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**THE TINLEY BEVERAGE COMPANY INC.**  
**(formerly QUIA RESOURCES INC.)**

**Consolidated Financial Statements**

**(Expressed in Canadian Dollars)**

**For the years ended  
December 31, 2015 and 2014**

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## **MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying consolidated financial statements of The Tinley Beverage Company Inc. (formerly Quia Resources Inc.), are the responsibility of the management and Board of Directors of the Company.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the date of the statement of financial position. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

”Jeffrey Maser”, CEO  
Jeffrey Maser

“Al Quong”, CFO  
Al Quong

## Independent Auditors' Report

To the Shareholders of  
The Tinley Beverage Company Inc.

### *Report on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of the Tinley Beverage Company Inc. (formerly Quia Resources Inc.), (the "Company") which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

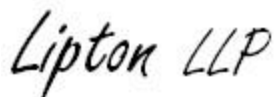
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on the Company's ability to continue as a going concern.



Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
April 28, 2016

**The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)**

## Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

<b>As at December 31,</b>	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Current Assets		
Cash	\$ 1,011,944	\$ 196
Sales tax receivable	87,694	3,580
Prepaid expenses	53,389	26,014
	<u>1,153,027</u>	<u>29,790</u>
Intangible asset (Note 4)	162,500	-
	<u>\$ 1,315,527</u>	<u>\$ 29,790</u>
<b>Liabilities</b>		
Current Liabilities		
Trade and other payables	\$ 51,162	\$ 116,708
Due to related parties (Note 10)	-	325,255
Loans and interest payable (Note 10)	-	254,398
	<u>51,162</u>	<u>696,361</u>
Convertible debentures (Note 11)	-	208,402
	<u>51,162</u>	<u>904,763</u>
<b>Shareholders' Equity</b>		
Share capital (Note 6 (b))	16,251,633	14,011,456
Conversion component of convertible debentures (Note 11)	-	84,995
Shares to be issued (Note 4)	150,000	-
Reserve for warrants (Note 8)	5,633,110	5,080,491
Reserve for share based payments (Note 7)	1,500,935	1,495,300
Reserve for foreign exchange losses	(20,676)	(27,035)
Accumulated deficit	(22,250,637)	(21,520,180)
	<u>1,264,365</u>	<u>(874,973)</u>
	<u>\$ 1,315,527</u>	<u>\$ 29,790</u>

Nature of Operations and Going Concern (Note 1)

Segmented Information (Note 9)

Approved on behalf of the Board of Directors on April 28, 2016:

"Jeffrey Maser" (signed)

CEO and Director

"Adam Szweras" (signed)

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

**The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)**

## Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

<b>For the years ended December 31,</b>	<b>2015</b>	<b>2014</b>
<b>Expenses</b>		
Management and consulting	\$ 541,764	\$ 131,826
Office and general	129,813	148,932
Professional fees	89,103	29,454
Exploration and evaluation expenses	-	43,852
Share based payments - options (Note 7)	5,635	9,900
Share based payments - shares (Note 6)	8,333	-
Travel and promotion	4,158	1,230
Write-down of property, plant and equipment	-	37,380
Foreign exchange (gain) loss	(3,011)	3,466
	<u>(775,795)</u>	<u>(406,040)</u>
Gain on forgiveness of debt (Note 10)	65,677	94,833
Gain on sale of legacy assets (Note 5)	17,340	-
<b>Loss from continuing operations</b>	<u>(692,778)</u>	<u>(311,207)</u>
Gain from discontinued operations (Note 14)	-	319,085
<b>Net income (loss)</b>	<u>(692,778)</u>	<u>7,878</u>
<b>Other comprehensive loss</b>		
Items that will be reclassified subsequently to loss		
Exchange differences on translating foreign operations	6,359	(8,011)
<b>Total comprehensive loss</b>	<u>\$ (686,419)</u>	<u>\$ (133)</u>
<b>Loss per share-basic and diluted</b>		
Loss per share - from continuing operations	\$ (0.044)	\$ (0.075)
Income per share - from discontinued operations	\$ -	\$ 0.077
Income (loss) per share - net income (loss)	<u>\$ (0.044)</u>	<u>\$ 0.002</u>
<b>Weighted average number of shares outstanding</b>	<u>15,890,436</u>	<u>4,166,055</u>

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

**The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)**  
Consolidated Statements of Changes in Shareholders' Equity  
(Expressed in Canadian Dollars)

	Share Capital		Reserves				Conversion component of convertible debentures	Shares to be issued	Deficit	Total
	Number of shares	Amount	Share based payments	Warrants	Foreign Exchange					
<b>Balance at December 31, 2013</b>	<b>3,633,430</b>	<b>\$ 13,791,253</b>	<b>\$ 1,485,400</b>	<b>\$ 5,007,114</b>	<b>\$ (6,610)</b>			<b>120,000</b>	<b>\$ (21,528,058)</b>	<b>\$ (1,130,901)</b>
Share issued for settlement of debt	948,331	237,083	-	-	-	-	-	-	-	237,083
Fair value assigned to warrants	-	(14,700)	-	14,700	-	-	-	-	-	-
Cost of issuance	-	-	-	-	-	-	-	-	-	-
Cash issue costs	-	(2,180)	-	-	-	-	-	-	-	(2,180)
Funds transferred to convertible debentures issued	-	-	-	-	-	-	(120,000)	-	-	(120,000)
Fair value assigned to warrants issued on convertible debentures	-	-	-	58,677	-	-	-	-	-	58,677
Conversion component of convertible debentures	-	-	-	-	-	84,995	-	-	-	84,995
Commission on the issuance of convertible debentures	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	9,900	-	-	-	-	-	-	9,900
Exchange loss on translating foreign operation	-	-	-	-	(20,425)	-	-	-	-	(20,425)
Net income for the year	-	-	-	-	-	-	-	-	7,878	7,878
<b>Balance at December 31, 2014</b>	<b>4,581,761</b>	<b>\$ 14,011,456</b>	<b>\$ 1,495,300</b>	<b>\$ 5,080,491</b>	<b>\$ (27,035)</b>	<b>84,995</b>		<b>-</b>	<b>\$ (21,520,180)</b>	<b>\$ (874,973)</b>
Share based payments (Note 7)	-	-	5,635	-	-	-	-	-	-	5,635
Private placement (Note 6)	7,600,000	259,989	-	120,011	-	-	-	-	-	380,000
Shares issued for settlement of debentures (Note 11)	4,721,873	350,552	-	(19,475)	-	(84,995)	-	(37,679)	-	208,403
Shares issued for settlement of trade and other payables (Note 6)	6,639,000	398,340	-	-	-	-	-	-	-	398,340
Shares issued for settlement of promissory notes (Note 6)	3,501,179	210,071	-	-	-	-	-	-	-	210,071
Private placement (Note 6)	15,100,000	1,057,917	-	452,083	-	-	-	-	-	1,510,000
Contingent shares issued (Note 6)	166,667	8,333	-	-	-	-	-	-	-	8,333
Contingent shares to be issued (Note 6)	-	-	-	-	-	-	-	150,000	-	150,000
Cost of issuance	-	(45,025)	-	-	-	-	-	-	-	(45,025)
Exchange loss on translating foreign operation	-	-	-	-	6,359	-	-	-	-	6,359
Net loss for the year	-	-	-	-	-	-	-	-	(692,778)	(692,778)
<b>Balance at December 31, 2015</b>	<b>42,310,480</b>	<b>\$ 16,251,633</b>	<b>\$ 1,500,935</b>	<b>\$ 5,633,110</b>	<b>\$ (20,676)</b>	<b>-</b>		<b>150,000</b>	<b>\$ (22,250,637)</b>	<b>\$ 1,264,365</b>

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

**The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)**

## Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

<b>For the years ended December 31</b>	<b>2015</b>	<b>2014</b>
<b>Operating Activities</b>		
Net income (loss)	\$ (692,778)	\$ 7,878
Adjustments to reconcile net loss to cash flow from operating activities:		
Share based payments - options (Note 7)	5,635	9,900
Share based payments - shares (Note 6)	8,333	
Amortization	-	9,345
Interest	-	14,792
Unrealized foreign exchange loss (gain)	8,275	(2,606)
Write-down of property, plant and equipment	-	37,380
Gain on forgiveness of debt	(65,677)	(20,000)
Gain on sale of legacy assets	(17,340)	-
Gain on settlement of debt (Note 6(b))	-	(94,833)
Gain on sale of discontinued operations	-	(526,711)
Net change in non-cash working capital items:		
Prepaid expenses	(27,375)	(22,655)
Sales tax receivable	(84,114)	13,766
Trade and other payables	337,735	152,674
<b>Cash flow used in operating activities</b>	<b>(527,306)</b>	<b>(421,070)</b>
<b>Investing Activities</b>		
Intangible asset acquired on business combination	(12,500)	-
<b>Cash flow used in Investing activities</b>	<b>(12,500)</b>	<b>-</b>
<b>Financing Activities</b>		
Issuance of share capital, net of share issue costs	1,844,975	-
Convertible debentures issued, net of issue costs	-	217,283
Amounts paid to related parties	(242,238)	(26,251)
Loans received (paid)	(51,183)	27,109
<b>Cash flow provided from financing activities</b>	<b>1,551,554</b>	<b>218,141</b>
<b>Cash flow provided from discontinued operations</b>	<b>-</b>	<b>193,953</b>
<b>Net increase (decrease) in cash</b>	<b>1,011,748</b>	<b>(8,976)</b>
<b>Cash, beginning of year</b>	<b>196</b>	<b>9,172</b>
<b>Cash, end of year</b>	<b>\$ 1,011,944</b>	<b>\$ 196</b>

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

# **The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)**

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2015 and 2014

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## **1. NATURE OF OPERATIONS AND GOING CONCERN**

The Tinley Beverage Company Inc. (the "Company" or "Tinley"), formerly Quia Resources Inc. was incorporated under the laws of the Province of Ontario, Canada by Articles of Incorporation dated October 26, 2007. On October 6, 2015, the Company completed the Change of Business (as hereinafter defined), and pursuant to the Articles of Amendment dated October 6, 2015, the Company changed its name to "The Tinley Beverage Company Inc". The Company's objective is to develop and launch a line of hemp oil-based functional beverages, and was up until the change in business, engaged in the acquisition, exploration and development of properties for the mining of agricultural minerals in North America and Colombia. The address of the Company's registered office is Suite 2905 – 77 King Street West Toronto, Ontario, M5K 1H1.

On October 6, 2015, the Company completed the consolidation of issued and outstanding common shares on the basis of 5:1. This has been reflected in the comparative figures presented.

As at December 31, 2015, the Company has a working capital of \$1,101,865 (December 31, 2014 – \$666,571 working capital deficiency), has an accumulated deficit of \$22,250,637 (December 31, 2014 - \$21,520,180) and has a loss of \$(692,778) for the year ended December 31, 2015 (2014 – income of \$7,878). The Company has no revenues and the ability of the Company to ensure continuing operations is dependent on the Company raising sufficient funds to finance development activities, and secure distribution channels. These circumstances may cast substantial doubt as to the Company's ability to continue as a going concern and ultimately the appropriateness of the use of accounting principles applicable to a going concern. These financial statements have been prepared using accounting principles applicable to a going concern and do not reflect adjustments, which could be material, to the carrying values of the assets and liabilities.

## **2. BASIS OF PRESENTATION**

### **2.1 Statement of compliance**

The Company's consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized by the Board of Directors of the Company on April 28, 2016.

### **2.2 Basis of presentation**

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

### **2.3 Adoption of new and revised standards and interpretations**

#### ***Standards and interpretations adopted***

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2015. For the purpose of preparing and presenting the Financial Information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.



## **The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)**

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2015 and 2014

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### **2. BASIS OF PRESENTATION (continued)**

#### **New standards and interpretations not yet effective**

At the date of authorization of these consolidated financial statements, the IASB and IFRIC have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted.

- IFRS 9 '*Financial Instruments: Classification and Measurement*' – as issued in 2010, reflects the first phase of the IASB's work on the replacement of International Accounting Standard 39, Financial Instruments: Recognition and Measurement ("IAS 39") and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing impairment of financial assets. In November 2013, IFRS 9 was amended to include new requirements for hedge accounting. The effective date is for annual periods beginning on or after January 1, 2018. Entities may still choose to apply IFRS 9 immediately, but are not required to do so. The Company is currently analyzing the possible impact of this Standard on its consolidated financial statements.
- IFRS 15 '*Revenue From Contracts with Customers*' – was issued by IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company will adopt this new standard as of its effective date. The Company is currently analyzing the possible impact of this Standard on its consolidated financial statements.
- IAS 7 amendments include additional disclosures to enable users of the financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments become effective for annual periods beginning on or after January 1, 2017. The Company will adopt the amendments as of the effective date. The Company is currently analyzing the possible impact of the amendments on its consolidated financial statements.
- IFRS 16 '*Leases*' – was issued in January 2016 and replaces the previous guidance on leases. This standard provides a single recognition and measurement model to be applied to leases, with required recognition of assets and liabilities for most leases. This standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if the Company is also applying IFRS 15, Revenue from Contracts with Customers. The Company is currently evaluating the impact of the adoption of this new standard on its consolidated financial statements.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its wholly controlled subsidiaries: Bolivar Gold Corp., QBC Holdings Corp., Kulta Corp., San Lucas Gold Corp. (2013), 2243734 Ontario Ltd, Pure Phosphate Inc., and Nevada Agrominerals Inc. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

#### **3.2 Intangible assets**

The intangible asset acquired in a business combination has an indefinite useful life and is not amortized, but is

## **The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)**

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2015 and 2014

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

systematically tested for impairment annually in the fourth quarter or earlier if there is an indication of impairment.

#### **3.3 Convertible debt**

The proceeds received on the issue of the Company's convertible debt are allocated into its liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted as a financial liability measured at amortized cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognized in the "conversion component of convertible debentures" within the shareholders' equity, net of income tax effects.

#### **3.4 Share based payments**

##### ***Share based payment transactions***

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.

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 fair value of the instruments.

The costs of share-based payments are measured by reference to the fair value using the Black-Scholes option valuation model at the date on which they are granted. The costs of share-based payments are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for such transactions at each reporting date until the vesting date and reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The earnings or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in reserve for share-based payments.

Where the terms of a share-based payment are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

#### **3.5 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 profit and loss as incurred. To date, no development costs have been capitalized.

## **The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)**

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2015 and 2014

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

#### **3.6 Taxation**

Income tax expense represents the sum of tax currently payable and deferred tax.

##### *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

##### *Deferred income tax*

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

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of loss and comprehensive loss.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

#### **3.7 Loss per share**

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. Dilution is calculated based on the net number of common shares issued after proceeds upon the exercise of the options and warrants are used to purchase common shares at the average market price during the year. During the years ended December 31, 2015 and 2014, all of the outstanding share options and warrants were anti-dilutive.

#### **3.8 Financial assets**

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or fair value through profit or loss ("FVTPL").

## **The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)**

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2015 and 2014

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

Financial assets classified as FVTPL are measured at fair value with realized gains and losses recognized through earnings (loss). The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest rate method as described below. The Company has not classified any financial assets as loans and receivables or as held to maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has not classified any financial assets as available-for-sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

#### **3.9 Financial liabilities**

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables, due to related parties and loans and interest payable are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of loss and comprehensive loss. At December 31, 2015 and 2014, the Company has not classified any financial liabilities as FVTPL.

The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the statement of financial position, have been classified into three levels as per the fair value hierarchy included in IFRS. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable data. Cash is considered to be level 1 under the fair value hierarchy. Warrants and options are considered to be level 2 under the fair value hierarchy. During the year, there were no transfers between level 1 and level 2 and 3.

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

#### **3.10 Impairment of nonfinancial assets**

At each statement of financial position date, the Company reviews the carrying amounts of its tangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the

## **The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)**

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the years ended December 31, 2015 and 2014

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of loss and comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, to the extent of previously recognized impairment losses.

#### **3.11 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 can be made of the amount of the obligation.

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 risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

#### **3.12 Foreign currency transactions**

##### *Functional and presentation currency*

Items included in the financial statements of each of the subsidiaries in the consolidated group ("Group") are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is the Canadian Dollar ("CDN"), which is the presentation currency of the audited consolidated financial statements, with the exception of Nevada Agrominerals Inc., the functional currency of which 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 and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss. Foreign exchange gains and losses that relate to borrowings and cash are presented in the statement of loss within finance income or cost. All other foreign exchange gains and losses are presented separately on a net basis in the income statement.

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:

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

- assets and liabilities are translated at the closing rate at the date of the statement 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 reserves for foreign exchange gains (losses).

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 reserves for foreign exchange gains (losses). When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the statement of loss as part of the gain or loss on sale.

The balance due to the Company from its foreign subsidiary is considered to be an investment in the capital of the subsidiary and is treated as net investment in a foreign operations.

#### 3.13 Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to the useful life of property, plant and equipment; recoverability of accounts receivable, valuation of deferred income tax amounts, valuation of warrants and shares issued during private placements, and estimated recoverable amount for the purpose of impairment testing of assets. The most significant judgements relate to recoverability of capitalized amounts, and recognition of deferred tax assets and liabilities.

In calculating the value of the warrants and options, key estimates such as the volatility of the Company's share price are used. The expected volatility is estimated at 250% (2014 – 100%), which is comparable to the volatility of similar companies.

### 4. BUSINESS COMBINATION

On October 29, 2015, the Company acquired all of the intangible assets from Jeff Maser (Maser) for \$162,500 payable in cash and shares.

The consideration transferred includes the following:

Consideration transferred	\$
Cash	12,500
Consideration shares	150,000
Total	162,500

The arrangement between the parties provides for the payment of consideration shares of 3,000,000 common shares at a price of \$0.05 per share, issued on December 23, 2015 and subject to performance escrow based on Tinley meeting an earnings target within five years of closing. Over these five years, the Company will

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### 4. BUSINESS COMBINATION (continued)

release consideration of 1,500,000 consideration shares if sales exceed \$1 million over any four consecutive quarters. An additional 1,500,000 consideration shares will be released if sales exceed \$3 million over any four consecutive quarters.

Goodwill calculated in this acquisition represents the expected synergies from combining the operations of Maser with the Company, revenue growth, future market development and customer relations. These benefits are not recognized separately from goodwill since the resulting future economic benefits cannot be measured reliably. Goodwill from this acquisition represents a negligible amount at the acquisition date:

Consideration transferred	\$
Consideration transferred	162,500
Fair value of net assets acquired	(162,500)
Goodwill	-

The fair value of net assets acquired from Maser is broken down as follows:

	\$
Intangible assets	162,500
Total assets	162,500
Total liabilities	-
Net assets acquired	162,500

The fair value of the net assets acquired was determined using management's estimates. There is no impact of the acquisition on revenues and gross margin.

### 5. INTEREST IN MINERAL PROPERTIES

#### San Lucas Property

On October 26, 2007, the Company acquired 17 mineral properties in Bolivar, Colombia for \$500,000. In exchange for this non-monetary transaction, the Company issued 10,000,000 common shares at a market price of \$0.05 per share, to the vendor of the claims.

On June 19, 2014, the Company entered into an agreement with Enneract Corporation ("Enneract"), a private Panamanian company, to sell 100% of the issued and outstanding shares of its subsidiary, San Lucas Gold Corp, which holds the San Lucas gold property in Colombia.

Under the terms of the agreement, the Company received a number of common shares resulting in an equity ownership of 5% of Enneract, as well as a 2% smelter return royalty, of which Enneract can buy back half for US \$500,000.

#### Murdock Mountain Property:

On November 11, 2013 the Company acquired 2243734 Ontario Limited ("2243734") which holds an option to earn a 65% interest in the Murdock Mountain phosphate project in Nevada.

## **The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)**

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### **5. INTEREST IN MINERAL PROPERTIES (continued)**

Under the terms of the option agreement and subject to closing the acquisition, the Company will have the right to earn a 65% interest by investing an aggregate of \$1,000,000 into the development of the project. As an initial step, the Company has earned 10% by funding \$102,000, which has been paid towards technical and environmental studies which are already in process, creditable against the \$1,000,000 work commitment, and then earn an additional 55%, for a total of 65%, by funding the balance of the \$1,000,000. The Company shall have 2 years from the date of the option agreement to complete the earn-in and can obtain two extensions to the earn-in period of 6 months each, for a total of 3 years, by paying \$30,000 for each extension. The option agreement has been further amended on October 9, 2014 to extend the earn-in time by 6 months and provides for further automatic extensions based upon the timelines for the Bureau of Land Management to conclude their sage grouse study being conducted for the State of Nevada, and Northeastern California, which encompasses the Murdock Mountain area.

On October 9, 2014, the Company contributed \$26,500 towards the aforementioned option agreement.

On December 22, 2015, the Company sold its interest in the San Lucas and Murdock Mountain properties to a company, in which a former Director of the Company and the wife of a Director, are owners, as described in note 10.

### **6. SHARE CAPITAL**

#### **(a) Authorized**

Unlimited number of common shares without par value

#### **(b) Issued**

- (i) On June 10, 2014, the Company consolidated its common shares on the basis of one new common share for ten old common shares.
- (ii) On June 10, 2014, the Company settled \$331,916 in debt through the issuance of 948,331 common shares. The common shares were valued at \$237,083 based on the stock market price on the date of settlement. As a result, the Company recorded a gain on settlement of debt of \$94,833 for the year ended December 31, 2014.
- (iii) On September 30, 2015, the Company converted \$398,340 of trade and other payables, \$210,071 of promissory notes and \$389,754 of convertible debentures into 6,639,000, 3,501,179 and 4,721,873 post-consolidation common shares respectively. In addition, 591,339 warrants were issued on conversion of debentures.
- (iv) In August 2015, the Company closed two tranches of a non-brokered private placement consisting of an aggregate of 38,000,000 (7,600,000 post-consolidation) units for aggregate gross proceeds of \$380,000. Each unit is comprised of one (1) Common Share and one half (1/2) of one Common Share purchase warrant, with each whole Warrant exercisable into one (1) Common Share at a price of \$0.02 (\$0.10 post-consolidation) per Common Share for a period of 24 months after the closing date. The term of the Private Placement Warrants is subject to an acceleration right at the option of the Company, provided that the Common Shares trade at or above \$0.05 (\$0.25 post-consolidation) and the Company has provided the warrant holders with a 30 days prior written notice of the accelerated warrant exercise date.



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### 6. SHARE CAPITAL (continued)

- (v) On October 6, 2015, the Company completed the consolidation of issued and outstanding common shares on the basis of 5:1.
- (vi) On October 29, 2015, the Company issued 500,000 common shares at \$0.05 per share as compensation for services, 375,000 of which are subject to performance escrow requirements, 41,667 of which were released from escrow at December 31, 2015. During the year, \$8333 was recognized as share based payment expense for these shares.
- (vii) On November 3, 2015, the Company closed the first tranche of a non-brokered private placement for gross proceeds of \$1,170,500, issuing a total of 11,705,000 units of the Issuer at a price of \$0.10 per Unit. Each Unit consists of one (1) Common Share and one half (1/2) of one Common Share purchase warrant. Each full Warrant entitles the holder to acquire one (1) Common Share at a price of \$0.20 per Common Share for a period of 24 months from the closing date. The First Tranche forms a part of a broader non-brokered private placement of up to \$1,500,000, whereby up to 15,000,000 Units are offered.
- (viii) On December 11, 2015, the Company closed the second tranche of a non-brokered private placement for gross proceeds of \$284,500, issuing a total of 2,845,000 units of the Issuer at a price of \$0.10 per Unit. Each Unit consists of one (1) Common Share and one half (1/2) of one Common Share purchase warrant. Each full Warrant entitles the holder to acquire one (1) Common Share at a price of \$0.20 per Common Share for a period of 24 months from the closing date. The Second Tranche forms a part of a broader non-brokered private placement of up to \$1,500,000, whereby up to 15,000,000 Units are offered.
- (ix) On December 18, 2015, the Company closed the third tranche of a non-brokered private placement for gross proceeds of \$55,000, issuing a total of 550,000 units of the Issuer at a price of \$0.10 per Unit. Each Unit consists of one (1) Common Share and one half (1/2) of one Common Share purchase warrant. Each full Warrant entitles the holder to acquire one (1) Common Share at a price of \$0.20 per Common Share for a period of 24 months from the closing date. The Third Tranche forms a part of a broader non-brokered private placement of up to \$1,500,000, whereby up to 15,000,000 Units are offered.
- (x) On December 23, 2015, the Company issued 3,000,000 common shares at \$0.05 per share to satisfy the asset purchase agreement, signed on October 29, 2015, subject to regulatory escrow requirements and additional performance escrow requirements (note 4).

### 7. SHARE BASED PAYMENTS

Tinley established a stock option plan to provide additional incentive to its officers, directors, employees and consultants in their effort on behalf of the Company in the conduct of its affairs. Options issued before 2014 vest immediately. Options issued in 2014 and 2015 vest evenly over five years and two years, respectively. All options expire on the fifth anniversary from the date of issue unless otherwise specified.

A summary of stock options issued and outstanding is as follows:

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**7. SHARE BASED PAYMENTS (continued)**

	<b>December 31, 2015</b>		December 31, 2014	
	<b>Weighted Average Exercise Price</b>	<b>Number of Options</b>	Weighted Average Exercise Price	Number of Options
Outstanding at beginning of year	\$ 2.40	329,190	27.30	63,190
Granted	0.11	1,810,500	0.50	305,000
Expired	0.50	(55,190)	30.00	(39,000)
Outstanding at end of year	0.46	2,084,500	2.40	329,190
Exercisable at end of year	\$ 2.95	196,000	\$ 2.40	85,190

The following table provides additional information about outstanding stock options at December 31, 2015:

<b>Exercise Price Range</b>	<b>No. of Options Outstanding</b>	<b>Weighted Average Remaining Life (Years)</b>
\$ 0.11	1,810,500	4.91
\$ 0.50	255,000	3.55
\$ 30.00 – 32.50	19,000	0.13
\$ 0.10 - \$32.50	2,084,500	4.70

The estimated fair value of share based compensation during the year ended December 31, 2015 was determined using the Black-Scholes option pricing model with the following assumptions:

Grant date	October 29, 2015	December 23, 2015
Number of options	900,000	910,500
Exercise price	\$0.110	\$0.110
Share price	\$0.050	\$0.050
Expected life of options	5 years	5 years
Expected volatility	250%	250%
Risk-free interest rate	0.75%	0.65%
Expected dividend yield	0%	0%

The estimated fair value of share based compensation during the year ended December 31, 2014 was determined using the Black-Scholes option pricing model with the following assumptions:

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**7. SHARE BASED PAYMENTS (continued)**

Grant date	July 14, 2014
Number of options	305,000
Exercise price	\$0.500
Share price	\$0.250
Expected life of options	5 years
Expected volatility	100%
Risk-free interest rate	1.61%
Expected dividend yield	0%

**Share based payments**

- (i) During the year ended December 31, 2015, \$5,635 of share based payments expense was recognized in relation to the vesting of the options issued on July 17, 2014, October 29, 2015 and December 23, 2015 respectively. In determining the share based payments expense, management has estimated that 13% of the options outstanding at the end of the year will not vest.
- (ii) During the year ended December 31, 2014, \$9,900 of share based payments expense was recognized in relation to the vesting of the options issued on July 17, 2014. In determining the share based payments expense, management has estimated that all of the options outstanding at the end of the year will vest.

<i>Year ended</i>	December 31, 2015	December 31, 2014
Balance at beginning of year	\$ 1,495,300	\$ 1,485,400
Options issued	5,635	9,900
Balance at end of year	\$ 1,500,935	\$ 1,495,300

**8. WARRANTS**

Month of Expiry	No. of Warrants	Weighted Average Exercise Price (\$)
June 10, 2016	163,633	0.50
June 17, 2017	453,738	0.75
August 13, 2017	3,200,000	0.10
August 23, 2017	600,000	0.10
September 30, 2017	591,339	0.20
November 3, 2017	5,852,500	0.20
December 11, 2017	1,422,500	0.20
December 18, 2017	275,000	0.20
	12,558,710	0.19

The following table summarizes the assumptions used with the Black-Scholes valuation model during the year ended December 31, 2015:

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### 8. WARRANTS (continued)

Grant date	August 13, 2015	August 23, 2015	September 30, 2015	November 3, 2015	December 11, 2015	December 18, 2015	Totals
No. of warrants	3,200,000	600,000	591,339	5,852,500	1,422,500	275,000	11,941,339
Exercise price	\$ 0.10	\$ 0.10	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	
Expected life in years	2	2	2	2	2	2	
Volatility	250%	250%	250%	250%	250%	250%	
Risk-free interest rate	0.41%	0.33%	0.52%	0.59%	0.48%	0.50%	
Dividend yield	-	-	-	-	-	-	-

The following table summarizes the assumptions used with the Black-Scholes valuation model during the year ended December 31, 2014:

Grant date	June 10, 2014	June 17, 2014	Totals
No. of warrants	163,633	453,738	617,371
Exercise price	\$ 0.50	\$ 0.75	
Expected life in years	2	3	
Volatility	100%	100%	
Risk-free interest rate	1.08%	1.20%	
Dividend yield	-	-	

Volatility on the above warrant valuations were based on the volatility of similar companies.

<i>Year ended</i>	No. of Warrants	December 31, 2015	No. of Warrants	December 31, 2014
Balance at beginning of year	683,515	\$ 5,080,491	66,144	\$ 5,007,114
Warrants issued	11,941,339	552,619	617,371	73,377
Warrants expired	(66,144)	-	-	-
Balance at end of year	12,558,710	\$ 5,633,110	683,515	\$ 5,080,491

### 9. SEGMENTED INFORMATION

#### Operating Segments

Tinley is in the business of manufacturing hemp oil-infused beverages. Previously it had been in the business of mineral exploration in the United States of America and Colombia. As such, management has organized the Company's reportable segments by geographic area. The Colombia segment was responsible for that country's mineral exploration and production activities while the Canadian segment manages corporate head office activities. On July 18, 2014, the Company ceased to operate in Colombia as the Company sold its wholly-owned subsidiary, San Lucas Gold Corp. ("San Lucas"), which holds 100% of Tinley's Colombia-based mining interests.

Information concerning Tinley's reportable segments is as follows:

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**9. SEGMENTED INFORMATION (continued)**

<b>For the years ended December 31,</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Net (income) loss</b>		
Canada	-	274,999
United States of America	-	36,208
Colombia	-	(319,085)
	-	(7,878)
<b>Significant non-cash items</b>		
Share based payments		
Canada	-	9,900
Gain on forgiveness of debt		
Canada	-	(94,833)
	-	(84,933)
<b>As at December 31,</b>	<b>2015</b>	<b>2014</b>
<b>Total assets</b>		
Canada	-	29,790
	-	29,790
<b>Total liabilities</b>		
Canada	-	896,618
United States of America	-	8,145
	-	904,763

There are no reportable segments in 2015.

**10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION**

During the year ended December 31, 2015, \$8,100 (2014 - \$16,200) was incurred for rent to FMI Capital Advisory Inc. (formerly Foundation Opportunities Inc.) ("FMICAI"), a company in which the Secretary and Director and CEO and Director of the Company are directors and have an indirect, through a family trust for the benefit of the minor children of the director, and direct interest respectively. As of June 30, 2015, the lease agreement was terminated. The Company and FMICAI also entered into a consulting agreement on May 15, 2015. In consideration for services, the Company agreed to pay a monthly fee of \$10,000. For the year ended December 31, 2015, \$109,000 was incurred. At December 31, 2015, included in accounts payable is \$nil (December 31, 2014 - \$28,442) payable to FMICAI.

During the year ended December 31, 2015, \$nil (2014 - \$8,000) was paid for consulting fees to Cavalry

## The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)

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### 10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

Corporate Solutions Inc. (“Cavalry”) for CFO, book keeping and administrative services, a company in which the Secretary and Director of the Company has an indirect interest and in which the former CEO and Director is a director and has an indirect interest. As of February 2014, the agreement has been terminated. At December 31, 2015 included in accounts payable is \$nil (December 31, 2014 - \$22,600) payable to Cavalry.

During the year ended December 31, 2015, \$55,350 (2014 - \$25,300) in legal fees were incurred for services provided by a law firm in which the Secretary and Director of the Company is a partner. At December 31, 2015, included in accounts payable is \$2,403 (December 31, 2014 - \$54,583) payable to this law firm.

During the year ended December 31, 2015, \$nil (2014 - \$nil) was paid to the former Vice-President, Business Development and a Director for exploration related costs. As at December 31, 2015, accounts payable included \$nil (December 31, 2014 - \$7,431) payable to this individual.

During the year ended December 31, 2015, \$117,500 (2014 - \$nil) was paid for services to the chief executive officer (the “CEO”).

During the year ended December 31, 2015, \$42,500 (2014 - \$45,200) was paid for services to the former chief executive officer (the “CEO”). As at December 31, 2015, \$nil (December 31, 2014, \$95,500) is payable to the former CEO and is included in due to related parties. During the year, \$65,500 payable to the former CEO was forgiven.

The Company and Branson Corporate Services (“Branson”) entered into a management services agreement which includes the services of the Company’s Chief Financial Officer. Branson is an entity in which Foundation Financial Holdings Corp owns 49% of the shares. During the year ended December 31, 2015, \$93,000 (2014 - \$56,500) in management, accounting and administrative services were provided by Branson. As at December 31, 2015 \$nil (December 31, 2014 - \$56,500) is included in accounts payable.

During the year ended December 31, 2015, \$nil (2014 - \$nil) was paid for services to the former chief financial officer. As at December 31, 2015, \$nil (December 31, 2014 - \$60,200) is included in accounts payable.

During the year ended December 31, 2015, \$67,500 (2014 – \$nil) was paid for services to a Director. As at December 31, 2015, \$nil (December 31, 2014 - \$nil) is included in accounts payable.

In 2012, the Company received non-secured loans of \$35,000 from the former CFO at the rate of 10% per annum payable at the closing of a financing. As at December 31, 2015, \$nil (December 31, 2014 - \$37,500) is included in loans and interest payable relating to principal.

As of December 31, 2015, \$nil (2014 – \$46,000) is outstanding as loans due to various directors. The loans are unsecured, and bear interest at the rate of 10% per annum.

Over the course of 2012 to 2014, the Company received loans of \$269,200 from the CEO. The loans were non-secured and bear interest at the rate of 10% per annum payable at the closing of a financing. As at December 31, 2015, \$nil (December 31, 2014 - \$165,800) is included in loans and interest payable relating to principal.

In 2014, the Company issued \$340,286 in convertible debentures. Of this amount, \$79,000 in debentures was purchased by directors of the Company, \$75,000 was purchased by a company in which one of the directors is the chief executive officer, and, \$80,000 in debentures was issued to an individual who is related to a director. The terms of these debentures can be found in note 11. The debentures were converted into post-consolidation 2,654,395 common shares and 508,735 warrants on September 30, 2015.

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### 10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION (continued)

Pursuant to the debt settlement agreement as described in Note 6, \$245,675 of the trade and other payables, \$268,017 of the debentures, and \$210,071 of the promissory notes owing to related parties has been converted to common shares and warrants.

On December 22, 2015, the Company sold its interest in the San Lucas and Murdock Mountain properties (note 5) to a Company, in which a former Director of the Company and the wife of a Director, are owners, in exchange for an assumption of accounts payable in the amount of \$17,340 and other contingent liabilities.

#### Key Management compensation

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors. Compensation provided to key management is as follows:

	2015	2014
Short-term employee benefits, including salaries and fees	\$ 389,500	\$ 109,700
Share-based compensation	13,968	9,900
Professional fees	55,351	25,300
	<u>\$ 458,819</u>	<u>\$ 144,900</u>

### 11. CONVERTIBLE DEBENTURES

On June 17, 2014, the Company closed its non-brokered private placement of secured convertible debentures (the "Debentures") for total gross proceeds of \$340,286. These debentures were issued at face value and are convertible, at the option of the holder, at any time prior to the maturity date, into common shares of the Company at a conversion price equal to \$0.50 per common share (post-consolidation). The debentures mature 3 years from the closing date. The debentures are secured by the shares currently owned by the Company in the capital stock of 2243734 Ontario Ltd which owns the Company's interest in the Murdock Mountain property.

The rate of interest on the Debentures is 14% per annum, payable semi-annually in a fixed number of common shares of the Company on December 31, and June 30, of each year beginning on December 31, 2014.

As an incentive for purchasing Debentures, the Company issued to subscribers 1333 post-consolidation bonus warrants for every \$1,000 of Debentures purchased, which resulted in the issuance 453,738 post-consolidation bonus warrants. Each bonus warrant is exercisable into shares at a price of \$0.75 per share (post-consolidation), for a period of 3 years from the closing date and had a value of \$58,677 (see note 8 for estimates used in the valuation of warrants). The warrant value of \$58,677 has been recognized in equity for the year ended December 31, 2014.

The debentures are classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debenture being less than face value.

On September 30, 2015, the Company converted the convertible debentures into 4,721,873 common shares and 591,339 warrants (see notes 6 and 8).

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**12. INCOME TAXES****Provision for Income Taxes**

The reported income taxes differ from the amounts obtained by applying domestic rates of 26.50% (2014 – 26.50%) to the net loss as follows:

	<b>2015</b>	2014
Components of the income tax provision:		
Income tax at statutory tax rates	\$ (185,000)	\$ 15,000
Difference between Canadian and foreign tax rates	-	(13,000)
Share issue costs	12,000	(83,000)
Stock based compensation, and other non-deductible expenses	9,000	3,000
Change in tax benefits not recognized	164,000	78,000
	\$ -	\$ -

**Deferred Income Taxes**

The primary differences which give rise to the deferred income tax recoveries at December 31, 2015 and December 31, 2014 are as follows:

	<b>2015</b>	2014
Deferred income tax assets:		
Share issuance costs	\$ 22,000	\$ 79,000
Mineral properties and other	-	3,378,000
Operating losses carried forward	2,416,000	2,959,000
	2,438,000	6,416,000
Less: valuation allowance	(2,438,000)	(2,711,000)
Less: valuation allowance from discontinued operations	-	(3,705,000)
Net deferred tax assets	\$ -	\$ -



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### 12. INCOME TAXES (continued)

Share issuance costs will be fully amortized in 2019. The mineral properties temporary differences may be carried forward indefinitely.

Deferred income tax assets have not been recognized due to the uncertainty of realization.

#### Tax Losses Carried Forward

The Company has accumulated non-capital losses for income tax purposes, which can be carried forward to be applied against future taxable income. The right to use the losses expires as follows:

2025	\$ 834,504
2026	918,464
2027	889,768
2028	1,879,930
2029	44,551
2030	565,521
2031	731,743
2032	1,168,220
2033	888,174
2034	497,439
2035	697,751

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\$ 9,116,065

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### 13. CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of share capital, shares to be issued, reserve for warrants and reserve for share based payments. When managing capital, the Company's objective is to ensure the entity 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 exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

As at December 31, 2015, the Company considers its capital to be share capital, shares to be issued, reserve for warrants, reserve for share based payments, reserve for foreign exchange gains (losses), totaling \$1,264,365 (2014 – deficit of \$874,973).

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

There were no changes in the Company's approach to capital management during the year ended December 31, 2015. The Company is not subject to externally imposed capital requirements.

### 13. FINANCIAL AND OTHER RISK FACTORS

#### Fair Value

The carrying amount of due to related parties and trade and other payables approximates fair value due to the relatively short term maturity of these financial instruments. The carrying value of loans and interest payable approximate the fair value based on discounted cash flows. Fair value represents the amount that would be

## **The Tinley Beverage Company Inc. (formerly Quia Resources Inc.)**

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### **13. FINANCIAL AND OTHER RISK FACTORS (continued)**

exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price if one exists.

#### **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 United States chartered banks which are closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments is minimal.

#### **Liquidity Risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2015, the Company had a cash balance of \$1,011,944 (December 31, 2014 - \$196) to settle current liabilities of \$51,162 (December 31, 2014 - \$696,361).

All of the Company's financial liabilities have contractual maturities of less than 365 days and are subject to normal trade terms. The Company feels there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holding cash.

#### **Foreign Currency Risk**

The Company operates in Canada and the United States, giving rise to market risks from changes in foreign exchange rates. The Company believes that its results of operations and cash flows would be affected by a sudden change in foreign exchange rates, but would not impair or enhance its ability to pay its U.S. dollar denominated obligations.

#### **Sensitivity Analysis**

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

- (i) The Company is exposed to foreign currency risk on fluctuations of financial instruments related to cash, accounts payable, due to related parties, loans and interest payable that are denominated in US dollars. As at December 31, 2015, had the Canadian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Company's comprehensive loss for the year ended December 31, 2015 would have been approximately \$101 higher/lower respectively as a result of foreign exchange losses/gains on translation of US dollar denominated financial instruments.
- (ii) Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities, amounts payable for financing activities and payroll liabilities. The usual credit period taken for trade purchases is between 30 to 90 days.

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### 13. FINANCIAL AND OTHER RISK FACTORS (continued)

The following is an aged analysis of the trade and other payables:

	December 31, 2015	December 31, 2014
Less than 1 month	\$ 24,258	\$ 3,198
1 to 3 months	22,648	12,366
Over 3 months	4,256	101,144
<b>Total Trade and Other Payables</b>	<b>\$ 51,162</b>	<b>\$ 116,708</b>

### 14. DISCONTINUED OPERATIONS

On June 19, 2014, the Company entered into an agreement to sell its wholly-owned subsidiary, San Lucas Gold Corp. ("San Lucas"), to Enneract Corporation ("Enneract"), a private Panamanian company. San Lucas Gold Corp holds 100% of Quia's Colombia-based mining interests. The transaction closed on July 18, 2014.

Pursuant to the terms of the agreement, Quia will receive a number of common shares equaling \$1 and resulting in an equity ownership of 5% of Enneract, as well as a 2% net smelter return royalty, of which Enneract can buy back half for US\$ 500,000. In addition, Quia has a right to participate in financings of Enneract to maintain its pro-rata position and a right of first refusal with respect to the sale or transfer of the property into a joint venture.

Assets and liabilities related to San Lucas have been classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell in the consolidated statements of financial position. The operating results for year ended December 31, 2014 related to San Lucas have been presented separately as the loss from discontinued operations in the consolidated statements of income and comprehensive loss.

During the year ended December 31, 2014, the Company recognized a gain on disposal of \$526,711 that resulted from the estimated fair value of the consideration received in the transaction exceeding the carrying value of the San Lucas net liabilities, measured at July 18, 2014. The gain on disposal has been included in net earnings from discontinued operations in the consolidated statements of income and comprehensive loss.

The carrying value of major classes of assets and liabilities as well as fair value of consideration received as at the date of disposal were as follows:

Cash	\$ (19,647)
Prepaid expenses	17,035
Property, plant and equipment	31,005
Trade and other payables	(528,417)
Provisions	(26,688)
Net carrying value	\$ (526,712)
Enneract shares	\$ 1
2% net smelter return royalty	-
Total fair value of consideration received	\$ 1

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**14. DISCONTINUED OPERATIONS (continued)**

The Company determined the fair value of the 2% net smelter return royalty using a valuation model, which is based upon on the combined free cash flow expected to be generated from the San Lucas mine.

The breakdown of the gain for the year ended December 31, 2014 from discontinued operations is as follows:

	Year ended December 31, 2014 \$
Exploration and evaluation	(105,964)
Office and general	(57,343)
Management and consulting	(10,153)
Salaries and benefits	(26,067)
Foreign exchange	(8,119)
Loss from discontinued operations	(207,626)
Gain on disposal	526,711
<b>Net earnings from discontinued operations</b>	<b>319,085</b>

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