioning a canning line. These additional bottling lines aim to enhance the scope of bottling and overall product formats that Lakewood can manufacture for third-party brands, as well as increase the facility's overall manufacturing capacity.

Due to the central location of the Long Beach facility, Tinley intends to use a portion of the building to build a licensed cannabis distribution warehouse which will be equipped to cater to the unique needs of beverage products, including refrigeration and large-format packaging. Through Lakewood, following the closing of the Acquisition Transaction, the Company intends to operate this warehousing facility in cooperation with existing local distributors and operators. The Company expects this facility to be operational in the second or third quarter of 2021.

During the year ended December 31, 2019, the Company announced several key achievements:

- Delivered its non-infused "Beckett's" products to BevMo!, one of the largest liquor store chains in the West Coast, for availability in their 150-store network throughout California.
- Became approved vendors for its non-infused products at two major national chains and secured requests for products at two other major chains, collectively representing over 6,000 stores across the US and Canada. The Company expects to begin trials in Southern California at select stores from each of these chains.
- Doubled the number of dispensaries where the Company's infused products are available, built a robust home delivery network that covers over 90% of the population of California, and added Shelf Life to continue to drive the growth of the Company's retail presence throughout the state. The Company's infused products are now available in bricks and mortar in most key markets in California including the San Francisco Bay Area, including Silicon Valley, as well as Los Angeles, Sacramento, Long Beach, San Diego, Eureka, Santa Cruz, Santa Barbara and the Coachella Valley; the Company's products are also available for on-premise consumption in licensed cannabis lounges in San Francisco, West Hollywood and the Palm Springs area.
- The Company's Long Beach facility being conditionally licensed for a California State Type N Manufacturing license.
- Decommissioning the Company's bottling equipment in the "Phase 2" facility in anticipation of the "Phase 3" facility in Long Beach becoming operational.
- Signed an agreement for Canadian expansion with Great North Distributors Inc. ("Great North"). The Company is presently working under LOI to complete a second and final agreement with a party that will enable the Company's products to be manufactured in Canada for availability throughout the country.
- Negotiated agreements with a pipeline of third party brands, with a view to consummate once Long Beach is approved.
- Appointed two-time NBA All-Star Baron Davis to the Advisory Board. Mr. Davis is currently working on marketing initiatives and development of new products for the Company's own products and its expected third-party brands' products.

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Territorial Expansion

In Q4 2019, the Company announced an agreement with Great North for distribution of its cannabis beverages in Canada. Great North is an affiliate of Southern Glazers Wine and Spirits, of the world's foremost beverage alcohol distributors. The Company is now working to complete an agreement with a licensed manufacturer for production of its products.

The Company is working with Peak Processing Systems to launch its Tinley '27 products in Canada. The Company will also update constituents as it resolves its manufacturing partner for its Tinley RTD products. Upon launch of all products, the Company will work with Great North to sell and market in key provinces across the company, pending acceptance of such products by provincial cannabis boards. The Company has already received indicative commitments from two provinces.

The Company also views Nevada as a priority expansion opportunity due to the state's large tourism industry, year-round warm climate, innovative plans for licensing consumption, and proximity to the California operations.

CBD Beverages

Subsequent to the passage of the US Farm Bill in late 2018, the US Food and Drug Administration ("FDA") and the CDPH increased enforcement against hemp CBD products in mainstream "bricks and mortar" stores within the State. This resulted in many brands being delisted and at least one product confiscation from the warehouse of a high-profile CBD drink. Unlike most other CBD companies, which primarily sell their products online, Tinley's "Hemplify®" products were sold almost entirely in "bricks and mortar" stores, due to the size and weight of drinks relative to oils. While Tinley believes that enforcement against CBD products in "bricks and mortar" stores in California will ultimately ease, the FDA has made no firm commitments on regulatory changes. This regulatory headwind, coupled with oils being the dominant format for CBD sales rather than drinks, as well as the larger opportunity in THC-infused drinks, led the Company to make the decision to focus entirely on THC-infused beverages. The Company expects to work with third-party brands that wish to make cannabis-derived CBD drinks, however it does not expect to make hemp-derived CBD products for mainstream retail.

In addition to FDA and CDPH enforcement against hemp-derived CBD, the Bureau of Cannabis Control ("BCC") stipulated that hemp-derived CBD products are no longer eligible for sale in California dispensaries unless the hemp is grown and distributed under the state's track and trace system. This further validated the Company's decision to reposition its resources entirely to cannabis-derived (i.e. non-hemp-derived) THC and CBD products in the dispensary channel. Given its existing THC-infused beverage infrastructure and distribution, Tinley believes that it is uniquely positioned to distribute cannabis-derived (i.e. not hemp-derived) CBD beverages through the dispensary channel throughout California. While the Company currently has no plans to make Company-branded CBD drinks, Lakewood is presently contracted to manufacture beverages on the Company's behalf that contain cannabis-derived CBD.

**Current and anticipated impacts from COVID-19**

The global pandemic related to an outbreak of COVID-19 has cast uncertainty on many of the Company's assumptions and estimates. There can be no assurance that such assumptions and estimates continue to be valid. Given the rapid pace of change in the severity of and response to the COVID-19 outbreak, it is premature for the Company make further assumptions or estimates. The situation is dynamic and the ultimate duration and magnitude of the impact of COVID-19 on the economy and the financial effect on the business is not known at this time. These impacts could include, amongst others, an impact on the Company's ability to obtain debt or equity financing, increased credit risk on receivables, impairments in the value of the long-lived assets, or potential future decreases in revenue or profitability of the Company's ongoing operations.

The Company's business is dependant on a number of factors which could be adversely disrupted by, among others, major health issues or pandemics. In particular, major health issues and pandemics, such as the global impact of COVID-19. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the COVID-19 outbreak on the Company's business. These factors are beyond the Company's control, may adversely

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affect us and our suppliers or cause disruptions to their and the Company's businesses and may impact their ability to supply us.

The Company has taken a number of precautions with the intention of mitigating COVID-19 risk at its facilities and corporate office. The Company requires that all non-essential production employees work from home, where their duties with the Company allowed. This measure helps minimize the number of potential COVID-19 exposures on a daily basis. While at work, physical distancing measures were enacted, personal protective equipment ("PPE") (such as masks) was made mandatory both inside the production area and outside in office spaces. As of the date hereof, the above measures remain in place and to the knowledge of the Company, no employee has tested positive for COVID-19. The Company will continually review the above measures in conjunction with the measures deemed appropriate by Ontario Public Health or the appropriate local health authorities.

*Business and Supply Chain Disruption:* While it may be too early to fully understand the severity of COVID-19 and its long-term implications, there have been a number of challenges that the Company is facing. At the Company's production facilities, staff are required to wear. To date, there have not been any disruptions, however, there could be a time when those third-party suppliers have reduced access or may be unable to work at the Company's facility.

*Nature and Impact of Government Measures:* The federal government has announced a number of measures to support workers and businesses, however, to date we have not been eligible for additional support. That said, the Company continues to investigate and monitor the activities of the federal and provincial governments and will apply for support wherever possible.

*Borrowing and Lending Issues:* Currently, the Company does not have imminent debt obligations (other than normal trade payables and accruals).

*Sales:* Since the start of the COVID-19 pandemic, and with the Long Beach facility starting operations, sales have started to grow and demand for product has increased.

*Commodity Prices:* As a cannabis company, the prices of cannabis derivative products have seen an oversupply, leading to reduced expectations on commodity prices. To date the COVID-19 outbreak has not had a detrimental effect on our ability to acquire inputs at a reasonable cost.

### **3. Canadian Companies with U.S. Marijuana-Related Assets**

The Company has established a board-level committee ("US Cannabis Committee") to govern all aspects of the Company's cannabis activities in the US. This US Cannabis Committee consists of Douglas Fulton, Ted Zittel and Curt Marvis. The Company created this committee in anticipation of receiving approval to commence commercial cannabis operations under a Company-owned license in the future. Recognizing the enhanced governance and oversight requirements of such cannabis activities in the US, the Company in Q4 2019 began the process of formally delineating the governance of the subsidiaries, assets, personnel and overall corporate resources involved in its cannabis activities from its core non-cannabis products. The majority of the Company's revenue is generated from its non-cannabis products, and the Company expects this to continue. All personnel and overall corporate resources involved in cannabis activities in the US have been given direct reporting accountability to the US Cannabis Committee. The Committee's Chairman, Douglas Fulton, was installed in the first quarter of 2020 to oversee the day-to-day aspects of US cannabis activities. Ted Zittel subsequently assumed the Chairman role.

On February 8, 2018, the CSA published 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 U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in required disclosure documents.

Such disclosure includes, but is not limited to: (i) a description of the nature of a reporting issuer's involvement in the US marijuana industry; (ii) disclosure that marijuana is illegal under US federal law and that enforcement of relevant laws is a significant risk; (iii) related risks including, among others, the risk that third-party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer's

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ability to operate in the US; and (iv) a discussion of the reporting issuer's ability to access public and private capital, including which financing options are and are not available to support continuing operations. Additional disclosures are required to the extent a reporting issuer is deemed to be directly or indirectly engaged in the US marijuana industry, or deemed to have "ancillary industry involvement", all as further described in the Staff Notice. Public reaction to the Staff Notice was generally positive and industry participants welcomed the opportunity to review and provide enhanced disclosure.

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. All Issuers with U.S. Marijuana-Related Activities**

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

In July 2020, the Company's facility in Long Beach, California was granted a Type N Cannabis Manufacturing license from the State of California. Under the California Business and Professions Code, Section 26000, et seq., short titled, the Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA") and the regulations promulgated thereunder ("MAUCRSA Regulations") (hereinafter MAUCRSA and the MAUCRSA Regulations shall be referred to as "California Cannabis Law"), a license is required to conduct commercial cannabis activity.

Through 2019 and Q1 2020, the Company operated under an IP Agreement licensing its proprietary intellectual property to a licensed operator, (hereinafter, the "Prior Manufacturer"), who, utilizing its cannabis licenses, previously manufactured the Company's Tinley-branded products and paid the Company a royalty fee ("IP License"). The Prior Manufacturer was licensed to produce the Tinley-branded products from its premises in Riverside County.

In April 2020, the Company and the Prior Manufacturer terminated their production agreement for the ongoing production of Tinley-branded Products in anticipation of the Company's Long Beach facility becoming operational in the second quarter of 2020.

The Company continues to operate in the cannabis industry as a non-operational entity providing the Tinley Resources to Lakewood for the purposes of Lakewood producing the Company's products in the United States. Upon the closing of the Acquisition Transaction and subsequent regulatory approval of the Company as the sole owner of Lakewood, the Company will assume direct control over Lakewood and its contracts with third-party brands.

*B. Marijuana Illegality*

In the US, cannabis is largely regulated at the state level. As of November 4, 2020, voters in Mississippi and South Dakota approved a measure to regulate marijuana for medical use. To the Company's knowledge, there are to date a total of 36 states, plus the District of Columbia, Puerto Rico and Guam, which allow their residents to use medical marijuana. As for adult-use, voters in Arizona, Montana, New Jersey and South Dakota approved measures to regulate marijuana for adult-use. This brings the total to 15 states and three territories that permit adult-use of marijuana. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, the Federal Controlled Substances Act ("FCSA") 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 FCSA 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*

The US Supreme Court has ruled in a number of cases that the federal government does not violate the federal constitution by regulating and criminalizing cannabis, even for medical purposes. Therefore, federal law criminalizing the use of marijuana pre-empts state laws that legalizes its use for medicinal and adult-use purposes.

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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 (“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, as may be supplemented or amended indicating that federal enforcement of the applicable federal laws against cannabis-related conduct should be focused on eight priorities, which are to prevent:

- (1) Distribution of cannabis to minors.
- (2) Criminal enterprises, gangs and cartels from receiving revenue from the sale of cannabis.
- (3) Transfer of cannabis from States where it is legal to States where it is illegal.
- (4) Cannabis activity from being a pretext for trafficking of other illegal drugs or illegal activity.
- (5) Violence or use of firearms in cannabis cultivation and distribution.
- (6) Drugged driving and adverse public health consequences from cannabis use.
- (7) Growth of cannabis on federal lands; and
- (8) Cannabis possession or use on federal property.

The Cole Memorandum outlined certain priorities for the US 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.

The DOJ has issued official guidance regarding marijuana enforcement in 2009, 2011, 2013, 2014 and 2018 in response to state laws that legalize medical and adult-use marijuana. In each instance, the DOJ has stated that it is committed to the enforcement of federal laws and regulations related to marijuana. However, the DOJ has also recognized that its investigative and prosecutorial resources are limited. As of January 4, 2018, the DOJ has rescinded all federal enforcement guidance specific to marijuana and has instead directed that federal prosecutors should follow the “Principles of Federal Prosecution” originally set forth in 1980 and subsequently refined over time in chapter 9-27.000 of the US Attorney’s Manual creating broader discretion for federal prosecutors to potentially prosecute state-legal medical and adult-use marijuana businesses even if they are not engaged in marijuana-related conduct enumerated by the Cole Memorandum, the memorandum dated August 29, 2013, as being an enforcement priority.

On November 14, 2017, Jeff Sessions, then the US Attorney General, made a comment before the House Judiciary Committee about prosecutorial forbearance regarding state-licensed marijuana businesses. In his statement, Attorney General Sessions stated that the US federal government’s current policy is the same fundamentally as the Holder-Lynch policy, whereby states may legalize marijuana for its law enforcement purposes, but it remains illegal with regard to federal purposes.

On January 4, 2018, Mr. Sessions issued a memorandum (“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 principles 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

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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.

As the Sessions Memorandum demonstrates, the US approach to enforcement of cannabis violations of the FCSA 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 former 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 FCSA.

While there are no explicit federal protections for adult-use commercial cannabis activity, on April 11, 2018, former President Trump made a verbal commitment to former Colorado US 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." The Company is pleased to see reports that President Trump has promised top Senate Republicans that he will support congressional efforts to protect states that have legalized marijuana. The Company is cautiously optimistic that it represents a clear and positive sign that the industry is shifting towards a climate where cannabis users and business can participate in the industry without fear of interference from the federal government.

While cannabis remains illegal at the federal level, there have been recent developments relevant to the federal government taking a position that respects states' rights to legalize and regulate commercial cannabis and refrain from prosecuting commercial cannabis businesses. Senator Gardner, and Senator Elizabeth Warren from the State of Massachusetts, have introduced federal legislation that would bar the federal government from interfering with any state-approved cannabis legalization and permit cannabis businesses to use the federal banking system.

On November 7, 2018, Mr. Sessions resigned after the US mid-term elections, which could potentially impact the US cannabis industry. From the mid-term elections, US voters delivered a split verdict for Congress, as the Democrats secured a majority in the House of Representatives ("House") while the Republicans expanded their majority in the Senate. With the Democrats having taken back control of the House, there may be opportunity for bipartisanship on a number of issues including the Strengthening the Tenth Amendment Through Entrusting States (STATES) Act, S. 3032, which would protect individuals working in cannabis sectors from federal prosecution. The STATES Act was introduced in June 2018 through bi-partisan efforts initiated by Senator Gardner together with Senator Warren. Senator Warren won re-election which ensures she will push the change to federal law regarding cannabis. In addition, constituents of Michigan voted to legalize adult-use cannabis, making Michigan the first state in the Midwest to do so and the 10th in the US overall demonstrating growing sentiment amongst Americans towards legalization. Voters in Missouri and Utah approved ballot measures legalizing cannabis for medical use, making their states the 31st and 32nd to do so.

On December 20, 2018, the 2018 Farm Bill was signed by former President Trump, and it permanently removed hemp and hemp derivatives such as CBD from the purview of the FCSA. Prior to its enactment, the 2014 Farm Bill allowed industrial hemp to be cultivated under agricultural pilot programs conducted by state departments of agriculture and institutions of higher education. Under federal law, hemp is to be treated as an agricultural commodity, and the regulation of hemp products, including those containing CBD, will be enforced by the FDA under the Federal Food,

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Drug, and Cosmetic Act of 1938. As of this date, federal authorities have not set regulations that govern the manufacturing, advertising, or sale of hemp products. However, the FDA has issued statements that declare that CBD products intended for human or pet consumption are illegal. The FDA’s position is that consumable CBD products, whether cannabis or hemp-derived, are untested “new drugs” and, thus are illegal for consumption until FDA approval. However, the FDA is taking strides to legalize consumable CBD products. On May 31, 2019, the FDA held the first stakeholder hearing to discuss the pathway to the potential legalization of consumable CBD products.

On March 9, 2019, a bill to advance the Secure and Fair Enforcement (SAFE) Banking Act, a landmark bill that would provide safe harbor and guidance to financial institutions that work with legal cannabis businesses, was introduced in the House by Colorado Federal congressperson Ed Perlmutter and was referred to the House Judiciary and Financial Services Committees. On March 28, 2019, the Financial Services Committee voted 45 to 15 to advance the bill to the full House. The bill had “broad bipartisan support”, and there were 152 cosponsors at the time of the committee vote – over a third of the entire House.

On May 8, 2019, Attorneys General of 33 states and five territorial attorneys sent a letter to congressional leaders, urging them to enact the SAFE Banking Act or other legislation that would expand banking access for marijuana companies. The new letter, led by Colorado Attorney General Phil Weiser, was joined by Attorneys General from Alaska, Arizona, Arkansas, California, Connecticut, Delaware, the District of Columbia, Guam, Hawaii, Illinois, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Nevada, New Jersey, New Mexico, New York, North Dakota, the Northern Mariana Islands, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, Utah, the US Virgin Islands, Vermont, Virginia, Washington, West Virginia and Wisconsin.

On July 10, 2019, the House Judiciary Subcommittee on Crime, Terrorism and Homeland Security gathered to debate marijuana reform, as lawmakers sought input on federal laws reform in a hearing titled “Marijuana Laws in America: Racial Justice and the Need for Reform.” Numerous members of Congress had indicated their intention to loosen US federal laws, and to even legalize marijuana. Despite the optimism, lawmakers did not appear to have a clear consensus on the best approach, such as whether to give States the right to legalize on their own, remove marijuana from Schedule 1 of the FCSA, legalize it or include promote social and racial equity in marijuana laws.

On September 25, 2019, the House voted in favor of the SAFE Banking Act. The historic vote was the first time that a standalone marijuana bill has come before the full House. The vote needed a two-thirds majority to pass and was supported by 321 votes in favor to 103 against. While the Company is pleased with the vote, which will help remedy the severe impact the lack of access to banking has had on the industry and the particular risks associated with operating in a largely cash-based industry, it would also urge the Senate to adopt similar banking protections and approve the Marijuana Opportunity Reinvestment and Expungement (MORE) Act which would remove cannabis from the FCSA and take steps to begin repairing the harms of the war on drugs.

On November 21, 2019, the House Judiciary Committee voted 24 to 10 in favor of passing the MORE Act of 2019. The bill would effectively put an end to cannabis prohibition in the US on the federal level by removing it from Schedule 1 of the FCSA, and past federal cannabis convictions would be expunged. Additionally, if fully passed, the law would allow the Small Business Administration to issue loans and grants to cannabis-related businesses and provide a green light for physicians in the Veterans Affairs system to prescribe medical cannabis to patients, as long as they abide by state-specific laws.

While the MORE Act has yet to be voted on by the full House, provisions of the SAFE Banking Act have been incorporated into the latest stimulus package passed by the House on May 15, 2020. The Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act is a \$3 trillion stimulus bill passed in response to the economic and health crisis caused by COVID-19.

On November 3, 2020, the US held its 2020 presidential election, and cannabis legalization was approved via ballot measures in four states: Arizona, Montana, South Dakota and New Jersey. Additionally, medical cannabis was legalized via ballot measures in Mississippi and South Dakota, which became the first state to legalize medical and recreational cannabis simultaneously. In total, 15 states and Washington, DC have legalized cannabis for adult-use over the age of 21, while 36 states have legalized cannabis for medical use.

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On January 20, 2021, Joseph R. Biden was sworn in as the 46<sup>th</sup> President of the U.S. On March 10, 2021, House Democrats voted 220 to 211 in favor of passing the American Rescue Plan (ARP) Act, a \$1.9 trillion coronavirus relief package, which is among the largest economic stimulus packages in U.S. history. The ARP Act was signed by President Biden on March 11, 2021. While cannabis companies will likely see increased sales resulting from this third round of federal stimulus payments in the U.S., some industry experts had claimed that cannabis companies may be ineligible for certain small business credit initiatives outlined in the relief package.

While newly appointed U.S. Attorney General Merrick Garland had previously commented that he would deprioritize enforcement of low-level cannabis crimes such as possession, and that federal reforms are closely tied to the larger issue of social justice for minorities, Attorney Garland has yet to offer further clarity on how he will enforce federal law or how to deal with states that have legalized medical or recreational cannabis. While bipartisan support is gaining traction on decriminalization and reform, there is no imminent timeline on any potential legislation. There is no guarantee that the Biden Presidential administration will not change its stated policy regarding the low-priority enforcement of U.S. federal laws that conflict with state laws.

**Any increase in the US federal government’s enforcement of current US federal law could cause adverse financial impact and remain a significant risk to the Company’s business, which could in turn have an impact on the Company’s operations or financial results. A change in its enforcement policies could impact the ability of the Company to continue as a going concern** (see “Risk Factors”).

*D. US Enforcement Proceedings*

The US Congress has passed appropriations bills each of the last three years that included the Rohrabacher Amendment Title: H.R.2578 — Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016 (“Rohrabacher-Blumenauer Amendment”), which by its terms does not appropriate any federal funds to the DOJ for the prosecution of medical cannabis offenses of individuals who are in compliance with state medical cannabis laws. Subsequent to the issuance of the Sessions Memorandum on January 4, 2018, the US Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (referred to in 2018 as the “Rohrabacher-Leahy Amendment”) and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the DOJ up and through the 2018 appropriations deadline of December 31, 2018. These protections were subsequently extended through December 7, 2018 as part of a short-term continuation of appropriations. Following the much-publicized shutdown of the US Federal Government, the Consolidated Appropriations Act of 2019 was signed into law on February 15, 2019 with the Joyce Amendment intact (Section 538).

On June 20, 2019, the House voted 267 in favor of, and 165 against, approving a broader amendment that in addition to protecting state medical cannabis programs also protected recreational use. On September 26, 2019, the Senate Appropriations Committee declined to take up the broader amendment but did approve the Rohrabacher–Farr Amendment for the 2020 fiscal year spending bill. On September 27, 2019, the Rohrabacher–Farr Amendment was renewed as part of a stopgap spending bill, in effect through November 21, 2019.

On December 20, 2019, the amendment was renewed through the signing of the “Fiscal Year 2020 spending legislation”, effective through to September 30, 2020. Former President Trump added a signing statement regarding the amendment similar to the ones he added in May 2017 and February 2019. In July 2020, a House subcommittee introduced a base appropriations bill with the amendment included. After the renewals of a series of stopgap spending bills, the amendment was renewed on December 27, 2020, through the signing of the Fiscal Year 2021 omnibus spending bill, effective through September 30, 2021.

US courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with applicable state law. However, because this conduct continues to violate US federal law, US courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the FCSA, any individual or business – even those that have fully complied with applicable state law – could be prosecuted for violations of US federal law. If Congress restores funding, the US federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the FCSA’s five-year statute of limitations.



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*E. Related Risks*

California Cannabis Law establishes a highly regulated system for all commercial cannabis activities in California. This system requires all commercial cannabis activity to be conducted by licensees who are subject to the laws and regulations of the system. The Company's Tinley-branded products will be produced by the Lakewood, which holds various licenses, including a Type 6 Manufacturing License. Because the Lakewood has a Type 6 Manufacturing License, Lakewood will be permitted to manufacture the Company's products in compliance with the Final BCC and CDPH Regulations. Lakewood relies on a variety of third-party licensees to obtain ingredients including but not limited to marijuana and distribute and sell the Company's products to authorized consumers. Each and every third-party licensee contracting with Lakewood is also subject to the stringent laws and regulations governing cannabis activities in California. In addition to fines, the penalties for non-compliance range from temporary 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. Change in California Cannabis Law – Regular changes in California Cannabis Law that may negatively impact the sale and production of the Tinley-branded products.
2. 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.
3. Taxes – Under Internal Revenue Code Section 280E, cannabis businesses are prohibited from deducting their ordinary and necessary business expenses, except for the “costs of goods sold” by cultivators. There is risk in that Company's operations may be required to pay tax on both proceeds received in connection with third-party manufacturing services and proceeds from the sale of the products to be paid out to clients as royalties, without the benefit of being able to deduct the payout of such royalties. 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.
4. Food and Drug Administration – The FDA does not permit or allow any statement that cannabis or cannabinoid, including CBD, is intended to treat or cure any disease. Research and scientific studies are underway throughout the US; however, no product may make statements of diagnosis, treatment, or cure for any disease without FDA approval. Further, the FDA has declared that consumable CBD products, whether cannabis or hemp-derived, are untested “new drugs” and, thus are illegal for consumption until FDA approval. The CDPH has followed the FDA's lead, stating that such consumable CBD products will not be legal in California until the FDA determines that CBD is safe for human or animal consumption or the California legislature determines otherwise.
5. 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.
6. 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.
7. License Issuance and Renewals – At this time, the Company is not licensed and only Lakewood has acquired licenses to conduct commercial cannabis manufacturing. There is no guarantee that Lakewood will obtain the required licenses for cannabis distribution or that the Acquisition Transaction will be approved by state and local regulators. Lakewood's licenses must be renewed annually and there is no guarantee that such license will be renewed each year.
8. Acquisition Transaction Closing - Lakewood is currently independently owned and operated utilizing the Tinley Resources, but is subject to the Acquisition Transaction. Although the only reason the Acquisition Transaction has not yet closed is due to Lakewood's pending cannabis license applications, there is a risk

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that the Acquisition Transaction is not approved by local or state regulators following its closing in which case the Company will still have control over Lakewood, but it would create significant risk to the status of Lakewood's license and ability to operate.

*F. Ability to Access Public and Private Capital*

Tinley has historically and continues to have access to both public and private capital in Canada in order to support its continuing operations. In addition, Tinley has established multiple banking relationships, notably with Echelon Wealth Partners ("Echelon") and Canaccord Genuity Group, Inc. ("Canaccord"). Echelon and Canaccord have completed multiple brokered and non-brokered financings for the Company in the past several years, and Tinley's Chief Executive Officer ("CEO") has over ten years of capital markets experience. Although the Company has accessed private and public financing in the past, there is neither a broad nor deep pool of institutional capital that is available to cannabis license applicants or holders. There can be no assurance that additional financing will be available to Tinley when needed or on terms which are acceptable.

*G. Operating Exposure*

The Company is currently launching operations in Canada. Previously, all of the Company's cannabis and non-cannabis-based operations were located within the State of California.

*H. Legal Advice, Compliance, and Potential Exposure*

The Company is monitoring compliance with California Laws 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 Lakewood will be able to maintain or remain in compliance with California or other state laws.

Moreover, even if Lakewood 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*

Until July 2020, the Company's involvement in the California cannabis industry was limited to enter into in IP licensing arrangement with the Prior Manufacturer for the production of Tinley-branded products. The Prior Manufacturer typically used cannabis purchased from third-party licensees in extracted forms, rather than cannabis cultivated under its own licenses, to manufacture the Company's products. The Prior Manufacturer also contracted directly with licensed cannabis distributors for distribution of the Company's products. The Prior Manufacturer also has a distribution license and distributed the Company's products. Cannabis manufacturing activity commenced in the Company's own facility in Long Beach, California upon this facility receiving a cannabis manufacturing license from the State of California, and the products continue to be distributed by third-party distributors. Through Lakewood, the Company continues to license its intellectual property for the production of Tinley-branded products at the Long Beach facility.

*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 indirectly involved in commercial cannabis manufacturing through providing the Tinley Resources to Lakewood for manufacturing at the Long Beach facility.

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

The CDPHMCSB lists Lakewood as a state license holder. On this basis, the Company is informed and believes that Lakewood “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 30, 2021, the Company has not received any notices of violation, denial, or non-compliance from any US authorities.

**IV. State-Level Overview**

Currently, Tinley’s US cannabis operations are limited to the State of California. The following sections present an overview of regulatory conditions for the marijuana industry in California.

*California*

California passed the first medical cannabis law in U.S., the California Compassionate Use Act (CUA), through Proposition 215 in 1996. The CUA created a legal defense to criminal prosecution for the use, possession, and cultivation of cannabis by patients with a valid physician’s recommendation. California then adopted Medical Marijuana Program Act (*aka* Senate Bill 420) in 2003, establishing not-for-profit medical cannabis patient collectives and retail dispensaries, a limited immunity from arrest for medical cannabis patients and collectives, and a voluntary patient ID card system.

In September of 2015, the California legislature passed three bills collectively known as the “Medical Cannabis Regulation and Safety Act” (“MCRSA”). The MCRSA establishes a licensing and regulatory framework for medical marijuana businesses in California. The system has multiple license types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies, and distributors. Edible infused product manufacturers will require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies will oversee different aspects of the program and businesses will require a State license and local approval to operate.

On November 8, 2016, California voted to approve the “Adult Use of Marijuana Act” (“AUMA”) to tax and regulate for all adults 21 years of age and older. In 1996, California was the first US state to pass a medical marijuana law allowing for a not-for-profit patient/caregiver system, but there was no State licensing authority to oversee businesses that emerged.

On June 27, 2017, the Legislature passed state Senate Bill No. 94, also known as the “Medicinal and Adult-Use Cannabis Regulation and Safety Act” (“MAUCRSA”), which amalgamated the MCRSA and AUMA frameworks to provide a single uniform statute governing both medical and adult-use cannabis businesses, and authorizing the adoption of regulations, a licensing regime, and state taxes for cannabis businesses in the state. On November 16, 2017, the state introduced initial “emergency” regulations proposed by the BCC (within the California Department of Consumer Affairs), the Manufactured Cannabis Safety Branch (within the California Department of Public Health (“MCSB”)) and CalCannabis (within the California Department of Food and Agriculture (“CalCannabis,”) and together with the BCC and MCSB, the “Licensing Agencies”), which were ultimately adopted. The regulations built on MCRSA and AUMA and reinforced compliance with local laws as a prerequisite to compliance with the state regulations. On January 1, 2018, the new state regulations took effect, and the first legal adult-use cannabis businesses opened in California.

To operate legally under state law, cannabis operators must obtain a state license and local approval. Local authorization is a prerequisite to obtaining state licensure, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The state license approval process is not competitive and there is no limit on the number of state licenses an entity may hold. Although vertical integration across multiple license types is allowed under MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a laboratory license. There are also no residency requirements for ownership under MAUCRSA.

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In March 2019, lawmakers in California had proposed State Senate Bill 51, which is designed to help cannabis businesses that have been shut out from the traditional banking system. Cannabis businesses has dealt predominantly in cash due to continued federal banking restrictions that make it nearly impossible for them to have bank accounts with federally chartered financial institutions. There had also been efforts underway at the federal level to pass legislation that would allow banks to serve cannabis-related businesses without the risk of being prosecuted. The proposed measure would allow private banks or credit unions to apply for a limited-purpose state charter so they can provide depository services to licensed cannabis businesses. California’s legal marijuana industry is struggling to compete with the black market and is facing challenges that include banking access and high taxes.

In May 2019, Attorney General Becerra, along with 37 other state and territorial attorneys, had sent a letter to congressional leaders, urging them to enact the SAFE Banking Act or other legislation that would expand banking access for marijuana companies. To the knowledge of the Company’s management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in California.

On August 6, 2019, the California DOJ released the “Guidelines for the Security and Non-Diversion of Cannabis Grown for Medicinal Use” to clarify the state’s laws governing medicinal cannabis, specifically those related to the enforcement, transportation, and use of medicinal cannabis. The Guidelines come after significant changes in state law on recreational cannabis use. The revised guidelines include:

- A summary of applicable laws.
- Guidelines regarding individual qualified patients and primary caregivers.
- Best practices for the recommendation of cannabis for medical purposes.
- Enforcement guidelines for state and local law enforcement agencies; and
- Guidance regarding collectives and cooperatives.

On October 12, 2019, California Governor Gavin Newsom signed several cannabis-related bills that, among other things, are designed to bolster minority participation in the industry, ensure labor peace and institute a vaporizer cartridge labeling requirement, and including one that will let legal businesses take advantage of more tax deductions. He also vetoed another measure that would have allowed some patients to use medical cannabis in health care facilities. A summary of the cannabis bills enacted into law include:

- Senate Bill 595 requires the State to implement a program by January 1, 2021, that defers or waives license application and licensing or renewal fees for qualified “needs-based” applicants. This is a social equity provision to boost minority participation in the industry.
- Assembly Bill 1529 requires adding a universal symbol no smaller than a quarter inch-by-quarter inch on all cannabis vaporizer cartridges. The symbol must be engraved, affixed with a sticker, or printed in black or white.
- Assembly Bill 1291 strengthens an existing provision for marijuana businesses by requiring applicants with 20 or more employees to provide a notarized statement that they will enter into and abide by the terms of a labor peace agreement.
- Assembly Bill 858 clarifies some requirements for “specialty cottage” growers with a maximum 2,500 sq. ft. of canopy.
- Senate Bill 34 allows marijuana retailers to provide free products to medical patients that meet certain criteria. Such was a common industry practice until new regulations went into effect in 2018.

Governor Newsom also signed a bill, Assembly Bill 37, that allows cannabis business owners to deduct business expenses at the state level, something that remains illegal federally.

In response to the rapid spread of COVID-19, on March 19, 2020, Governor Newsom issued Executive Order N-33-20 directing all residents immediately to stay home and remain sheltered, except as needed to maintain continuity of operations of essential critical infrastructure sectors and additional sectors as the State Public Health Officer (“SPHO”) may designate as critical to protect the health and well-being of all Californians. In accordance with this order, the SPHO designated a list of Essential Critical Infrastructure Workers to help state, local, tribal, and industry partners as they work to protect communities, while ensuring continuity of functions critical to public health and safety, as well

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as economic and national security. Cannabis workers were included in this essential designation list under the Healthcare/Public Health and Food and Agriculture Sectors. In addition, cannabis operations were also deemed essential and encouraged to remain open under the various shelter-in-place orders issued by local county health officers as well.

To the knowledge of the Company's management, there have not been any additional statements or guidance made by US federal authorities or prosecutors regarding the risk of enforcement action in California.

California has implemented a robust regulatory system designed to ensure, monitor, and enforce compliance with all aspects of a cannabis operator's licensed operations. Compliance with local law is a prerequisite to obtaining and maintaining state licensure, and all three state regulatory agencies require confirmation from the locality that the operator is operating in compliance with local requirements and was granted authorization to continue or commence commercial cannabis operations within the locality's jurisdiction. With manufacturing by Lakewood now taking place in the Company's facility in Long Beach, the Company has implemented robust systems to ensure, monitor and enforce compliance of personnel that enter and engage in cannabis manufacturing activity in this facility.

Below is an overview of some (cultivation licenses excluded) of the principal license types (each license type can be an "A" for adult-use only, or an "M" medical only):

- Type 6: authorized to manufacture cannabis products using mechanical or non-volatile solvent extractions.
- Type 7: authorized to manufacture cannabis products using volatile solvent extractions.
- Type N: authorized to manufacture cannabis products (other than extracts or concentrates) using infusion processes - but does not conduct extractions.
- Type P: authorized to only package or repackage cannabis products or relabel the cannabis product container.
- Type S: authorized to conduct manufacturing activities in accordance with certain "shared-use" regulations at a registered shared-use facility.
- Type 8: authorized to test the chemical composition of cannabis and cannabis products.
- Type 9: authorized to conduct retail cannabis sales exclusively by delivery.
- Type 10: authorized to sell cannabis goods to customers.
- Type 11: authorized to transport and store cannabis goods purchased from other licensed entities, and sell them to licensed retailers, and is responsible for laboratory testing and quality assurance to ensure packaging and labeling compliance.
- Type 13: authorized to transport cannabis goods between licensed cultivators, manufacturers, and distributors.

*A. Zoning and Land Use Requirements*

Commercial cannabis license applicants are required to comply with all local zoning and land use requirements and provide written authorization from the property owner where the commercial cannabis operations are proposed to take place, which must dictate that the applicant has the property owner's authorization to engage in the specific state-sanctioned commercial cannabis activities proposed to occur on the premises.

*B. Record-Keeping and Continuous Reporting Requirements*

California's state license application process additionally requires comprehensive criminal history, regulatory history, financial and personal disclosures, coupled with stringent monitoring and continuous reporting requirements designed to ensure only good actors are granted licenses and that licensees continue to operate in compliance with the State regulatory program.

*C. Operating Procedure Requirements*

Commercial cannabis license applicants must submit standard operating procedures describing how the operator will, among other requirements, secure the facility, manage inventory, transport cannabis, comply with the State's seed-to-sale tracking requirements, dispense and/or delivery cannabis, and handle waste, as applicable to the license sought. Once the standard operating procedures are determined compliant and approved by the applicable state regulatory

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agency, the licensee is required to abide by the processes described and seek regulatory agency approval before any changes to such procedures may be made. Licensees are additionally required to train their employees on compliant operations and are only permitted to transact with other legal and licensed businesses.

*D. Site-Visits & Inspections*

Any licensee manufacturing or transporting Tinley-branded products will not be able to obtain or maintain state licensure, and thus engage in commercial cannabis activities in the State of California without satisfying and maintaining compliance with state and local law. As a condition of state licensure, operators must consent to random and unannounced inspections of the commercial cannabis facility as well as all of the facility’s books and records to monitor and enforce compliance with state law. Many localities have also enacted similar standards for inspections, and the state has already commenced site-visits and compliance inspections for operators who have received state temporary or annual licensure.

The following represents the portion of certain assets on the Company’s consolidated statements of financial position that pertain to US cannabis activity as of December 31, 2020:

<b>Statement of Financial Position Items</b>	<b>Percentage (%) which related to holdings with US marijuana-related activities</b>
Cash	7%
Accounts receivable	16%
Inventories	65%
Prepaid expenses	24%
Capital assets	0%
Right-of-use assets	0%
Long-term security deposits	0%

Tinley has looked at all its holdings that are based in the US and given that none of these holdings have any Canadian operating activity, Tinley’s full investment in such entities was included in its assets. Readers are cautioned that the foregoing financial information, though extracted from the Tinley’s financial systems that support its audited consolidated financial statements, has not been audited in its presentation format and accordingly is not in compliance with IFRS based on consolidation principles.

**4. 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:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sales	304,167	85,128	36,597
Operating loss	(7,668,304)	(7,401,583)	(3,701,121)
Net loss	(7,687,970)	(7,392,122)	(3,660,906)
Loss per share – basic	(0.069)	(0.075)	(0.042)
Loss per share – diluted	(0.069)	(0.073)	-
Total assets	11,434,683	13,901,946	6,812,613
Total liabilities	2,826,248	3,348,396	299,499
Total shareholders’ equity	8,608,435	10,553,550	6,513,114

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**Selected Quarterly Financial Results**

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

	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Q2 2020</b>	<b>Q1 2020</b>
	\$	\$	\$	\$
Sales	61,127	34,628	34,747	173,665
Operating loss	(2,168,613)	(2,453,747)	(1,139,430)	(1,906,514)
Net loss	(2,168,822)	(2,446,443)	(1,111,235)	(1,961,470)
Loss per share – basic	(0.069)	(0.022)	(0.010)	(0.018)
Loss per share – diluted	(0.069)	(0.020)	(0.010)	(0.018)
Working capital	1,746,575	1,355,577	2,282,030	1,736,731

  

	<b>Q4 2019</b>	<b>Q3 2019</b>	<b>Q2 2019</b>	<b>Q1 2019</b>
	\$	\$	\$	\$
Sales	62,463	21,664	769	232
Operating loss	(1,881,633)	(1,869,642)	(1,923,430)	(1,726,878)
Net loss	(1,887,309)	(1,858,000)	(1,922,323)	(1,724,490)
Loss per share – basic	(0.019)	(0.019)	(0.020)	(0.018)
Loss per share – diluted	(0.019)	(0.019)	(0.019)	(0.017)
Working capital	3,007,551	4,219,021	7,187,317	3,254,714

**Three Months ended December 31, 2020<sup>1</sup>**

*Results of operations*

For the three months ended December 31, 2020 (“Q4 2020”), the Company generated sales of \$61,127, as compared to sales of \$62,463 for the three months ended December 31, 2019 (“Q4 2019”). This reflects the unavailability of the Company’s infused products from the end of Q1 through the full Long Beach commissioning in Q4, coupled with the COVID-19 restrictions that also began impacting sales during the same period. The sales recorded in the respective Q4 were primarily from Tinley’s infused and non-infused beverage products.

For Q4 2020, the Company had total operating expenses of \$2,060,474, as compared to \$1,909,357 in Q4 2019. The comparative increase in operating expenses is from increases general and administrative costs (“G&A”; see detailed breakdown below) that included increases in payroll pertaining to hires related to Long Beach bottling operations, for the next generation of infused products and non-infused production efficiency needed for sale at an expanded number of retailers. Production and product expansion also drive an increase in administrative and professional fees to support compliance and buildout costs. These G&A costs were offset by a decrease in occupancy costs from the closure of the Phase 2 production facility in anticipation of the move into the Phase 3 facility in Long Beach and a decrease in travel. In summary, for Q4 2020, the Company incurred total G&A expenses of \$921,707 (Q4 2019 – \$740,508), comprised primarily of:

- Professional fees of \$324,986 (Q4 2019 – \$155,182).
- Payroll and salaries of \$237,906 (Q4 2019 – \$191,709).
- Consulting and management fees of \$184,090 (Q4 2019 – (\$13,190)).
- General office expenses of \$79,211 (Q4 2019 – \$182,140).
- Interest on lease obligations of \$54,722 (Q4 2019 – \$53,031).
- Occupancy costs of \$25,782 (Q4 2019 – \$117,911); and
- Travel and promotional expenses of (\$1,831) (Q4 2019 – \$53,727).

<sup>1</sup> For comparative purposes, certain prior period balances have been reclassified in order to conform to the current presentation. There has been no change to prior period losses or adjustment to deficit as a result of these reclassifications. Namely the balances for depreciation of property and equipment expenses and the depreciation on right-of-use of assets have been reclassified out of the general and administrative costs and are now classified as a stand-alone items on the statements of loss and comprehensive loss.

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Other operating expense variances from non-cash items include a large increase in depreciation of property and equipment \$256,312 in Q4 2020 (Q4 2019 – \$205,454), as well as decrease in depreciation of right-of-use (“ROU”) assets \$156,579 (Q4 2019 – \$165,231), and share-based payments \$358,427 in Q4 2020 (Q4 2019 – \$212,367) related to vesting of stock options.

The Company incurred product development expense of \$117,762 (Q4 2019 – \$68,569), as the Company continues to formulate improved versions of its products and to expand beverage options for the consumer market.

The Company incurred sales and marketing expenses of \$226,495 (Q4 2019 – \$494,387), as the Company continues to market its Tinley beverage products across several mediums and as well as introducing its Beckett's Tonics to the traditional beverage market. Operating costs also included certain sales and marketing efforts to support the Company's transition to more scaled operations.

Net loss for the three months ended December 31, 2020 was \$2,191,341 (\$0.020 per share on a basic basis and \$0.55 per share on diluted basis), as compared to a net loss of \$1,887,309 (\$0.23 per share on a basic and \$0.24 per share on a diluted basis) for Q4 2019.

*Cash flows*

Net cash flows used in operating activities for Q4 2020 was \$1,816,371, as compared to net cash flows used in operations of \$964,567 in Q4 2019. The increase net cash used in operations is due to an increase in net loss for the period offset in part, by increases in other non-cash items including depreciation on property and equipment and ROU assets and unrealized foreign exchange loss. As noted above, the net loss from operations was primarily the result of certain increase G&A including professional fees, payroll related to increase in production facility in Long Beach.

Net cash flows provided by financing activities in Q4 2020 was \$1,661,228 (Q4 2019 – net cash flows used in financing activities of \$1,362,118), which consisted of (i) net proceeds of \$1,000,035 from the first tranche of the December Private Placement (less cash commissions and finders' fees of \$70,002.45 paid to the agents); and (ii) net proceeds of 1,016,021 from the second tranche of the December Private Placement (less cash commissions and finders' fees of \$71,121.49 to the agents). The cash inflows were primarily offset by lease payments made on the Long Beach facility.

Net cash used in investing activities in Q4 2020 was \$939,110 (Q4 2019 – \$443,229), primarily purchases of property and equipment, offset from proceeds received in redemption of investment during the quarter.

**Year ended December 31, 2020 <sup>2</sup>**

*Results of operations*

For the year ended December 31, 2020, the Company generated total sales of \$304,167, as compared to sales of \$85,128 for the year ended December 31, 2019. The substantial increase in sales in the current period is a direct result of the launch of the Beckett's™ non-infused products as well as Q1 sales of its infused products prior to decommissioning of the “Phase 2” production line.

For the year ended December 31, 2020, the Company incurred total operating expenses of \$7,552,919, as compared to \$7,371,429 in the comparative period in 2019. The increase in operating expenses in the current year is primarily due to increases in depreciation of property and equipment. For the year ended December 31, 2020, \$1,019,522 (2019 – \$387,863) was recorded as a result of the first full year of use at the Phase 3 facility. The product development cost of \$418,587 in 2020 (2019 – \$218,502) related to the development of new products and flavors, as well as commissioning of the Phase 3 Long Beach facility. G&A costs for the year ended December 31, 2020 were \$3,410,383 (2019 – \$3,297,827) with the increase offset in part by a decrease in sales and marketing expenses which were \$802,208 in 2020 (2019 – \$1,062,704), as well as decrease in share-based payments \$1,274,212 (2019 – \$1,383,623)

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<sup>2</sup> For comparative purposes, certain prior period balances have been reclassified in order to conform to the current presentation. There has been no change to prior period losses or adjustment to deficit as a result of these reclassifications. Namely the balances for depreciation of property and equipment expenses and the depreciation on right-of-use of assets have been reclassified out of the general and administrative costs and are now classified as a stand-alone items on the statements of loss and comprehensive loss.



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For the year ended December 31, 2020, the Company incurred total G&A expenses of \$3,410,383 (2019 – \$3,297,661), comprised primarily of:

- Payroll and salaries of \$871,260 (2019 – \$637,592).
- General office expenses of \$799,533 (2019 – \$775,115).
- Professional fees of \$733,964 (2019 – \$503,394).
- Consulting and management fees of \$499,932 (2019 – \$307,549).
- Interest on lease obligations of \$251,876 (2019 – \$313,466).
- Occupancy costs of \$211,913 (2019 – \$545,703); and
- Travel and promotional expenses of \$41,905 (2019 – \$214,841).

Net loss for the year ended December 31, 2020 was \$7,689,970 (\$0.069 per share on a basic and diluted basis), as compared to a net loss of \$7,392,122 (\$0.069 per share on a basic basis, and \$0.069 per share on a diluted basis) for the comparative period in 2019.

#### *Cash flows*

Net cash flows used in operating activities for the year ended December 31, 2020 was \$4,551,617 (2019 – \$4,549,490). The higher net cash used in operations is due primarily to the increase of amortization on property and equipment of \$1,019,522 (2019 – \$429,015). Share base payments were \$1,274,212 (2019 – \$1,383,623). The Company also has \$59,696 in unearned revenue (2019 – \$nil) for prepaid sales.

Net cash flows provided by financing activities for year ended December 31, 2020 was \$3,677,415 (2019 – \$9,327,258), which consisted of total funds raised \$4,906,057 from the June 30, 2020, August 31, 2020, November 23, 2020 and December 8, 2020 private placements. In connection to the private placements, cash commissions and finders' fees of \$355,500 were paid in aggregate. The cash inflows were partially offset by lease payments on the Long Beach facility of \$716,318. In the comparative period in 2019, the Company raised total funds of \$10,941,264 from two tranches from a non-brokered private placement financing. In connection to the financing, cash commissions and finders' fees of \$768,771 were paid in connection to the financings. The inflow of funds was partially offset by lease payments of \$875,892 (2019 – \$845,235) on the Long Beach facility.

Net cash flows provided by investing activities for the year ended December 31, 2020 was \$600,857 (2019 – net cash flows used of \$5,882,667) primarily from proceeds from redemptions of some of the Company's fixed-income securities for \$974,992, which was offset by additions of leasehold improvements at the Long Beach facility, required for operations and retrofitting of the Long Beach facility.

#### **Liquidity and Capital Resources**

As at December 31, 2020, the Company had working capital of \$1,746,575, as compared to working capital of \$3,007,551 as at December 31, 2019.

As at December 31, 2020, the Company had total accessible cash and liquid investment assets of \$2,258,526 (December 31, 2019 – \$3,613,297) available for working capital and other operational purposes, comprised of \$2,258,526 in cash and cash equivalents (December 31, 2019 – \$2,614,342) and short-term investments in fixed-income securities valued at \$nil (December 31, 2019 – \$998,955).

The Company continually monitors its capital resources to assess the liquidity necessary to fund operations and future strategy. As at December 31, 2020, the Company had a cash and cash equivalents balance of \$2,258,526 (2019 - \$2,614,342). The Company incurred a net loss of \$7,872,787 (2019 - \$7,375,304) and negative cash flows from operations of \$4,551,616 (2019 – \$4,566,308) for the year ended December 31, 2020 and, as of that date, the Company had a deficit in the amount of \$45,660,155 (2019 - \$37,970,185).

During the year ended December 31, 2020, the Company had a net usage in cash and cash equivalents of \$273,345 (2019 – \$1,104,899). Cash used in operating activities was \$4,551,617 (2019 - \$4,566,304). Cash provided in

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investing activities was \$600,875 (2019 - \$(5,882,667)), which included purchases of property and equipment. Cash provided by financing activities was \$3,677,415 (2019 - \$9,327,285), which included proceeds from private placements of \$4,906,057 (2019 - \$10,941,264).

The Company anticipates it will require additional funding to finance future growth and expansion of production capacity, and to expand marketing awareness for the Company’s brands and products. The Company has historically financed its working capital requirements primarily through equity and debt financings. The Company’s ability to continue as a going concern is dependent upon being able to sell cannabis and non-cannabis products and brands and thus, its ability to commence profitable operations, generate revenues there from and raise additional financing as needed to meet its obligations. While the Company has been successful in raising financing in the past, there is no assurance that it will be able to successfully obtain additional financing as needed. These factors cast significant doubt on the ability to continue as a going concern.

All of the Company’s current 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 period-end.

**5. Key Management Compensation and Related Party Transactions**

*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 for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
	\$	\$
Short-term employee benefits, including salaries and consulting fees	<b>897,840</b>	714,056
Share-based compensation	<b>897,365</b>	989,675
	<b>1,720,359</b>	1,703,731

- (i) For the year ended December 31, 2020, the Company incurred consulting fee expenses with the CEO of \$156,000 (2019 – \$156,000). On November 16, 2020, the CEO received 910,500 Common Shares through the exercise of options at a price of \$0.11 per share. The gross proceeds of \$100,500 were settled as an additional compensation for the CEO.
- (ii) For the year ended December 31, 2020, the Company incurred consulting fees with the former Chief Financial Officer (“CFO”) of \$74,400 (2019 – \$83,600).
- (iii) For the year ended December 31, 2020, the Company incurred wage expenses with Rick Gillis of approximately \$323,598 (USD \$240,000) (2019 – \$318,415) for services rendered. As at December 31, 2020, no balance was owed to Mr. Gillis (December 31, 2019 – \$10,239 for an overpayment due to foreign exchange difference from the February 20, 2019 non-brokered private placement of 600,000 Common Shares at a price \$0.46 per share, for gross proceeds of \$276,000.
- (iv) For the year ended December 31, 2020, the Company incurred consulting fee expenses with the Acting Chief Operating Officer (“Acting COO”), who is also a director of the Company, of \$143,921 (2019 – \$nil) for services rendered. As at December 31, 2020, no amount (December 31, 2019 – \$nil) was owed to the Acting COO for compensation on services rendered and was included in accounts payable and accrued liabilities.
- (v) For the year ended December 31, 2020, the Company incurred consulting fee expenses with a director, Ted Zittell, considered to be part of key management of \$156,000 (2019 – \$156,000) for services rendered. As at December 31, 2020, an amount of \$6,500 (December 31, 2019 – \$6,500) incurred to this director was included in accounts payable and accrued liabilities.
- (vi) For the year ended December 31, 2020, the Company incurred legal fees with an entity controlled by one of the directors who is considered to be part of key management of \$3,919 (2019 – \$nil).

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*Other related party transactions*

(vii) For the year ended December 31, 2020, directors who are not part of key management received stock-based compensation of \$189,618 (2019 – \$262,017).

**6. Financial Risk Management**

*Fair value*

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

*Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Cash is held with reputable Canadian and US chartered banks and in various liquid guaranteed interest-bearing instruments which are closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments is minimal. The maximum exposure to credit risk at period-end is limited to the accounts receivable balance. No expected credit losses ("ECL") has been recorded as at December 31, 2020.

*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, 2020, the Company had a cash and cash equivalents balance of \$2,258,526 (December 31, 2019 – \$2,614,342) as well as liquid short-term investments of \$nil (December 31, 2019 – \$998,955) to settle current liabilities of \$1,676,371 (December 31, 2019 – \$1,475,391). Management believes there is sufficient capital in order to meet short-term business obligations, after taking into consideration the cash flows requirements from operations and its cash position as at the reporting date.

The undiscounted contractual maturity of all financial liabilities is as follows:

	<b>Total</b>	<b>Within 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>
	\$	\$	\$	\$
Accounts payable and accrued liabilities	933,181	933,181	-	-
Lease payable	2,220,010	852,069	1,235,942	-
<b>Total</b>	<b>3,153,191</b>	<b>1,785,250</b>	<b>1,235,942</b>	<b>-</b>

*Market risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to market risk on future cash flows through its short-term investments indexed to S&P/TSX Composite. Had the value of the market increased or decreased by 1%, the return would change by approximately \$nil, respectively.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any instruments subject to interest rate risk as at December 31, 2020.

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*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, the Company had the following assets and liabilities in USD:

	2020	2019
	\$	\$
Cash	132,714	220,942
Trade receivables	11,331	17,804
Prepaid expense	133,567	121,751
Prepaid expense - LT	106,210	106,210
Inventories	402,534	461,261
Lease – right-of-use assets	1,161,005	1,641,422
Property and equipment	6,115,686	5,834,767
Trade and other payables	(508,402)	(594,967)
Lease obligation	(1,639,970)	(2,295,088)
<b>Net exposure to USD</b>	<b>5,914,674</b>	<b>5,514,102</b>

Had the value of the USD increased or decreased by 1%, the net loss and comprehensive loss would have increased or decreased by USD \$59,147 (December 31, 2019 – USD \$55,141), respectively, as a result of this exposure.

## 7. 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 of Directors ("Board") of the Company 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, 2020, the Company considers its capital to be share capital, reserve for share-based payments, reserve for warrants, and reduced by accumulated deficit and accumulated other comprehensive loss, totaling \$8,608,435 (December 31, 2019 – \$10,553,550).

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 for the year ended December 31, 2020.

## 8. 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 estimated costs of completion and estimated costs

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necessary to make the sale) using the "weighted average cost" method. Cost comprises all costs of purchase, and other costs incurred in bringing the inventories to their present location and condition.

*Revenue from Contracts with Customers*

Revenue is recognized at the transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer. Net revenue from sale of goods, as presented in the consolidated statements of loss and comprehensive loss, represents revenue from the sale of goods less expected price discounts.

The Company's contracts with customers for the sales of cannabis-infused beverages consist of one performance obligation. The Company has concluded that revenue from the sale of these products should be recognized at the point in time when control is transferred to the customer, which is on shipment or delivery, depending on the contract.

The Company's payment terms vary by customer types. Typically, payment is due 30 days after the transfer of control.

*Property and Equipment*

Property and equipment are carried at cost less accumulated amortization and impairment losses. Cost includes the acquisition costs or construction costs, as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and amortized separately.

Amortization is computed using the straight-line method based on the estimated useful life of the assets and commences when title and ownership have transferred to the Company, and is readily available for its intended use. The residual value, useful life and amortization methods are reviewed at the end of each reporting period. Such a review takes into consideration the nature of the asset, the intended use and impact of technological changes. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of capital assets. Subsequent costs are included in the asset carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Amortization is recorded on a straight-line basis as follows:

- Machinery and equipment: 10 years
- Leasehold improvements: Straight-line over the term of the lease
- Vehicles: 5 years

*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

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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 for 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 for 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 for the year.

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 ("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.

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.

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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.

As at December 31, 2020 and 2019, the Company had no material provisions.

Financial Instruments

Financial assets and financial liabilities, including derivatives, are recognized on the statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial instruments in the following measurement categories: (a) those to be measured subsequently at fair value through profit or loss ("FVTPL"); (b) those to be measured subsequently at fair value through other comprehensive income ("FVTOCI"); and (c) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at FVTPL, gains and losses are recorded in profit and loss.

The Company reclassifies financial assets when its business model for managing those assets changes. Financial liabilities are not reclassified.

Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely principal and interest ("SPPI") criterion. Financial asset classified in this category are measured at amortized cost using the effective interest method.

Expected credit loss impairment model

IFRS 9 'Financial Instruments' introduced a single ECL impairment model, which is based on changes in credit quality since initial application. The adoption of the ECL impairment model had resulted in a provision of ECL recorded on the Company's consolidated statements of loss and comprehensive loss.

- A maximum 12-month allowance for ECL is recognized from initial recognition reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring.
- A lifetime ECL allowance is recognized if a significant increase in credit risk is detected subsequent to the instruments initial recognition reflecting lifetime cash shortfalls that would result over the expected life of a financial instrument.
- A lifetime ECL allowance is recognized for credit impaired financial instruments.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts.

FVTPL

This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category would also include debt

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instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in profit or loss.

FVTOCI

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in FVTOCI instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at FVTOCI are initially measured at fair value and changes therein are recognized in other comprehensive income (loss).

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (loss) (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income (loss).

The Company's classification of financial assets and liabilities is summarized below:

	<b>Classification</b>
Cash	Amortized cost
Short-term investments	FVTPL
Security deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease payable	Amortized cost

Derecognition

*Financial assets*

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of loss and comprehensive loss.

*Financial liabilities*

The Company derecognizes financial liabilities only when its obligation under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.



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Fair value hierarchy

The determination of fair value requires judgment and is based on market information, where available and appropriate. 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.
- 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); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

*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 (“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 profit or loss.

Translation of foreign operations

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

Leased Assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company then recognizes a right-of-use asset (“RUA”) and a lease liability at the lease commencement date. The RUA is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the RUA or the lease term using the

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straight-line method. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if there is a change in future lease payments arising from a change in an index or rate, or if the Company changes its assessment whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, the amount of the remeasurement is recognized as a corresponding adjustment to the carrying amount of the RUA, or is recorded in profit or loss if the carrying amount of the RUA has been reduced to zero.

*Adoption of New Accounting Standards*

The Company adopted the following amendments and new standards effective January 1, 2020:

IAS 1 '*Presentation of Financial Statements*' ("IAS 1") and IAS 8 '*Accounting Policies, Changes in Accounting Estimates and Errors*' were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The Company had assessed there was no significant impact on its consolidated financial statements, as a result of the adoption of these amendments.

*Recent Accounting Pronouncements*

At the date of authorization of these consolidated financial statements, the IASB and the IFRIC have issued the following amendments which are effective for annual periods beginning on or after January 1, 2021:

In January 2020, the IASB issued amendments to IAS 1 which clarify the requirements for classifying liabilities as either current or non-current by: (i) specifying that the conditions which exist at the end of the reporting period determine if a right to defer settlement of a liability exists; (ii) clarifying that settlement of a liability refers to the transfer to the counterparty of cash, equity instruments, other assets or services; (iii) clarifying that classification is unaffected by management's expectation about events after the balance sheet date; and (iv) clarifying the classification requirements for debt an entity may settle by converting it into equity. The amendments clarify existing requirements, rather than make changes to the requirements, and so are not expected to have a significant impact on an entity's financial statements. However, the clarifications may result in reclassification of some liabilities from current to non-current or vice-versa, which could impact an entity's loan covenants. Because of this impact, the IASB has provided a longer effective date to allow entities to prepare for these amendments. In July 2020, the IASB issued an amendment to defer the effective date of the amendments by one year from its originally planned effective date to annual periods beginning on or after January 1, 2023 due to the impact of COVID-19. Early application is permitted.

In May 2020, the IASB issued amendments to update IAS 37 '*Provisions, Contingent Liabilities and Contingent Assets*' ("IAS 37"). The amendments specify that in assessing whether a contract is onerous under IAS 37, the cost of fulfilling a contract includes both the incremental costs and an allocation of costs that relate directly to contract activities. The amendments also include examples of costs that do, and do not, relate directly to a contract. These amendments are effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted.

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**Disclosure of Outstanding Share Data as at April 26, 2021**

	<b>Authorized</b>	<b>Outstanding</b>
Voting or equity securities issued and outstanding	Unlimited Common Shares	124,002,266 Common Shares
Securities convertible or exercisable into voting or equity shares		Stock Options to acquire up to 14,980,000 Common Shares of the Company, and Warrants to acquire up to 26,468,216 Common Shares of the Company. Broker compensation options to acquire up to 2,082,804 Common Shares and broker warrants to acquire 1,627,076 Common Shares of the Company.

*Significant Accounting Judgments and Estimates*

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

Going concern

At the end of each reporting period, management exercises judgment in assessing the Company’s ability to continue as a going concern by reviewing its performance, resources and future obligations.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. Judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

Expected credit losses on financial assets

Determining an allowance for ECL for all debt financial assets not held at FVTPL requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management’s judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

Determination of cash generating units

For the purpose of impairment testing, assets that cannot be tested individually are grouped at the lowest levels for which there are largely independent cash inflows. The Company determines which groups of assets (each a “Cash-Generating Unit” or a “CGU”) can generate cash flows that are largely independent of other operations within the Company. Management exercises judgment in assessing where active markets exist including an analysis of the degree of autonomy each operation has in negotiating prices with customers. The Company has identified each product line as a separate CGU, based on the nature of the business and the assessment that the CGUs generate.

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Impairment

Long-lived assets except indefinite life intangible assets and goodwill, including property and equipment, are reviewed for indicators of impairment at each reporting period or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Income taxes

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

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

Share-based payment transactions and warrants

The Company measures the cost of equity-settled transactions with officers and directors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, dividend yield of the share option and forfeiture rate. Similar calculations are made in order to value warrants. Such judgments and assumptions are inherently uncertain. Changes in these assumptions will affect the fair value estimates.

**Off-Balance Sheet Arrangements**

As at December 31, 2020 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.

**Contingencies**

Although the possession, cultivation, and distribution of cannabis for recreational and medical use is permitted in California, cannabis is a Schedule-I controlled substance and its use remains a violation of federal law in the US.

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations in that specific state or local jurisdiction. While management of the Company believes that the Company is in compliance with applicable local and state regulations as at December 31, 2020, cannabis regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties, or restrictions in the future.

Norm Wilson & Sons, Inc. ("Wilson"), the contractor of record for the Company's Long Beach facility, filed claim against ICC Turnkey, Inc. ("ICC"), the engineers of the Long Beach facility, to the Superior Court of California,

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County of Los Angeles, on July 1, 2020, alleging ICC has unpaid fees owing to Wilson of approximately US\$325,000. While the Company does not have a contract with Wilson, nor does it believe it has any legal liability in connection with this claim, Wilson has named both the Company and the Company's landlord as defendants. The Company entered into a fixed price contract with ICC for completion of its bottling facility at Long Beach, California. Under the terms of the Company's agreement with ICC, the Company is not responsible for cost overruns related to this project, making the unpaid amounts the responsibility of ICC. Accordingly, ICC has agreed to not charge the Company any additional fees, including fees for final commissioning, until this matter is settled between ICC and Wilson.

### **Subsequent Events**

#### *Option grants*

On January 18, 2021, the Company granted 1,500,000 options to a consultant at an exercise price of \$0.42 per Common Share for a period of seven years. The options vesting terms (a) January 18, 2021, 125,000 options, (b) 125,000 options on March 31, June 30, September 30 and December 31 of each calendar year until all options are fully vested.

On January 27, 2021, the Company granted 2,400,000 options to a number of its employees and consultants of the Company. The options are exercisable at an exercise price of \$0.41 per Common Share for a period of five years. The options vest immediately.

On February 24, 2021, the Company granted 400,000 options to a number of its employees at an exercise price of \$0.47 per Common Share for a period of five years. The options vest quarterly over two years until fully vested.

On March 2, 2021, the Company granted 200,000 options to a consultant at an exercise price of \$0.48 per Common Share for a period of five years. The options vest quarterly over two years until fully vested.

On March 9, 2021, the Company granted 300,000 options to a consultant at an exercise prices of \$0.50 for 100,000, \$0.60 for 100,000 and \$0.70 for 100,000 respectively. The options vest immediately.

#### *Expiration of options*

On April 10, 2021, 300,000 options exercisable at a price of \$0.70, expired unexercised.

#### *Financings*

On March 31, 2021, the Company closed a non-brokered private placement offering raising gross proceeds of \$850,000 through issuance of 2,125,000 Units at a price of \$0.40 per unit. Each Unit is comprised of one common share one Warrant. Each Warrant is exercisable into one common share at a price of \$0.50 for a period of 36 months from closing. In connection with the private placement, the Company paid cash commissions of \$61,693 to the Agents. In addition, 154,232 Broker Warrants were issued as compensation to the Agents, to acquire Units for a period of 36 months from the closing date at an exercise price of \$0.40 per Unit. Each Broker Warrant entitles the Agents to acquire one common share and one Warrant, exercisable into one common share at \$0.50 for a period of 36 months from the closing date.

## **9. Risk Factors**

The Company faces exposure to risk factors and uncertainties relating to its business that could significantly negatively impact the Company's operations and financial results. Additional risks and uncertainties not presently known to the Company or currently deemed immaterial by the Company may also impair the Company's operations. If any such risks actually occur, shareholders of the Company could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of the Company could also be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected. The following is a summary of significant business risk factors related to the business of the Company:

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*US federal laws pertaining to cannabis*

**Cannabis is illegal under US federal laws and enforcement of relevant laws is a significant risk.** The business operations of the Company are dependent on state laws pertaining to the marijuana industry. Continued development of the marijuana industry is dependent upon continued legislative authorization of marijuana at the state level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt legal manufacture and sale of marijuana, which would negatively impact the business of the Company.

The concepts of “medical marijuana” and “retail marijuana” do not exist under US federal law. The FCSA classifies “marijuana” as a Schedule I drug. Under US federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the US, and a lack of safety for the use of the drug under medical supervision. As such, marijuana-related practices, or activities, including without limitation, the manufacture, importation, possession, use or distribution of marijuana are illegal under US federal law. Strict compliance with state laws with respect to marijuana will neither absolve the Company of liability under US federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company.

Violations of any US federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the US federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect, and as a result the Company, including their reputation and ability to conduct business, their holdings (directly or indirectly) of medical cannabis licenses in the US, and the listing of their securities on various stock exchanges, their financial position, operating results, profitability or liquidity or the market price of their publicly-traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

As of the date of this MD&A, 36 states, plus the District of Columbia, Puerto Rico and Guam allow their residents to use medical marijuana. Voters in the States of Alaska, Arizona, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Montana, Nevada, New Jersey, Oregon, South Dakota, Vermont, and Washington have approved and have implemented or are implementing regulations to legalize cannabis for adult use. The state laws are in conflict with the FCSA, which makes marijuana use and possession illegal on a national level. The Obama administration had previously made numerous statements indicating that it is not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical marijuana. However, there is no guarantee that the Trump administration will not change the government’s stated policy regarding the low-priority enforcement of federal laws and decide to enforce the federal laws to the fullest extent possible. Any such change in the federal government’s enforcement of current federal laws could cause significant financial damage to the Company and its stockholders, including the potential exposure to criminal liability.

The constant evolution of laws and regulations affecting the marijuana industry could detrimentally affect the Company’s operations. Local, state, and federal medical marijuana laws and regulations are broad in scope and subject to changing interpretations. These changes may require the Company to incur substantial costs associated with legal and compliance fees and ultimately require the Company to alter its business plan. Furthermore, violations of these laws, or alleged violations, could disrupt the business of the Company and result in a material adverse effect on operations. In addition, the Company cannot predict the nature of any future laws, regulations, interpretations, or applications, and it is possible that regulations may be enacted in the future that will be directly 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’

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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 and access to capital markets will be 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 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.

*Reliance on third-party suppliers, manufacturers, distributors and contractors*

Due to the uncertain regulatory landscape for regulating cannabis in Canada and the US, Tinley's third-party suppliers, manufacturers, distributors, and contractors may elect, at any time, to decline or withdraw services necessary for Tinley's operations. Loss of these suppliers, manufacturers, distributors, and contractors may have a material adverse effect on the Company's business and operational results. The Company is dependent on a number of key inputs and their related costs, including raw materials and supplies related to the Company's operations, as well as electricity, water and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the Company's financial condition and operating results. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the Company's business, financial condition and operating results.

*Reliance on securing agreements with Licensed Producers*

The regulatory framework in most States restricts the Company from obtaining a License to grow, store and sell marijuana products. As such, the Company relies on securing agreements with Licensed Producers in the targeted

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jurisdictions that have been able to obtain a License with the appropriate regulatory authorities. Failure of a Licensed Producer to comply with the requirements of their License or any failure to maintain their License would have a material adverse impact on the business, financial condition, and operating results of the Company. Should the regulatory authorities not grant a License or grant a License on different terms unfavorable to the Licensed Operators, and should the Company be unable to secure alternative Licensed Operators, the business, financial condition and results of the operation of the Company would be materially adversely affected.

If the US federal government changes its approach to the enforcement of laws relating to marijuana, the Company would need to seek to replace those tenants with non-marijuana tenants, who would likely pay lower rents. It is likely that the Company would realize an economic loss on its capital acquisitions and improvements made to its capital assets specific to the marijuana industry, and the Company would likely lose all or substantially all of its investments in the markets affected by such regulatory changes.

The Company has advanced, and may continue to advance, significant funds to potential sellers in the form of promissory notes, which the Company may not be able to collect if the sellers fails to profitably operate its business. There is no assurance that any or all of the amounts loaned will be recovered by the Company.

#### *Regulation*

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

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. The Company cannot predict the nature of any future laws, regulations, interpretations, policies, or applications, nor can it determine what effect additional governmental regulations or administrative interpretations or procedures, when and if promulgated, could have on the Company's operations. Changes to such laws, regulations, and guidelines due to matters beyond the control of the Company may cause adverse effects to the production of the Tinley branded products.

Local, state, and federal laws and regulations governing marijuana for medicinal and adult use purposes are broad in scope and are subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's business.

#### *US Federal Laws*

The business operations of the Company are dependent on State laws pertaining to the marijuana industry. Continued development of the marijuana industry is dependent upon continued legislative authorization of marijuana at the State level. Any number of factors could slow or halt progress in this area. Further, progress, while encouraging, is not assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt legal manufacturer and sale of marijuana, which would negatively impact the business of the Company.

The concepts of "medical marijuana" and "retail marijuana" do not exist under US federal law. The FCSA classifies "marijuana" as a Schedule I drug. Under US federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the US, and a lack of safety for the use of the drug under medical supervision. As such, marijuana-related practices, or activities, including without limitation, the manufacture, importation, possession, use or distribution of marijuana are illegal under US federal law. Strict compliance with State laws with respect to



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marijuana will neither absolve the Company of liability under US federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company.

Violations of any US federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the US federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect, and as a result the Company, including their reputation and ability to conduct business, their holdings (directly or indirectly) of medical cannabis licenses in the US, and the listing of their securities on various stock exchanges, their financial position, operating results, profitability or liquidity or the market price of their publicly-traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

At present, 36 states, the District of Columbia, Puerto Rico and Guam allow their residents to use medical marijuana as of the date of this MD&A. Voters in the states of Alaska, Arizona, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Montana, Nevada, New Jersey, Oregon, South Dakota, Vermont and Washington have approved and have implemented or are implementing regulations to legalize cannabis for adult use. The state laws are in conflict with the FCSA, which makes cannabis use and possession illegal at the federal level. The Obama administration has previously made numerous statements indicating that it is not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by state-designated laws allowing the use and distribution of medical cannabis. However, there is no guarantee that current Biden Presidential administration will not change the federal government's stated policy regarding the low priority enforcement of federal laws and decide to enforce the federal laws to the fullest extent possible. Any such change in the U.S. federal government's enforcement of current federal laws could cause significant financial and operational damage to the Company and its stockholders, including the potential exposure to criminal liability.

The constant evolution of laws and regulations affecting the marijuana industry could detrimentally affect the Company's operations. Local, state, and federal medical marijuana laws and regulations are broad in scope and subject to changing interpretations. These changes may require the Company to incur substantial costs associated with legal and compliance fees and ultimately require the Company to alter its business plan. Furthermore, violations of these laws, or alleged violations, could disrupt the business of the Company and result in a material adverse effect on operations. In addition, the Company cannot predict the nature of any future laws, regulations, interpretations, or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to the business of the Company.

*Risk of civil asset forfeiture*

Because the cannabis industry remains illegal under US federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or were purchased using the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

*Anti-money laundering laws and regulations*

The Company is subject to a variety of laws and regulations domestically and in the US that involve money laundering, financial recordkeeping and proceeds of crime, including the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), Sections 1956 and 1957 of U.S.C. Title 18 (the Money Laundering Control Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, as amended and the rules and regulations thereunder, the *Criminal Code (Canada)* and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the US and Canada.

In the event that any of the Company's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the US were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to

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declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while there are no current intentions to declare or pay dividends on the Common Shares in the foreseeable future, in the event that a determination was made that the Company’s proceeds from operations (or any future operations or investments in the US) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

*Local regulation could change and negatively impact on the Company’s operations*

Most US states that permit cannabis for adult-use or medical use provide local municipalities with the authority to prevent the establishment of medical or adult-use cannabis businesses in their jurisdictions. If local municipalities where the Company or its Licensed Operators have established facilities decide to prohibit cannabis businesses from operating, the Company or its Licensed Operators could be forced to relocate operations at great cost to the Company, and the Company or its Licensed Operators may have to cease operations in such State entirely if alternative facilities cannot be secured.

*There are risks associated with removal of US Federal Budget Rider Protections*

The US Congress has passed appropriations bills each of the last three years that included the Rohrabacher Amendment Title: H.R.2578 — Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016 (“Rohrabacher-Blumenauer Amendment”), which by its terms does not appropriate any federal funds to the DOJ for the prosecution of medical cannabis offenses of individuals who are in compliance with state medical cannabis laws. Subsequent to the issuance of the Sessions Memorandum on January 4, 2018, the US Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (referred to in 2018 as the “Rohrabacher-Leahy Amendment”) and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the DOJ up and through the 2018 appropriations deadline of December 31, 2018. These protections were subsequently extended through December 7, 2018 as part of a short-term continuation of appropriations. Following the much-publicized shutdown of the US Federal Government, the Consolidated Appropriations Act of 2019 was signed into law on February 15, 2019 with the Joyce Amendment intact (Section 538).

On June 20, 2019, the House voted 267 in favor of, and 165 against, approving a broader amendment that in addition to protecting state medical cannabis programs also protected recreational use. On September 26, 2019, the Senate Appropriations Committee declined to take up the broader amendment but did approve the Rohrabacher–Farr Amendment for the 2020 fiscal year spending bill. On September 27, 2019, the Rohrabacher–Farr Amendment was renewed as part of a stopgap spending bill, in effect through November 21, 2019.

On December 20, 2019, the amendment was renewed through the signing of the “Fiscal Year 2020 spending legislation”, effective through to September 30, 2020. President Trump added a signing statement regarding the amendment similar to the ones he added in May 2017 and February 2019. In July 2020, a House subcommittee introduced a base appropriations bill with the amendment included. On October 1, 2020, the amendment was renewed through the signing of a stopgap spending bill, effective through December 11, 2020.

US courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with applicable state law. However, because this conduct continues to violate US federal law, US courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the FCSA, any individual or business – even those that have fully complied with applicable State law – could be prosecuted for violations of US federal law. If Congress restores funding, the US federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the FCSA’s five-year statute of limitations.

*Regulation that may hinder the Company’s ability to establish and maintain bank accounts*

On September 26, 2019, the 116 US Congress passed H.R. 1595 – SAFE Banking Act of 2019, the first time in history that either chamber has approved a standalone cannabis reform bill. This bill generally prohibits a federal banking regulator from penalizing a depository institution for providing banking services to a legitimate marijuana-related business. Specifically, the bill prohibits a federal banking regulator from (i) terminating or limiting the deposit insurance or share insurance of a depository institution solely because the institution provides financial services to a legitimate marijuana-related business; (ii) prohibiting or otherwise discouraging a depository institution from offering financial services to such a business; (iii) recommending, incentivizing, or encouraging a depository

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institution not to offer financial services to an account holder solely because the account holder is affiliated with such a business; (iv) taking any adverse or corrective supervisory action on a loan made to a person solely because the person either owns such a business or owns real estate or equipment leased or sold to such a business; or (v) penalizing a depository institution for engaging in a financial service for such a business.

As specified by the bill, a depository institution or a Federal Reserve bank shall not, under federal law, be liable or subject to forfeiture for providing a loan or other financial services to a legitimate marijuana-related business.

The Government Accountability Office must report on (i) access to financial services for minority-owned and women-owned marijuana-related businesses; and (ii) the effectiveness of suspicious-transaction reports at finding engagement with organized criminal activity in jurisdictions that allow the cultivation, sale, or distribution of marijuana. The bill was received in the Senate on September 26, 2019 and has been referred to the Committee on Banking, Housing, and Urban Affairs.

Notwithstanding that a majority of states have legalized medical marijuana, and the US Congress's passage of SAFE, there has been no change in US federal banking laws related to the deposit and holding of funds derived from activities related to the marijuana industry. Given that US federal law provides that the production and possession of cannabis is illegal under the FCSA, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the marijuana industry. To date, fewer than 800 banks and credit unions in the US offer financial services to the cannabis industry. Consequently, businesses involved in the marijuana industry often have difficulty accessing the US banking system and traditional financing sources. The inability to open bank accounts with certain institutions may make it difficult to operate the businesses of the clients and leaves their cash holdings vulnerable.

The US federal prohibitions on the sale of marijuana may result in Licensed Operators being restricted from accessing the US banking system and they may be unable to deposit funds in federally insured and licensed banking institutions. While the Company does not anticipate dealing with banking restrictions directly relating to its business, banking restrictions could nevertheless be imposed due to the Company's banking institutions not accepting payments from Licensed Operators. Licensed Operators at times do not have deposit services and are at risk that any bank accounts they have could be closed at any time. Such risks increase costs to the Company and Licensed Operators. Additionally, similar risks are associated with large amounts of cash at these businesses. These businesses require heavy security with respect to holding and transport of cash, whether or not they have bank accounts.

In the event that financial service providers do not accept accounts or transactions related to the marijuana industry, it is possible that Licensed Operators may seek alternative payment solutions, including but not limited to crypto currencies such as Bitcoin. There are risks inherent in crypto currencies, most notably its volatility and security issues.

If the industry were to move towards alternative payment solutions and accept payments in crypto currency the Company would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

*Lack of access to US bankruptcy protections*

Because the use of cannabis is illegal under federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Company was to experience a bankruptcy, there is no guarantee that US federal bankruptcy protections would be available to the Company's US operations, which would have a material adverse effect on the Company, its lenders and other stakeholders.

*Heightened scrutiny by Canadian regulatory authorities*

The Company's existing operations in the US, and any future operations or investments, 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 or invest in the US or any other jurisdiction, in addition to those described herein.

It had been reported in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis

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issuers that have investments in the US. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income, and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the US, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the CSA and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSXV. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the US. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the US. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the Company's shares are listed on a stock exchange, it would have a material adverse effect on the ability of shareholders to make and settle trades. In particular, the Company's shares would become highly illiquid until an alternative was implemented, investors would have no ability to effect a trade of the shares through the facilities of the applicable stock exchange.

*Regulatory scrutiny of the Company's interests in the US*

For the reasons set forth above, the Company's interests in the US cannabis market, and future licensing arrangements, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies 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 carry on its business in the US.

*US border crossing*

Investors in the Company and the Company's directors, officers and employees may be subject to travel and entry bans into the US. Recent media articles have reported that certain Canadian citizens have been rejected for entry into the US due to their involvement in the cannabis sector.

The majority of persons travelling across the Canadian and US border do so without incident, whereas some persons are simply barred entry one time. The US Department of State and the Department of Homeland Security have indicated that the US has not changed its admission requirements in response to the pending legalization in Canada of adult-use cannabis, but anecdotal evidence indicates that the US may be increasing its scrutiny of travelers and their cannabis related involvement.

Admissibility to the US may be denied to any person working or "having involvement in" the cannabis industry, according to US Customs and Border Protection. Inadmissibility in the US implies a lifetime ban for entry as such designation is not lifted unless an individual applies for and obtains a waiver. If any of the Company's directors, officers or other service providers from Canada are denied entry into the US, such action may have a material adverse effect on the Company's operations and finances.

*Travel restrictions associated with COVID-19*

The transmission of COVID-19 and efforts to contain its spread have recently resulted in international, national and local border closings, travel restrictions, significant disruptions to business operations, supply chains and customer activity and demand, service cancellations, reductions and other changes, and quarantines, as well as considerable general concern and uncertainty.

The overall severity and duration of COVID-19 related impacts on the Company will depend on future developments which cannot currently be predicted, including directives of government and public health authorities, the speed at which suppliers and logistics providers can return to full production, the status of labor availability, the ability to staff operations and facilities, and the impact of supplier prioritization of order backlogs. Even after the COVID-19 outbreak has subsided, the Company may continue to experience material adverse effects to its businesses as a result of the global economic impact of COVID-19, including any related economic recession or retraction, as well as

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lingering impacts on demand for, or oversupply of, our products, our suppliers, third-party service providers and/or customers.

*Taxes*

US federal prohibitions on the sale of cannabis may result in the Company not being able to deduct certain costs from its revenue for US federal taxation purposes if the Internal Revenue Service ("IRS") determines that revenue sources of the Company are generated from activities which are not permitted under US federal law. Section 280E of the Internal Revenue Code of 1986 prohibits businesses from deducting certain expenses associated with trafficking-controlled substances (within the meaning of Schedule I and II of the FCMA). The IRS has invoked Section 280E in tax audits against various cannabis businesses in the US that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses.

*Illegal drug dealers could pose threats*

Currently, there are many drug dealers and cartels that cultivate, buy, sell, and trade cannabis in the US, Canada and worldwide. Many of these dealers and cartels are violent and dangerous, well financed and well organized. It is possible that these dealers and cartels could feel threatened by legalized cannabis businesses such as those with whom the Company does business and could take action against or threaten the Company, its principals, employees and/or agents and this could negatively impact the Company and its business.

*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 third-party service providers*

Third party service providers to the company may withdraw or suspend their service to the Company under threat of prosecution. Since under US federal law the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law, companies that provide goods and/or services to companies engaged in cannabis-related activities may, under threat of federal civil and/or criminal prosecution, suspend or withdraw their services. Any suspension of service and inability to procure goods or services from an alternative source, even on a temporary basis, that causes interruptions in the Company's operations could have a material and adverse effect on the Company's business.

*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 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.

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- 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 cannabis, which faces significant restrictions on use and distribution under the FCSA, the Company was not sourcing any derivatives from cannabis 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 cannabis under the FCSA, 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.

With respect to the Company's sales of hemp-derived CBD products in California, the Company understands that the Food and Drug Branch ("FDB") of the CDPH has also begin taking enforcement action against companies selling CBD products in certain instances. On July 6, 2018, the FDB published a Frequently Asked Questions document ("FAQ"), which expressed California's concern about the safety of human and animal consumption of hemp-derived CBD food products. The FAQ provides that, until the FDA affirmatively rules that hemp-derived CBD is approved to be used as a food product ingredient, or California makes its own affirmative safety determination relative to consumption of such hemp derived CBD food products, California would take a similar position as the FDA and designate hemp-derived CBD as an unapproved food additive.

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 cannabis derivative and, therefore, a Schedule I drug. Currently, the definition of "cannabis" in the FCSA 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 FCSA 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

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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 or other appropriate regulatory exemptions. The Company is monitoring changes to Canada's regulations with respect to both medical and adult-use 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

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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. 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.

*Potential FDA regulation*

Should the US federal government legalize cannabis, it is possible that the FDA, would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If the Company is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on the Company's business, operating results, and financial condition.

*The Company may be vulnerable to unfavorable publicity or consumer perception*

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products.

Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy, and quality of cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise hindering market growth and state adoption due to inconsistent public opinion and perception of the medical-use and adult-use cannabis industry. Public opinion and support for medical and adult-use cannabis has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical cannabis as opposed to legalization in general).

*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 labor, equipment, parts, and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labor, 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.

*Liability for activity of employees, contractors and consultants*

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims or regulatory enforcement actions against the Company. The cannabis industry is under strict scrutiny. Failure to comply with relevant laws could result in fines, suspension of licenses and civil or criminal action being taken against the Company. Consequently, the Company is subject certain risks, including that employees, contractors and consultants may inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition of the Company.



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*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.

*Uninsurable risks*

The medical and retail cannabis business is subject to several risks that could result in damage to or destruction of properties or facilities or cause personal injury or death, environmental damage, delays in production and monetary losses and possible legal liability. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not currently have any insurance policies covering its properties or the operation of its business and any liabilities that may arise as a result any of the above noted risks may cause a material adverse effect on the financial condition of the Company.

*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.

*Internal controls*

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations, or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and materially adversely affect the trading price of the Company's shares.

*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.

*Foreign currency exchange rates*

Exchange rate fluctuations may adversely affect the Company's financial position and results. It is anticipated that a significant portion of the Company's business will be conducted in the US using USD. The Company's financial results are reported in CAD and costs are incurred primarily in USD in its Cannabis Cultivation Segment. The depreciation of CAD against USD could increase the actual capital and operating costs of the Company's US operations and materially adversely affect the results presented in the Company's audited consolidated financial statements.

*The market price of securities is volatile and may not accurately reflect the long-term value of the Company*

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of Common Shares or warrants to sell their securities at an advantageous price. Market price fluctuations in the Common Shares and warrants may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market

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conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Common Shares and warrants.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares and warrants may decline even if the Company's investment results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in investment values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the shares and warrants may be materially adversely affected.

*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.

*Negative publicity or consumer perception may affect the success of our business*

The success of the cannabis industry may be significantly influenced by the public's perception of cannabis. Both the medical and adult-use use of cannabis are controversial topics, and there is no guarantee that future scientific research, publicity, regulations, medical opinion, and public opinion relating to cannabis will be favorable. The cannabis industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical and adult-use cannabis is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion (whether or not accurate or with merit) relating to the consumption of cannabis, whether in Canada, the US or elsewhere, may have a material adverse effect on our operational results, consumer base and financial results. Among other things, such a shift in public opinion could cause State jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could identify potential acquisition opportunities.

*Certain events or developments in the cannabis industry more generally may impact the Company's reputation*

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. Cannabis has often been associated with various other narcotics, violence and criminal activities, the risk of which is that our business might attract negative publicity. There is also risk that the action(s) of other participants, companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact the reputation of the Company. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to the Company and its activities, whether true or not and the cannabis industry in general, whether true or not. The Company does not ultimately have direct control over how it or the cannabis industry is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its business strategy and realize on its growth prospects, thereby having a material adverse impact on the Company.

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*Disruption of business*

Conditions or events including, but not limited to, those listed below could disrupt the Company’s operations, increase operating expenses, resulting in delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, “Public Health Crises, including COVID-19”); (iii) political instability, social and labour unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

*Public health crises*

The Company’s business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond our control, including the current outbreak of COVID-19. On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a global health emergency. Many governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines, and a general reduction in consumer activity. While these effects are expected to be temporary, the duration of the business disruptions and related financial impact cannot be reasonably estimated at this time.

Such public health crises can result in volatility and disruptions in the supply and demand for various products and services, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect interest rates, credit ratings, credit risk, inflation and, as a result, demand for our end customers’ products and our operating results. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak.

At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company’s business, results of operations and financial condition. The Company expects to experience some short to medium term negative impacts from the COVID-19 outbreak; however, the extent of such impacts is currently unquantifiable, but may be significant. Such impacts include, with respect to its operations, its suppliers’ operations and its customers’ operations, forced closures, mandated social distancing, isolation and/or quarantines, impacts of declared states of emergency, increased government regulation, public health emergency and similar declarations and could include other increased government regulations, reduced sales, and potential supply and staff shortages, all of which are expected to negatively impact the business, financial condition and results of operations of the Company and thus may impact the ability of the Company to comply with financial covenants, satisfy its obligations to its lenders and other parties, which may in turn may adversely impact, among other things, the ability the Company to access debt or equity capital on acceptable terms or at all.

The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown of operations in the Company’s stores. Should an employee or visitor in any of the Company’s stores or workplaces become infected with a serious illness that has the potential to spread rapidly, this could place the Company’s workforce at risk. The Company takes every precaution to strictly follow industrial hygiene and occupational health guidelines and applicable health authority recommendations.

*Data breaches and privacy law*

The Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws. The Company has previously provided medical cannabis to patients and maintains patient records. Due to the sensitive nature of this information, the Company could be found liable if a breach of security at its facility resulted in the theft, loss, or mishandling of electronic data. If such a breach did occur, the Company could be liable for fines, penalties and for any third-party liability which could result in a material adverse effects to the financial or operating condition of the Company.

*Information technology systems and cyber attacks*

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The Company's operations depend in part on how well it protects networks, equipment, and information technology systems and software against damage from a number of threats, including but not limited to cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as preemptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component thereof could, depending on the nature of such failure, adversely impact the Company's reputation, results of operations, and financial condition. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other factors, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

*Ability to obtain and retain licenses and permits*

The Company may not be able to obtain and/or retain all necessary California state licenses and permits, which could, among other things, delay or prevent the Company from becoming profitable. The Company's lines of business are reliant on the issuance of required licenses. Failure to acquire or retain necessary licenses required to operate could have a material adverse effect on its financial or operating condition. Due to the nature of licensing, which is at the discretion of state and local governments, it is outside of the Company's control, and therefore it is not possible to assure that the Company will receive the licenses it seeks or requires.

*Difficult to forecast demand*

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry in Canada and the US. A failure in the demand for its products to materialize as a result of competition, technological change, market acceptance or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

*Disruption of business*

Conditions or events including, but not limited to, those listed below could materially disrupt the Company's and other industry participant's, supply chains, interrupt operations, increase operating expenses, and thereby result in loss of sales, delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, drought, tsunami, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including COVID-19, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness; (iii) political instability, social and labor unrest, riot, insurrection, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road. The extent to which COVID-19 or any other contagious disease impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of this or any other outbreak and the actions to contain those outbreaks or treat its impact, among others.

## **10. 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 the described under the heading "Risk Factors" in this MD&A and 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

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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.

**Disclosure of Internal Controls over Financial Reporting**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements; and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. In contrast to non-venture issuers, this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”). In particular, management is not making any representations relating to the establishment and maintenance of: controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

**11. Management's Responsibility for Financial Information**

Management is responsible for all information contained in this report. The 2020 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 2020 Financial Statements in all material aspects.

The Audit Committee has reviewed the Company's 2020 Financial Statements and this MD&A with management. The Board of the Company has approved the 2020 Financial Statements and this MD&A on the recommendation of the Audit Committee.

**April 26, 2021**

*(signed) “Jeffrey Maser”*

Jeffrey Maser  
Chief Executive Officer