THE TINLEY BEVERAGE COMPANY INC.

Management's Discussion and Analysis

For the three and nine months ended September 30, 2023

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THE TINLEY BEVERAGE COMPANY INC.
Management's Discussion and Analysis of Financial Condition and Results of Operations
For the three and nine months ended September 30, 2023

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's" or the "Company") for the three and nine months ended September 30, 2023. It is supplemental to and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2023 and 2022 and the Company's audited consolidated financial statements for the year ended December 31, 2022. The 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 November 28, 2023. 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's" or "we" refers to Tinley's and its subsidiaries.

This discussion contains forward-looking statements that are not historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to Tinley's future results as there are inherent difficulties in predicting future results. This MD&A includes, but is not limited to, forward-looking statements. Management considers the assumptions on which these forward-looking statements are based to be reasonable at the time the statements were prepared. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. Additional information relevant to Tinley's activities, including Tinley's press releases can be found on SEDAR at www.sedar.com.

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

Tinley's was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated October 26, 2007. Tinley's, through its subsidiaries manufactured a line of liquor-inspired, non-alcoholic, cannabis-infused beverages for use in California, United States ("US"), through its cannabis-licensed subsidiaries at its Long Beach, California facility ("Long Beach Facility"). The Company closed and exited from the Long Beach Facility on August 31, 2023. At the Long Beach Facility, the Company also manufactured cannabis-infused beverages for contract manufacturing clients. Through non-cannabis licensed third-party contract manufacturers, the Company also produces a line of liquor-inspired, non-alcoholic, non-cannabis-infused beverages, which are distributed and sold at non-cannabis-licensed retail locations in the US. The Company's common shares are listed on the Canadian Securities Exchange under the trading symbol "TNY" and on the OTCQB under the trading symbol "TNYBF".

The address of the Company's registered office is 181 Bay Street, Suite 1800, Toronto, Ontario, M5J 2T9, Canada.

The Company has two primary beverage product lines, both sharing a common set base of drink ingredients and identical flavour profiles following reformulation in 2022, undertaken to optimize taste profiles and reduce supply chain and production complexity:

(i)the liquor- and cocktail-inspired, Tinley's™ Tonics and Tinley's™ '27 lines of products, infused with cannabis, was produced by the Company at the Long Beach Facility. These products have been distributed and sold to licensed dispensaries in California through the Company's exclusive distribution partner, Sulo Distro, and were relaunched in the direct-to-consumer channel through Sulo Distro's partnership with Grassdoor; and

(ii) The Beckett's Tonics® and Beckett's '27® lines of non-cannabis-non-alcoholic spirits and cocktails, the non-infused foundation formulas of the cannabis infused beverages, relaunched following reformulation into distribution at Total Wine & More's 250 retail locations across 28 states, with ongoing re-orders and production. The Beckett's program is also sold at select HEB locations in Texas. Following the success of the US relaunch, the Company will consider opportunities to profitably manufacture and distribute the reformulated Beckett's products in Canada.

2. Business Overview

Q3 2023 Business Development Highlights

On September 19, 2023, the Company announced that it had executed a stock purchase agreement with its Long Beach landlord, Unlimited, LLC, who had agreed to acquire all of the shares of Lakewood Libations Inc. ("Lakewood") in exchange for certain concessions in rent. The sale of Lakewood, which holds the manufacturing and distribution licenses, will be completed upon the satisfaction of certain conditions.

The Company also announced that it had completed contracted third-party production in August and had subsequently vacated its Long Beach facility. It has relocated and is in the process of re-commissioning its bottling assets to its strategic partner BLH's Canoga Park, California facility. Absent any unexpected delays, management is hopeful that the Canoga Park facility will be fully operational by the end of Q4 of this year.

The Company added that a relaunch of its infused SKUs under a new Beckett's infused brand is planned to coincide with new production to be scheduled at the facility in Canoga Park, California.

The Company further announced that it retained the services of Beverage Equipment Traders to offer for sale certain other production assets that were not part of the plans for relocation to Canoga Park, California.

The Company also congratulated its strategic partner, Blaze Life Holdings, on the hiring of its new chief executive officer, Shreyas Balakrishnan, former Anheuser Busch senior executive and recent president of Cutwater Spirits.

The Company additionally announced that it is now sourcing additional contract manufacturers and distributors for its Beckett's non-infused products, to produce products in relative proximity to the accounts' 'ship to' locations, in order to reduce response time and freight costs and to gain the ability to manage reserve inventory of finished goods through new favourable distributor and warehousing relationships.

The Company also confirmed that until such time that the Canoga Park, California, facility is operational, the Company's income and cash flow will remain significantly constrained. Management has undertaken and is currently negotiating payment plans with the Company's past-due vendors and may seek to raise capital through strategic private placements.

On October 27, 2023, The Tinley Beverage Company Inc. announced that it had settled legal action threatened by the Company's former CEO. In exchange for receiving a full and final release from the former CEO releasing the Company, its officers, directors, employees, and agents of any and all claims, the Company agreed to the former CEO retaining 1.5 million common shares of 3 million common shares previously designated as performance shares, the criteria for which were not met, and returning the remaining 1.5 million common shares to the Company. The former CEO returned 1.5 million shares to the Company, which have now been cancelled from treasury.

Retail Growth Strategy

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

Beginning in 2018, the Company has pursued a multi-phase growth strategy producing own-brand cannabis infused products under licence at licensed manufacturers prior to the move to and commissioning of the Long Beach Facility. The Company worked with national brand spirit formulators for several years on developing non-alcoholic versions of popular spirits, liqueurs and cocktails.

The Company planned and executed against the growth strategies and cost savings initiatives listed below, enabled by the new capital received in June 2022 from BLH and through the Management Services Agreement entered into between Tinley's and BLH which accelerated and solidified improvements in capability and productivity at Long Beach, and began to drive reductions in overhead. The benefits of the Company's collaboration with BLH have included:

- the ability to share engineering, operations, support services and third-party resources with BLH and its divisions, and
- the plan to relocate bottling assets to BLH's Canoga Park facility, and
- transfers to Beverage Equipment Traders for sale by consignment of the balance of the Long Beach Facility's production-related assets not required in Canoga Park, and
- managing the transfer of key Long Beach Facility co-pack brand clients to new agreements for production by BLH's licensee in Canoga Park, Delta Bev, to ensure continued bottle line top-line revenue to the Company, and referral fees, as negotiated in our Manufacturing Services Agreement with BLH and its licensees (the "MSA"), to help ensure that the Company's Long Beach Facility brand clients will produce on the bottle and can line and other manufacturing assets at Canoga Park, and
- the work undertaken to drive as much production through the Long Beach facility as practical, and to mange its closing, and
- the anticipated US $1mm savings in overhead following exit from Long Beach, and
- focus on operations and direction of resources towards operations improvements to accelerate revenue growth through increasing productivity, enabling higher levels of carbonation required to produce to the specification of certain leading brand clients, and to find efficiencies to reduce operating costs. The Company continues to believe that it is important to post increasing revenue by quarter, driving efficiency and reducing overhead to achieve cash-flow positive growth and become profitable as a going concern. Tinley's revenue continued to increase through Q3 as (i) its list of co-packing clients and their repeat production volumes grew, and as new clients were introduced by BLH for production at Long Beach, and (ii) as Tinley's own-brand products relaunch in California next year with revised formulations, formats and branding, and (iii) as Beckett's non-infused non-alcoholic US sales continue to accelerate, and
- infused product relaunch, planning and forecasting for production of new segment-targeted SKU's rebranded as Beckett's (infused) in new formats, to build in-stock positions and for immediate sale of product to our distributor Sulo Distro, the Company will benefit from SuLo's purchase terms, and its expanding sales and delivery footprint with growing dispensary coverage throughout California, and
- working with SuLo through the relaunch, the Company intends to seek and support retailers who are organized and equipped to sell beverages as high-velocity SKUs following proven beverage category best practices for brand introduction, new product trial, and sell-through. Programs at multi-store operators can be deployed at lower cost than servicing many independent operators. In these locations, the Company expects to be able to engage in deeper in-store merchandising, display, promotion and traffic-building initiatives in collaboration with SuLo and the retailer to drive trial and order velocity, and
- focus on direct-to-consumer delivery. The Company will work with SuLo through the relaunch to identify and participate in efficient, state-wide delivery/direct to consumer solutions to attract new consumers and add convenience to existing consumers with the right mix of infused products for each segment, and
- reformulation to simplify ingredients batching and production and relaunch as Beckett's brand. The Company completed reformulation with a US-based development and flavour provider at no direct cost to the Company. The brief specified reducing complexity of the ingredients required to produce

its infused and non-infused products from a single, simplified ingredient base. The reformulation has allowed the Company to relaunch its full lineup of eight Beckett's uninfused SKU's, including Beckett's Tonics® in 4-packs of cans, at Total Wine & More, and to and pursue additional opportunities at retail chains and to the on-premises trade (bars and restaurants). The reformulation has also reduced the reported Stevia aftertaste and has brought the flavours even closer to the target beverage alcohol product taste experience, and

- with beverage production at BLH's Delta Bev facility in Canoga Park, CA expected to begin by the end of Q4 2023; planning for the relaunch of infused SKUs under the new consolidated Beckett's brand will follow. This new production will benefit from the simplified supply chain and reduced production complexity. This relaunch of the infused range is expected to include a selection of
    - higher-dose ready-to-drink cocktail-type products to address the industry-acknowledged preferences of traditional dispensary customers including 25 mg infused RTD products in 12 oz resealable sleek cans, and
    - mini bottles of the non-carbonated '27 infused spirits and liqueurs drinks, to drive trial and impulse sales at checkout, and
    - Other formats including the current micro-dose infused products, will be scheduled against distribution and market demand opportunities, and
- opportunities for Tinley's infused brand sales at licensed consumption lounges, and brand experience activations at compliant private events in California, are being explored and will be pursued as they continue to present themselves through emerging state and local regulation.

<u>Beckett's Tonics® and Beckett's '27® Non-Alcoholic Spirits and Cocktails</u>

The Company's current Beckett's brand "no alch" products are the base beverage formulations of the infused products produced in California and previously branded as Tinley's™ Tonics and Tinley's™ '27. Beckett's Tonics® and Beckett's '27® Non-Alcoholic Spirits and Cocktails are made as non-infused products at non-Cannabis-licensed third-party beverage facilities. The "no alch" Beckett's brand products address the rapidly growing "low-no alcohol" beverage category, as reported by industry, consumer and business publications (*e.g. Forbes, December 23, 2022 "The Low-No Alcohol Drinks Market Surpasses $11 Billion in 2022"*), allowing retailers to offer and consumers to enjoy premium tasting adult beverages without the intoxicating effects of alcohol.

In 2022, in evaluating the initial production and launch of Beckett's in 2019 and 2020, the Company decided to reformulate the products for scaled commercialization, ensuring a consistent ingredient and formulation base and the same flavour experience as its infused Tinley's infused products, without the terpenes and cannabis emulsion as added to the Tinley's infused SKU's, and to more-closely match the target beverage alcohol spirits, liqueurs and cocktails taste experience. The benefits to the Company include improved flavour, reduced cost and complexity of supply chain and manufacturing, and the opportunity to seek out low-risk opportunities to expand the brand driven by the new simplified formulations. The reformulation enabled the production of Beckett's Tonics® in high-demand aluminum cans and the reintroduction of the coffee-liqueur style multi-serve Beckett's '27® product, for a full lineup of eight reformulated Beckett's products now in distribution.

Reformulation was done at no direct cost to the Company and enabled the Company to own the new formulation recipe IP. It has reduced supply chain and manufacturing complexity, which will also simplify cannabis-infused production when it begins in Canoga Park. The Company has now relaunched the reformulated 8-SKU Beckett's line at Total Wine & More in 250 retail locations across 28 US states. The program, managed through the Company's broker, Emergent Beverages, continues to receive and fulfill purchase orders for direct-to-retailer warehouse delivery, for its 4-packs of the four of Beckett's Tonics® non-alcoholic ready-to-drink cocktail flavours, and for the four Beckett's '27® non-alcoholic multi-serve spirits and liqueurs. Total Wine & More featured the 8-product program on in-store end-aisle displays as part of its 'Dry January' in-store merchandising and promotion initiatives in January 2023. The Company is also distributing Beckett's products through HEB stores, including select Central Market locations in Texas and is in discussion with additional retailers in the US. The Company's initial strategic review of Beckett's aimed to accelerate the realization of value from the Beckett's Tonics® and Beckett's '27® brand assets in the US without requiring additional capital investment. Potential strategic options for expansion in the US include securing lower-cost and shorter-timeframe contract packing solutions, building levels of replenishment inventory to fulfill new and repeated purchase orders, and increased availability of sample stock for pursuing additional retail programs, with a focused program of more aggressive presentations to distributors and retailers, and will pursue programs for on-premise groups targeting the trade at hotels, bars, and restaurants. The Company will explore brand experience activations at events, and also explore and respond to licensing requests for the Beckett's IP in Canada and international markets as opportunities arise.

Third-Party Brand Manufacturing & Distribution and US Cannabis Opportunities

The Company believes that future US Federal legal and regulatory changes and enforcement decisions, addressing the laws and regulations establishing the illegality of cannabis, the related banking restrictions and the prohibitions against inter-sate commerce of adult recreational and medical cannabis, may drive new opportunities for revenue with supply chain, manufacturing, and distribution efficiencies, all of which can be best realized through high-capacity operations at the Canoga Park facility. The Company also understands that clarity remains elusive on interstate regulatory harmonization and the prospect of accretive taxation, two factors which would directly impact efficiencies and profitability of interstate operations. Multi-state opportunities will be evaluated, as the Company primarily focuses time and resources to expand distribution and sales of its Beckett's non-infused line, and to create value through increased infused revenue in California, the world's largest regulated adult-use cannabis market with reduced costs of its operation and expanded distribution through SuLo. Synergy initiatives undertaken by management since June 2022 with the collaboration our strategic investor partner BLH and its divisions have already yielded cost savings and improvements in engineering and productivity, enabling improved Q3 & Q4 2022 operating results continuing through 2023. The Management Services Agreement between Tinley's and BLH has already begun to accelerate and solidify reductions to overhead costs.

All active production at the Long Beach Facility was completed on August 20, 2023.

Tinley's Brand in Canada

As announced by the Company on March 21, 2023, the Company has paused its manufacturing and distribution of Tinley's and Beckett's products in Canada, due to market complexity and regulatory constraints. The Company was focused in Q3 on optimizing value-creation in the time remaining in the Long Beach Facility before shut down, and overhead reduction through its Management Services Agreement with strategic partner BLH in the weeks leading up to the transfer of bottling assets to BLH's Canoga Park facility, and in reinvesting free cash in low-capital intensive own-brand expansion for Tinley's infused for and for Beckett's in the US. The Company will consider scenarios including IP licensing for Canada for profitable participation in the Canadian market.

CBD Beverages

Lakewood has produced beverages containing cannabis-derived CBD, CBN, and CBG for third-party brands, and the Company does not presently add cannabis-derived CBD to its own beverage formulations. The Company continues to hold the Hemplify trademark.

Current and Ongoing impacts from COVID-19

The Company continued to take all reasonable precautions with the intention of mitigating COVID-19 risk at the Long Beach Facility consistent with US federal, State and local health authority regulations and guidelines, and will continually review measures deemed appropriate by local health authorities to minimize the risk of COVID-19 exposure.

Throughout the global pandemic related to the outbreak of COVID-19, the Company worked to mitigate the uncertainty cast on many of the Company's assumptions and estimates, and worked through supply chain disruptions for ingredients, commodity inputs, and packaging supplies, and equipment, due to local regional and global supply and pandemic disruptions. It also faced cross border and in-Canada shipping delays due to the protest disruptions in Canada in Q1 2022. All these issues impacted production schedules at the Long Beach facility and at Canadian co-packers for Tinley's Canadian products, as previously announced. The Company continues to manage to reduce the impact of systemic and beverage manufacturing industry-specific delays.

3. Canadian Companies with US Marijuana-Related Assets

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 US 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 cannabis industry; (ii) disclosure that cannabis 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 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 cannabis 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. <u>All Issuers with US Marijuana-Related Activities</u>

A. Nature of the Company Involvement in the US Marijuana Industry

In July 2020, the Long Beach Facility was granted a Type N Cannabis Manufacturing licence 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 California Code of Regulations Title 4, Division 19 (the "DCC Regulations") (hereinafter MAUCRSA and the DCC Regulations shall be referred to as "California Cannabis Law"), a licence is required to conduct commercial cannabis activity.

Through 2019 and Q2 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 Long Beach Facility becoming operational in the second quarter of 2020.

Until August 31, 2023, the Company continued 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 US. Following the closing of the Lakewood Transaction and subsequent regulatory approval of the Company as the sole owner of Lakewood, the Company assumed direct control over Lakewood and its contracts with third-party brands.

On September 19, 2023, the Company announced that it had agreed to sell 100% of its shares of Lakewood to Unlimited LLC, subject to certain closing conditions which have not yet been met.

B. Cannabis Illegality

In the US, cannabis is largely regulated at the state level. To the Company's knowledge, there are to date a total of 38 states, plus the District of Columbia, Puerto Rico, U.S. Virgin Islands, and Guam, which allow their residents to use medical cannabis and a total of 21 states and 3 territories that permit adult-use of cannabis. 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, sell, cultivate, or dispense cannabis. 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 cannabis pre-empts state laws that legalizes its use for medicinal and adult-use purposes.

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 had enacted laws relating to cannabis for medical purposes, and that federal enforcement of the applicable federal laws against cannabis-related conduct should be focused on eight priorities, which were 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 cannabis enforcement in 2009, 2011, 2013, 2014 and 2018 in response to state laws that legalize medical and adult-use cannabis. In each instance, the DOJ has stated that it is committed to the enforcement of federal laws and regulations related to cannabis. 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 cannabis 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 cannabis businesses even if they are not engaged in cannabis-related conduct enumerated by the Cole Memorandum.

On January 4, 2018, Jeff Sessions, then the US Attorney General 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 principals are included in chapter 9.27.000 of the US Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, the decision whether to prosecute cannabis activities was up to the discretion of federal prosecutors, despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how actively federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. Medical cannabis is currently protected against enforcement by enacted legislation from US Congress in the form of the Rohrabacher-Blumenauer Amendment, which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding.

Due to the ambiguity of the Sessions Memorandum in relation to medical cannabis, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, and also divert the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results, and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favor of the Company.

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, "my 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." While no bipartisan legislation was passed while President Trump was in office, the Company remains 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 March 22, 2018, the House of Representatives (the "House") and Senate voted in favor of approving the Omnibus Spending Bill (the "Omnibus Spending Bill") and it was signed into law the following day by former US President Donald Trump. With the Omnibus Spending Bill's approval came an extension of Rohrabacher-Blumenauer Amendment until September 2018, which is represented by Section 538 of the Bill. The Rohrabacher-Blumenauer Amendment prevents the DOJ from using federal funds in enforcing federal law relating to medical cannabis, which effectively allows states to implement their own laws that authorize the use, distribution, possession, or cultivation of medical cannabis. The amendment was first introduced in 2014 and has been reaffirmed annually since then. It should be noted that this amendment does not apply to adult-use cannabis.

On November 7, 2018, Mr. Sessions resigned. While pro-cannabis legislation would still require passage by the Senate and enactment by the US federal executive branch of government, the path to legalization seemed to have opened up with Mr. Sessions' departure. With divided congressional power, opportunities arose for bipartisanship on a number of issues, including the Strengthening the Tenth Amendment Through Entrusting States (STATES) Act, S. 3032 ("STATES Act"), which would protect individuals working in cannabis sectors from federal prosecution. The

STATES Act was introduced in June 2018 through bipartisan efforts initiated by former Colorado US Senator Cory Gardner together with Massachusetts US Senator Elizabeth Warren. In addition, constituents of the State of Michigan voted to legalize recreational cannabis, making Michigan the first state in the Midwest US to do so and the 10th in the US overall, demonstrating growing sentiment among Americans towards legalization. Voters in the states of Missouri and Utah also approved ballot measures legalizing cannabis for medical use, making their states the 31st and 32nd to do so.

On July 10, 2019, the House Judiciary Subcommittee on Crime, Terrorism and Homeland Security gathered to debate cannabis 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 cannabis. Despite the optimism, no consensus was reached by lawmakers.

On September 25, 2019, the House voted in favor of the Secure and Fair Enforcement (SAFE) Act ("SAFE Banking Act"). The historic vote was the first time that a standalone cannabis bill has come before the House. The vote needed a two-thirds majority to pass and was supported by 321 votes in favor to 103 against. The SAFE Act did not make it through the Senate.

On November 21, 2019, the House Judiciary Committee voted 24 to 10 in favor of passing the Marijuana Opportunity Reinvestment and Expungement (MORE) Act ("MORE Act") of 2019. The bill 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. The law allows 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.

On May 15, 2020, provisions of the SAFE Banking Act were incorporated into the stimulus package passed by the House. 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. The measure stalled in the Senate.

On November 3, 2020, the US held its 2020 presidential election, and adult-use cannabis legalization was approved via ballot measures in four additional 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.

On November 4, 2020, the House passed the MORE Act, the first time that either Congressional house voted to de-schedule cannabis from the FCSA and thus decriminalize manufacturing, distribution, and possession. However, as of December 31, 2022, the MORE Act has not been passed.

On January 20, 2021, Joseph R. Biden was sworn in as the 46th President of the U.S, having announced a goal during his campaign to decriminalize cannabis possession federally; Democrats maintained their House majority and achieved control of the Senate.

In March 2021, New York became the 16th state to legalize adult-use cannabis, both doing so through legislative action. In the same month, Senate Majority Leader Chuck Schumer of New York, and Senators Ron Wyden of Oregon, and Cory Booker of New Jersey met with cannabis industry advocates including the National Cannabis Industry Association and the Minority Cannabis Business Association to announce their intention to introduce legislation in the US Senate that would legalize, tax and regulate commercial cannabis activity at the federal level. While President Biden has supported decriminalization of possession and has not expressed support for de-scheduling cannabis, Vice President Harris was one of the original sponsors of the MORE Act while she was still serving in the US Senate, and has publicly stated her support for cannabis de-scheduling. Senate Majority Leader Schumer has indicated the Senate leadership's willingness to champion full cannabis legalization even without the support of President Biden. However, the legislation has not yet been introduced, and its passage is not assured, given the split control of the Senate and House. As such, such statements of support for de-scheduling do not materially affect the likelihood of federal enforcement of current cannabis laws against the Company or any other state-licensed cannabis enterprise.

On April 1, 2022, the House passed the MORE Act for a second time on April 1, 2022. Legislation was supported by 220 votes in favor and 204 against. It was received in the Senate and referred to the Committee on Finance in April 2022, but since then has stalled.

On April 4, 2022, the House also passed The Medical Marijuana Research (MMR) Act, a bipartisan cannabis research bill that establishes a new, separate registration process to facilitate medical cannabis research. Specifically, it directs the Drug Enforcement Administration to register practitioners to conduct medical cannabis research, and manufacturers and distributors to supply cannabis for such research. The MMR Act was supported by 343 votes in favor and 75 against. It too was received in the Senate but since then has not had any actions taken on it. However, on December 2, 2022, the Medical Marijuana and Cannabidiol Research Expansion Act was signed into law, which provides for broader opportunities for the study of cannabis.

While current US 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 General Garland had not since offered 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 has been gaining traction on decriminalization and reform for a few years now, there is currently 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 US federal laws that conflict with state laws or that the Rohrabacher-Blumenauer Amendment will continue to be included in future federal budget bills or appropriations legislation.

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 (at various times, the "Rohrabacher-Farr Amendment," the "Leahy Amendment" and the "Joyce Amendment," hereinafter the "Budget Rider Protections") each of the last several years to prevent the federal executive branch (and specifically the DOJ) from using congressionally appropriated funds to enforce the FCSA against regulated medical cannabis businesses operating in compliance with state and local laws, which effectively allows states to implement their own laws that authorize the use, distribution, possession, or cultivation of medical cannabis. The Budget Rider Protections were first introduced in 2014 and has been reaffirmed annually since then as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. The current Budget Rider Protections will remain in effect, through the signing of the Consolidated Appropriations Acts of 2023, through September 30, 2023. At such time, it may or may not be included in the omnibus appropriations package or a continuing budget resolution, and its inclusion or non-inclusion, as applicable, is subject to political changes. It should be noted that this amendment does not apply to adult-use cannabis.

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. Therefore, until Congress amends the FCSA regarding cannabis, enforcement of US federal law remains a significant risk. 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 Investees' business, which could in turn have an impact on the Company's operations or financial results. A change in its enforcement policies could indirectly impact the ability of the Company to continue as a going concern.

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 are produced by Lakewood, which holds various licenses, including a Type 6 Manufacturing License. Because Lakewood has a Type 6 Manufacturing License, Lakewood is permitted to manufacture the Company's products in compliance with California Cannabis Law. Lakewood relies on a variety of third-party licensees to obtain ingredients including but not limited to cannabis, and to 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 licence 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 cannabis, 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.
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 and its successor regulator, the Department of Cannabis Control ("DCC") have 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 licences 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. Licence Issuance and Renewals – Lakewood, a wholly owned subsidiary of the Company, has acquired licences to conduct commercial cannabis manufacturing and distribution. State cannabis licences must be renewed annually, and there is no guarantee that such licences will be renewed each year.

F. Ability to Access Public and Private Capital

While 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 licence 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 currently has limited operating exposure in Canada as a result of its recent decision on March 21, 2023 to pause operations in Canada. (See *Business Overview: Retail Growth Strategy: Territorial Expansion*). The Company's cannabis and non-cannabis-based operating exposure is now primarily in the United States.

H. Legal Advice, Compliance, and Potential Exposure

The Company is monitoring compliance with California Cannabis Laws on an ongoing basis. The Company has engaged California-based cannabis regulatory compliance counsel, who have substantial experience advising cannabis companies on how to comply with California Cannabis Laws and other California laws. 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 Cannabis 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. US Cannabis Issuers with Direct Involvement in Cultivation or Distribution

Until July 2020, the Company's involvement in the California cannabis industry was limited to entering 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 licence and distributed the Company's products. Cannabis manufacturing activity commenced in the Long Beach Facility upon this facility receiving a cannabis manufacturing licence from the State of California, and the products continue to be distributed by third-party distributors. Through Lakewood (its wholly owned subsidiary), the Company no longer has a need to license its intellectual property, but rather Lakewood directly manufactures the Tinley-branded products at the Long Beach Facility. As such, the Company, through its wholly owned subsidiary Lakewood, is now directly involved in the manufacture and distribution of cannabis and cannabis products.

B. US Cannabis Issuers with Indirect Involvement in Cultivation or Distribution

N/A.

US Cannabis Issuers with Material Ancillary Involvement

The DCC, the consolidated regulatory successor to the CDPH and the BCC, lists Lakewood as a state licence 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."

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 the date of this MD&A, the Company has not received any notices of violation, denial, or non-compliance from any US authorities.

III. 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 cannabis industry in California.

California

California passed the first medical cannabis law in the US, 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

Cannabis 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. While this allowed for a not-for-profit patient/caregiver system, it did not establish a State licensing authority.

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 cannabis businesses in California. The system has multiple licence 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 licence and local approval to operate.

On November 8, 2016, California voted to approve the "Adult Use of Cannabis Act" ("AUMA") to tax and regulate for all adults 21 years of age and older.

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.

On July 13, 2021, California Governor Gavin Newsom signed into law Assembly Bill 141 establishing the DCC. This action consolidated the three Licensing Agencies into a single department. The creation of a standalone cannabis department, is part of a larger effort to improve access to licensure, simplify regulatory oversight, and support California businesses. On September 29, 2021, the DCC released final DCC Regulations, which create consistent standards for cannabis licensees across all licence types, by aligning application requirements, unifying terminology, and clarifying ownership and financial interest requirements. The regulations also establish rules for trade samples between businesses. On March 4, 2022, the DCC released further proposed, consolidated regulations, which were eventually approved and became effective on November 7, 2022, which further streamlined and simplified cannabis regulations, eased burdens for licensees, and enhanced consumer and youth protections. This version is now the governing set of regulations for the California cannabis industry.

To operate legally under state law, cannabis operators must obtain a state licence and local approval. Local authorization is a prerequisite to operating, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The state licence approval process is not competitive and there is no limit on the number of aggregate state licenses issued. Although vertical integration across multiple licence types is typically allowed under MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a testing laboratory license. There are currently no residency requirements for ownership under MAUCRSA (however, local jurisdictions often have a residency requirement; Long Beach does not).

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 cannabis industry is struggling to compete with the black market and is facing challenges that include banking access and high taxes.

In May 2019, California 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 cannabis 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.

In 2019, 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 June and September 2022, California Governor Gavin Newsom signed several cannabis-related bills that, among other things, eliminated the cannabis cultivation tax, allowed for beverages to be packaged in clear or color containers, reduced friction in dismissing or reducing cannabis convictions, additional vaporizer packaging restrictions, and prohibits local jurisdictions from prohibiting the delivery of medical cannabis, among several other bills of lesser import to the Company's operations. The key bill was the budget trailer bill AB 195 which eliminated the cannabis cultivation tax.

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.

The Company and its subsidiary Lakewood Libations Inc, represent that its state-licensed manufacturing and distribution businesses are and have been being conducted in compliance with the regulatory framework enacted by the state of California. The state of 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 maintaining and renewing state licensure and prerequisite to operating. The Company has implemented robust systems to ensure, monitor and enforce compliance of its operations, including but not limited to, product storage and handling, manufacturing, packaging and labeling, waste handling and disposal, recall events, limited access rules, track and trace, security of the facility, inventory management, and such other aspects of operating a commercial cannabis business in the state of California.

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 September 30, 2023:

Statement of Financial Position Items	Percentage (%) which related to holdings with US marijuana-related activities
Cash	90%
Accounts receivable	5%
Inventories	15%
Prepaid expenses	2%
Capital assets	100%

Tinley has looked at all of 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:

	2022	2021	2020
		$	$
Sales	1,484,428	803,781	304,167
Operating expenses	(7,354,085)	(8,635,982)	(7,574,585)
Net loss	(6,171,224)	(8,549,883)	(7,689,970)
Loss per share – basic and diluted	(0.041)	(0.063)	(0.069)
Total assets	7,086,978	8,518,392	11,434,683
Total non-current liabilities	2,602,919	357,149	1,149,876
Total liabilities	4,868,408	1,973,577	2,826,247
Total shareholders' equity	2,218,570	6,544,815	8,608,436

Selected Quarterly Financial Results

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

	Q3 2023	Q2 2023	Q1 2023	Q4 2022
	$	$	$	$
Sales	625,444	780,108	557,091	660,312
Operating expenses	(1,306,949)	(1,600,003)	(1,322,852)	(1,393,949)
Net loss	(1,987,236)	(1,837,578)	(294,308)	(580,851)
Loss per share – basic and diluted	(0.013)	(0.012)	(0.002)	(0.004)
Working capital (deficiency)	(2,341,718)	(1,735,621)	(1,292,981)	(1,288,583)

	Q3 2022	Q2 2022	Q1 2022	Q4 2021
	$	$	$	$
Sales	418,987	233,954	171,175	106,292
Operating expenses	(2,109,948)	(1,812,028)	(1,804,009)	(2,002,866)
Net loss	(1,323,730)	(1,705,412)	(1,696,511)	(2,046,662)
Loss per share – basic and diluted	(0.009)	(0.011)	(0.012)	(0.015)
Working capital	(1,097,077)	(1,169,743)	(954,499)	(223,801)

Three Months ended September 30, 2023

Results of operations

During the three months ended September 30, 2023 ("Q3 2023"), the Company generated sales of $625,444, as compared to sales of $418,987 for the three months ended September 30, 2023 ("Q3 2022"). This is due to an increase in contract manufacturing services.

During Q3 2023, the Company had total operating expenses of $1,306,949 as compared to $2,109,948 in Q3 2022. The comparative decrease in the overall operating expenses is primarily due to a decrease in general and administration expenses, sales and marketing expenses, product development expenses, share-based payments and depreciation of right-of-use assets.

During Q3 2023, the Company incurred total general and administrative expenses of $594,185 (Q3 2022 – $1,026,439), which was primarily comprised of:

- Payroll and salaries of $64,149 (Q3 2022 – $409,010).
- Corporate costs and administration of $216,141 (Q3 2022 – $259,924).
- Professional fees of $95,096 (Q3 2022 – $194,610).
- Consulting and management fees of $120,445 (Q3 2022 – $76,875).
- Occupancy costs of $85,358 (Q3 2022 – $32,884).
- Interest on lease obligations of $Nil (Q3 2022 – $18,622).
- Travel and promotion of $12,996 (Q3 2022 – $34,514).

The comparative decrease in the overall general and administrative expenses is primarily due to a decrease in payroll and salaries, corporate costs and administration, interest on lease obligations, travel and promotion and professional fees partially offset by an increase in consulting and management fees and occupancy costs. Occupancy costs included rent expense in the current period that was accounted for under lease obligation in the prior period. The increase in occupancy costs is also due to ramped up production prior to the vacancy of the Long Beach Facility.

Net loss for the three months ended September 30, 2023 was $1,987,236 as compared to a net loss of $1,323,730 for Q3 2022. The increase in net loss for the three months ended September 30, 2023, is primarily due to the loss on sale of equipment, long beach facility moving costs, depreciation of property and equipment partially offset by an increase in sales and a decrease in general and administration expenses, sales and marketing expenses, product development expenses, share-based payments and depreciation of right-of-use assets.

Cash flows

Net cash flows used in operating activities for Q3 2023 were $495,465, as compared to cash flow used in operating activities of $1,264,337 in Q3 2022. This is due to changes in non-cash working capital items, an increase in sales and cost cutting measures in Q3 2023.

Net cash flows used in financing activities in Q3 2023 were $71,130 (Q3 2022 – $1,061,307 – provided by) from lease payments.

Net cash flows provided by investing activities in Q3 2023 were $4,079 (Q3 2022 – $27,457 – used in) from proceeds received from sale of equipment.

Nine Months ended September 30, 2023

Results of operations

During the nine months ended September 30, 2023, the Company generated sales of $1,962,643, as compared to sales of $824,116 for the nine months ended September 30, 2022. This increase is due to an increase in sales of the Company's non-cannabis infused beverages, and increased contract manufacturing services.

During the nine months ended September 30, 2023, the Company incurred total operating expenses of $4,230,208, as compared to $5,725,985 in 2022. The decrease in operating expenses in the current period is primarily due to lower general and administration expenses, sales and marketing, product development, depreciation of right-of-use assets, and share based payments.

During the nine months ended September 30, 2023, the Company incurred total general and administrative expenses of $2,021,847 (2022 – $3,024,013), comprised primarily of:

- Payroll and salaries - $483,770 (2022 – $1,148,227)
- Corporate costs and administration - $661,001 (2022 – $862,476)
- Professional fees - $298,895 (2022 – $622,209)
- Consulting and management fees - $379,479 (2022 – $190,639)
- Occupancy cost - $176,519 (2022 – $81,006)

- Interest on lease liabilities - $7,105 (2022 – $70,507)
- Travel and promotion - $15,078 (2022 – $48,949)

The decrease in general and administrative expenses in the current period is primarily due to lower corporate costs and administration expenses, professional fees, payroll and salaries, travel and promotion, and interest on lease liabilities partially offset by an increase in occupancy costs. Occupancy costs included rent expense in the current period that was accounted for under lease obligation in the prior period. The increase in occupancy costs is also due to ramped up production prior to the vacancy of the Long Beach Facility.

Net loss for the nine months ended September 30, 2023 was $4,119,522, as compared to a net loss of $4,725,653 for the comparative period in 2022. The decrease in net loss is primarily due to increased sales and lower general and administration, sales and marketing, share based payments, depreciation of right-of-use assets and product development expenses.

Cash flows

Net cash used in operating activities for the nine months ended September 30, 2023 was $804,869 (2022 – $3,130,357). The decrease in net cash flows used in operations is primarily due to changes in non-cash working capital items, an increase in sales and cost cutting measures in 2023.

Net cash provided by investing activities for the nine months ended September 30, 2023 was $51,214 (2022 – $233,511 – used in), comprised from proceeds from the sale of a vehicle and equipment partially offset by purchases of property and equipment.

Net cash provided by financing activities for the nine months ended September 30, 2023 was $442,760 (2022 – $3,368,470), which consisted of $741,115 in proceeds from convertible notes partially offset by lease payments of $298,355.

Liquidity and Capital Resources

As at September 30, 2023, the Company had a working capital deficiency of $2,341,718, as compared to working capital deficiency of $1,288,583 as at December 31, 2022.

As at September 30, 2023, the Company had total accessible cash of $58,023 (December 31, 2022 – $183,623) available for working capital and other operational purposes and to settle current liabilities of $2,942,324 (December 31, 2022 - $2,265,489).

The Company continually monitors its capital resources to assess the liquidity necessary to fund operations and future strategy. The Company incurred a net loss of $4,119,522 (2022 – $4,725,653) and negative cash flows from operations of $804,869 (2022 – $3,130,357) for the nine months ended September 30, 2023 and, as of that date, the Company had a deficit in the amount of $64,500,784 (December 31, 2022 – $60,381,262).

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 financing. 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.

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 three and nine months ended September 30, 2023 and 2022 were as follows:

	Three Months ended September 30,		**Nine Months ended September 30,**	
	2023	2022	**2023**	2022
	$	$	**$**	$
Short-term employee benefits, including salaries and consulting fees	**113,250**	216,210	**388,885**	610,375
Share-based compensation	**258**	252,827	**370,334**	300,934
	113,508	469,037	**759,219**	911,309

(i) During the three and nine months ended September 30, 2023, the Company incurred consulting fees with the Chief Executive Officer ("CEO") and director of $54,000 and $162,000, respectively, (2022 – $49,000 & $127,000) for services rendered. As at September 30, 2023, $137,000 (December 31, 2022 – $27,425) was outstanding and included in accounts payable and accrued liabilities.

(ii) During the three and nine months ended September 30, 2023, the Company incurred consulting fees with the Chief Financial Officer ("CFO") of $45,000 and $135,000, respectively, (2022 – $40,000 & $100,000) for services rendered. As at September 30, 2023, $15,000 (December 31, 2022 – $16,950) was outstanding and included in accounts payable and accrued liabilities.

(iii) During the three and nine months ended September 30, 2023, the Company incurred wage expenses with the former President of Tinley's USA branded products of $nil and $41,635, respectively, (2022 – $91,255 & $271,130) for services rendered. As at September 30, 2023, no balance (December 31, 2022 – $nil) was outstanding.

(iv) During the three and nine months ended September 30, 2023, the Company incurred director fees with directors who are not part of key management of $14,250 and $50,250, respectively, (2022 - $nil) for services rendered. As at September 30, 2023, $29,750 (December 31, 2022 – $12,000) was outstanding and included in accounts payable and accrued liabilities.

(v) During the three and nine months ended September 30, 2022, the Company incurred consulting fees with a former director of $35,955 and $112,245, respectively, for services rendered. As at September 30, 2022, no balance was outstanding.

Other related party transactions

(vi) During the three and nine months ended September 30, 2023, directors who are not part of key management and a management company controlled by a director received stock-based compensation of $nil and $214,920, respectively, (2022 – $55,743 & $69,053).

6. Financial Risk Management

Fair value

The carrying amount of cash, 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 Canadian and US chartered banks 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 ECL has been recorded as at September 30, 2023.

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 markets 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 from its financing and revenue activities.

As at September 30, 2023, the Company had a cash balance of $58,023 (December 31, 2022 – $183,623) to settle current liabilities of $2,942,324 (December 31, 2022 – $2,265,489). The undiscounted contractual maturity of all financial liabilities for the period ended September 30, 2023 is as follows:

	Total	**Within 1 year**	**1 to 3 years**	**3 to 5 years**
	$	$	$	$
Accounts payable and accrued liabilities	1,869,635	1,869,635	-	-
Convertible note	957,574	957,574	-	-
Convertible grid note	6,801,960	-	-	6,801,960
Lease payable	-	-	-	-
Total	**9,629,169**	**2,827,209**	**-**	**6,801,960**

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 September 30, 2023.

Foreign currency risk

The Company operates in Canada and the US and is exposed to foreign exchange risk with respect to USD. The Company normally raises funds in Canadian dollars for its operations in the US. Foreign exchange risk arises on cash, trade receivables 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.

As at September 30, 2023, and December 31, 2022 the Company had the following financial assets and financial liabilities in USD:

	September 30, 2023	December 31, 2022
	$	$
Cash	**38,466**	128,564
Trade receivables	**42,491**	121,789
Note receivable	**28,568**	26,580
Trade and other payables	**(860,131)**	(240,583)
Convertible note	**(708,264)**	(653,313)
Convertible grid note	**(3,611,814)**	(2,783,216)
Lease obligations	**-**	(295,698)
Net exposure to USD	**(5,070,684)**	(3,695,877)

Had the value of the USD increased or decreased by 1%, the net loss and comprehensive loss would have increased or decreased by USD $50,707 (December 31, 2022 – USD $36,959), 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 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 September 30, 2023, the Company considers its capital to be share capital, reserve for share-based payments, reserve for warrants, and contributed surplus, and reduced by accumulated deficit and accumulated other comprehensive loss, totaling ($1,589,335) (December 31, 2022 – $2,218,570).

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 six months ended September 30, 2023.

8. Summary of Significant Accounting Policies

The accounting policies applied by the Company in its condensed interim consolidated financial statements are the same as those noted in the Company's audited consolidated financial statements for the year ended December 31, 2022.

Disclosure of Outstanding Share Data as at November 28, 2023

Security	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited Common Shares	149,359,565 Common Shares
Securities convertible or exercisable into voting or equity shares		Stock Options to acquire up to 21,445,000 Common Shares of the Company, and Warrants to acquire up to 9,913,491 Common Shares of the Company. Broker compensation options to acquire up to 420,280 Common Shares and broker warrants to acquire 420,280 Common Shares of the Company. An aggregate of USD $3,675,989 and USD $720,543 were outstanding under the BLH Note and Gillis Note, respectively.

Off-Balance Sheet Arrangements

As at September 30, 2023 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 regulations. 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 September 30, 2023, 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.

Subsequent Events

On October 14, 2023, 12,437,805 share purchase warrants and 764,169 broker warrants type II issued as part of the October 14, 2021 private placement expired.

On October 25, 2023, pursuant to a settlement agreement entered into between the Company and its former CEO, 1,500,000 common shares of the Company were returned by the former CEO to the Company for cancellation. The shares were subsequently cancelled and returned to the Company's treasury on October 26, 2023.

On November 23, 2023, 2,222,300 share purchase warrants and 155,561 broker warrants type II issued as part of the November 23, 2020 private placement expired.

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. A discussion of the principal risk factors relating to the Company's operations and business appear in the Company's management's discussion and analysis for the year ended December 31, 2022 which may be viewed on the Company's SEDAR profile at www.sedar.com. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business.

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 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 Company's 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 Company's unaudited condensed interim consolidated financial statements in all material aspects.

The audit committee of the Board ("Audit Committee") has reviewed the Company's unaudited condensed interim consolidated financial statements and this MD&A with management. The Board of the Company has approved the unaudited condensed interim consolidated financial statements and this MD&A on the recommendation of the Audit Committee.

November 28, 2023

(signed) "Theodore Zittell"
Theodore Zittell
Director and CEO