

**THE TINLEY BEVERAGE COMPANY INC.**  
**Management’s Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**For the nine months ended September 30, 2017**

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*Management’s discussion and analysis (MD&A) is current to November 28, 2017 and is management’s assessment of the operations and the financial results together with future prospects of The Tinley Beverage Company Inc. (“Tinley” or the “Company”). This MD&A should be read in conjunction with our unaudited interim condensed consolidated financial statements and related notes for the nine months ended September 30, 2017 and 2016, prepared in accordance with International Financial Reporting Standards. All figures are in Canadian dollars unless stated otherwise. This discussion contains forward-looking statements that are not historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to Tinley’s future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. The Company has adopted National Instrument 51-102F1 as the guideline in presenting the MD&A. Additional information relevant to Tinley’s activities, including Tinley’s Press Releases can be found on SEDAR at [www.sedar.com](http://www.sedar.com).*

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**1. Description of Business**

The Tinley Beverage Company Inc. (the "**Company**" or "**Tinley**") was incorporated under the laws of the Province of Ontario, Canada by articles of Incorporation dated October 26, 2007. On October 6, 2015, the Company completed the Change of Business to a pure-play cannabis beverage company (as hereinafter defined), and pursuant to the Articles of Amendment dated October 6, 2015, the Company changed its name from Quia Resources Inc. to "The Tinley Beverage Company Inc."

Tinley officially launched its first phase of retail channel test sales on August 27, 2016, approximately three months prior to the end of the fiscal year, in a limited number of stores in Southern California. The Company's initial product is a line of premium, refreshing hemp CBD-infused drinkable supplements that have the potential to become one of the first national brands in this emerging category in the USA. Cannabidiol ("CBD") is a cannabinoid found in hemp stalk that is enjoying increased consumer awareness as it is a non-psychoactive ingredient that is also found in certain strains of medical cannabis. In addition to containing hemp CBD, the supplement is fortified with 9 times the electrolyte potassium of major sports drinks, omega 3 and 9 vitamins. The product is designed for both functionality and refreshment.

On September 30, 2016 the Company announced its entry to the cannabis beverage market and unveiled concepts for its liquor-style cannabis drinks. The Company subsequently made these products available to members of its medical collective at the Cannabis Cup in San Bernardino in April 2017, and it is working to make these products available for dispensary sales by the end of 2017.

As at November 28, 2017, the directors and officers of the Company were:

Jeffrey Maser	CEO and Director
Amy Stephenson	Interim CFO
Andrew Stodart	Director
Theodore Zittell	Director
David Ellison	Director

**2. Recent Developments**

**Financing Developments**

During the nine months ended September 30, 2017, 5,328,017 warrants and 214,000 options were exercised, resulting in total proceeds of \$1,075,904.

**Business Developments**

*Progress made during the last fiscal year ended December 31, 2016*

In March 2016, Tinley appointed Mr. David Ellison to the Board of Directors. Mr. Ellison is a principal at Acuity Corporate Securities Lawyers in Toronto and provided capital markets, legal and operational services to US-based cannabis cultivators, processors and extractors.

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On May 31, 2016, the Company appointed Mrs. Amy Stephenson as interim Chief Financial Officer. Mrs. Stephenson has a strong familiarity of the cannabis and hemp industries and has over 20 years of senior management and capital markets experience.

On June 16, 2016, Jeff Pencer transitioned from his role as head of product development and operations to become a member of the Company's newly-formed Advisory Board. The Company subsequently retained Richard Chessman and Frank Chessman of Total Marketing Systems to lead sales, bottling operations and distribution. These consultants, both local to the Company's operations in California, have been instrumental in building a premium hydration beverage company from a nascent stage to nearly \$1 million per month in revenue.

On June 16, 2016, the Company announced the resignation of Tony Roodenburg from the Board of Directors. Tony had been instrumental in helping the Company transition from mining exploration into the hemp-based beverage business.

On June 17, 2016, the Company having completed a series of test and sampling runs, announced that it has completed the first commercial bottling run for its Hemplify product. This was a key milestone for the Company. The product was featured at various on-premises sales events, such as trade shows and musical events in an effort to develop brand awareness, to drive social media following, and to attract traffic to Hemplify's e-commerce channels.

In August 2016, the Company set up its web store at [www.drinkhemplify.com](http://www.drinkhemplify.com) and also listed its products on Amazon.com.

On August 8, 2016, the Company announced the appointment of Mr. Theodore (Ted) Zittell to the Board of Directors in support of the Company's transition to a hemp-based beverage business. Mr. Zittell previously served as President of Cott Corporation's Retail Brands International. He currently consults internationally via his firm, Ted Zittell & Associates Inc. His recent clients include Walmart, Kroger, CVS Pharmacy, P&G, Nestlé, Loblaws, Sainsbury's and Tesco. He also serves as a senior consultant for McMillan Doolittle LLP, a leading Chicago-based retail and consumer experience agency.

On September 26, 2016, the company entered into a distribution agreement with SF Pipes, a sales and distribution company base in the San Francisco Bay Area. SF Pipes acts as a master distributor for the "head" and smoke shop channels. SF Pipes and its network of sub-distributors call on approximately 1,000 stores, mainly in California and neighboring states.

On September 30, 2016 Andrew Stodart joined the company as an independent director, replacing Adam Szweras and Roger Dent, who each resigned from the board. Mr. Stodart has over 25 years of marketing, sales and brand development experience at the executive level in the beverage alcohol industry. During this time, he was responsible for the worldwide sales and marketing of Black Velvet Canadian whisky, the successful development of Dan Aykroyd wines along with the successful launch of Aykroyd's Crystal Head vodka as well as heading the Marketing Group for one of Canada's leading wine companies. Prior to that he held various sales and marketing positions with Everfresh Juice and Coca-Cola. He is currently the president of The Brands Group Inc., a company that provides successful marketing and brand recognition solutions to its international roster of clients.

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By November 2016, Hemplify drinks were available in over 100 stores, mainly in California and has also shipped to stores in Nevada, Washington, Colorado, North Carolina and Minnesota.

On November 24, 2016, CannaInvestor Magazine named Tinley as a Top 25 stock for long-term investors in the cannabis sector based on cash resources, revenue projections, management, margins, addressable market, phase of growth and business model.

Retail Growth Strategy

By year ended December 2016, the Company began implementing its retail distribution strategy:

- 1) The Company received an initial purchase order from luckyvitamin.com, a leading online health and wellness store owned by GNC.
- 2) Hemplify became available in Sprouts Chula Vista and Eastlake in San Diego County, California and the Company was engaged in discussions to seek to further expand in premium grocery stores.
- 3) The Company added additional salespeople in Southern California and retained a food brokerage firm in Northern California to expand its coverage of natural good and premium grocery stores throughout the state and Nevada.
- 4) The Company began a trial with a major convenience store chain and expanded that trial by an additional 25 stores. This brought the total number of stores in this chain to 33.

Development of Tinley' 27 Cannabis-infused Beverages

The Company began working in 2016 with its Los Angeles formulator on an initial lineup of cannabis-infused beverages. The initial products include a rum, a Cinnamon Whisky, an Italian Amaretto and a ready-to-drink margarita cocktail. All products are alcohol-free however made with the same extracts, essences and flavors as their alcoholic counterparts, and are also infused with high purity THC distillate. This new line of cannabis-infused beverages is made available for use in jurisdictions where such products are permitted. The product is under contract with The Tinley Collective, a California Cooperative Corporation that is engaged in cannabis procurement and distribution within California's medical cannabis system.

Progress made during the nine months ended September 30, 2017

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

On February 14, 2017, the Company announced that it has begun accepting patients for the Tinley Collective. The Tinley Collective (the "Collective") is a Central Organization Cooperation Corporation organized under the California Corporation Code designed to facilitate the association of qualified medical patients for the purpose of collectively procuring medical cannabis for its members, pursuant to Health and Safety Code and formulating into easily-consumable, drinkable products for such members. The Collective provides its members with service pursuant to the Compassionate Use Act and Medical Marijuana Program Act. Tinley has entered into an exclusive

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contract with the Collective to provide management and other services. The Collective has also partnered with a collective in San Francisco which serves over 10,000 cannabis patients, to provide cannabis oil for Tinley's products. According to ArcView research, California's medical cannabis program generates \$2.7 billion in annual revenue, roughly 9 times the size of the Canadian medical cannabis market.

On February 21, 2017, the Company has made an initial shipment of 2 flavors of the Hemplify hemp infused beverage to 10 Bristol Farms stores in Los Angeles and Orange County. Bristol Farms is one of Southern California's premier grocery store chains operating in 10 locations with 3 additional stores under the Lazy Acres banner. It is also the recipient of Zagat's Marketplace Survey for being number one in overall quality and service.

On March 28, 2017, the Company announced that it has retained a California-based consulting firm to grow Tinley's sales and manufacturing functions. This firm has a proven track record of helping growing beverage companies maximize their success and profitability by optimizing supply chain management, marketing, sales and distribution.

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

On October 25, 2017, Company announced an update to several initiatives and ongoing progress as follows:

CBD Product Progress

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

Hemplify has been renewed at all its key accounts and continues to add additional retailers, however the Company notes that sell-through can remain uneven, consistent with most early-stage mainstream products.

The Company is leveraging consumer and buyer feedback on Hemplify to incorporate into its next-generation versions of the product, which will involve updated ingredient profiles and flavors, including the previously-announced lemon-lime flavor.

The Company will therefore produce the lemon-lime flavor during a production run that will include the full suite of updated products. This will also involve package design updates to maximize cross-branding between the Company's CBD products and its Tinley '27 cannabis-infused beverages in both mainstream stores and dispensaries. The Company is delighted to now be working with one of the USA's leading food and beverage formulators to update these products. This formulator has

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offices throughout the USA and Internationally; the Company believes it is the first CBD consumable company to work with a formulator with this level of geographic presence.

Operational Update

The Company has moved several sales functions including chain accounts to internal resources and other distribution-focused organizations. It continues to outsource sales and account management for independent, street-level accounts including grocers and convenience stores.

The Company has also shifted certain operational functions related to THC bottling to bottling experts in close proximity to the planned site of temporary production. The Company had previously elected to delay production of its cannabis beverages to incorporate certain terpene technology that enables users to enjoy an uplifting, Sativa-like effect. This unique approach overcomes a challenge that is often faced by cannabis edibles, which typically deliver a more neutral, Indica-style effect.

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

Long-Term Bottling Facility

The Company is presently negotiating a lease agreement for a commercial property in Southern California that is designed to accommodate a capacity of 10-15 million bottles per year. The retail prices for Tinley's retail products are expected to range from \$6-30 per bottle. The Company also intends to offer co-packing and distribution services to third-party beverage companies to exploit any unused capacity on the new line.

The Company intends to produce in its temporary facility until the long-term facility can be retrofitted and permitted in accordance with California state regulations, which are expected to be released in shortly.

Territorial Expansion

The Company is pleased with the Canadian government's recent decision to allow edibles and drinks within one year of the intended launch of adult-use ("recreational") cannabis products in July 2018. As previously announced, the Company is engaged in discussions with Canadian licensed producers, and intends to finalize such agreements such that they can be modelled upon the Company's California operations and experience. The Company remains committed to prioritizing its California operations due to the State's market size and regulatory structure.

CSA Staff Report on Cannabis Companies with US Operations

Tinley applauds the recent CSA staff report on Canadian-listed cannabis companies that maintain operations in the USA, and its continued commitment to these types of ventures.

Tinley had moved from the TSXV to the CSE nearly two years ago due to the CSE's commitment to listing companies of this nature, and the Company is therefore not subject to the TSX's listing requirements. It believes the CSE is well positioned to continue to ensure seamless trade clearing and other services that may otherwise be provided by the TSX. Further, the Company believes its previous quarterly reports have substantially included the disclosures required under the new CSA staff report.

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The Company has now updated these disclosures, as reflected in this document, to reflect additional detail related to Tinley's expanding operations and the evolving regulatory structure in California.

Future Plans

As outlined above, the Company is endeavouring to produce shelf-stable versions of its Tinley '27 and Tinley Cocktails cannabis beverages prior to the end of 2017, however the Company cannot provide assurance that these products will be produced by this date. Production of these products will take place in a temporary facility until the Company's long-term, high-capacity beverage line becomes operational. The Company is also working to partner with a licensed producer in Canada to make these products available throughout the country when such products are permitted. The Company intends to continue commercial sales as well as test sales of its hemp CBD products in retail locations in Southern California and online, and continue converting the test stores into fully commercial accounts.

**Overall Performance**

For the nine months ended September 30, 2017, sales were \$66,551 (September 30, 2016 - \$6,892). The cost of sales was \$47,704 (September 30, 2016 - \$4,586), resulting in a gross profit of \$18,847 (September 30, 2016 - \$2,306). Compared to the nine months ended December 31, 2016, when the Company sold drink product for a total of \$12,573, the current period result represents about a five-fold increase in sales.

The Company incurred certain charge backs in the most recent quarter that impacted the revenue figure.

Cost of sales includes writing off raw material that was damaged during production process. As with many beverage startups, the Company expects to expand margins as cost efficiencies are realized from increased production volumes.

The Company incurred cash of \$1,212,062 from operating activities and \$525,850 from investing activities for the nine months ending September 30, 2017 but cash position was decreased by only \$662,008 as a result of proceeds from warrants and options exercised of \$1,075,904. As at September 30, 2017, the Company had cash and cash equivalents of \$3,324,435 (December 31, 2016 - \$3,986,443). In addition, the Company also owns a liquid debenture investment, that matures in May 2019, but is cashable at an earlier date if necessary, of \$513,990, representing total accessible cash of \$3,838,425 million as at September 30, 2017.

The current cash available to the Company, including cash, marketable securities and investment cashable debenture (as outlined in Note 4 to the financial statements) as at November 28, 2017 is approximately \$4.675m.

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**Results of Operations**

**3. Summary of Quarterly Results**

Selected financial information for the eight quarters as follows:

	<b>September 30, 2017</b>	<b>June 30, 2017</b>	<b>March 31, 2017</b>	<b>December 31, 2016</b>
	\$	\$	\$	\$
Total Revenue	16,271	34,295	15,985	5,681
Net Income (loss)	(464,835)	(477,203)	(347,848)	(1,443,676)
Income (loss) Per Share – basic and diluted	\$(0.006)	\$(0.007)	\$(0.005)	\$(0.03)
	<b>September 30, 2016</b>	<b>June 30, 2016</b>	<b>March 31, 2016</b>	<b>December 31, 2015</b>
	\$	\$	\$	\$
Total Revenue	6,892	-	-	-
Net Income (loss)	(255,834)	(314,268)	(314,809)	(206,172)
Income (loss) Per Share – basic and diluted	(0.006)	(0.007)	(0.007)	(0.007)

**Operating results for nine months ended September 30, 2017**

The Company sold a batch of its “Tinley ‘27” and “Tinley Cocktails” cannabis beverages at the Cannabis Cup in San Bernardino during the first quarter of 2017. The Company also launched its new product, a creamy CBD chocolate squeeze supplement (HES) in June 2017 and shipped a portion of the inventory produced during this period.

Sales for nine months ended September 30, 2017 was \$66,551 (September 30, 2016 - \$6,892). Cost of goods sold was \$47,704 (September 30, 2016 - \$4,586) resulting in gross profit of \$18,847. Average selling price per bottle was \$3.37 for hemp infused beverage and US\$22 for HES product. The shift in average selling price for the beverage from prior quarters represents an increased proportion of volume from wholesale distributors.

Sales and marketing for the nine months ended September 30, 2017 was \$660,622 (September 30, 2016 - \$150,352) as the Company had just started sales during the prior comparative period. Product development was \$33,970 (September 30, 2016 - \$155,357) as products are commercialized. The decrease also due to an adjustment for an over-accrual of product development costs from prior period. Finance and administration for the nine months ended September 30, 2017 was \$411,588 (September 30, 2016 - \$399,646), an increase of \$11,942 as the Company has more activities in US subsidiaries.

**Operating results for three months ended September 30, 2017**

During the three months ended September 30, 2017, the Company generated \$16,271 in sales (September 30, 2016 – \$6,892). Product development costs were \$ 22,049 for the three months ending September 30, 2017 (September 30, 2016 - \$52,836). Sales and marketing expenses for the

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three months ended September 30, 2017 were \$228,432 (September 30, 2016 - \$49,746), an increase of \$178,686, as the Company expanded its sales force in March and had very limited commercial sales during the same period last year. Finance and administration expenses during the three months were \$155,185 (2016 - \$70,245), representing an increase of \$84,940 from the same period last year as the Company incurred additional administrative cost due to increased sales and production activities as well as administrative support staff.

**Working Capital**

As at September 30, 2017, the Company had net working capital of \$3,369,216 compared to \$3,885,614 at December 31, 2016.

As at September 30, 2017, the Company had total accessible cash of \$3,838,425 available for working capital and other operational purposes. This is comprised of \$3,324,435 in cash and cash equivalents plus a cashable debenture with a present value of \$513,990. This debenture matures in May 2019, but is cashable at an earlier date if necessary.

A summary of the Company's cash position and changes in cash for the nine months ended September 30, 2017 and 2016 are provided below:

	<b>Nine months ended September 30,</b>	
	<b>2017</b>	<b>2016</b>
Cash used in operating activities – net	<b>(1,212,062)</b>	(716,822)
Cash used in investing activities	<b>(525,850)</b>	-
Cash provided by financing activities	<b>1,075,904</b>	9,000
decrease in cash	<b>(662,008)</b>	(707,822)
Cash at beginning of period	<b>3,986,443</b>	1,011,944
Cash at end of period (1)	<b>3,324,435</b>	304,122

(1) The above cash figure does not include the debenture which the company owns, which was worth \$513,990 as at September 30, 2017.

**Liquidity Outlook**

As at September 30, 2017, the Company's total accessible cash was \$3,838,425. This figure includes cash and cash equivalents of \$3,324,435, a decrease of \$662,008 from the balance at December 31, 2016 of \$3,986,443. This decrease is due to operating activities totaling \$1,212,062 and investing activities totaling \$525,850 during the nine-month period off set by gross proceeds from warrants and options exercised of \$1,075,904. The total accessible cash figure also includes the value of a cashable debenture that the Company owns. This debenture matures in May 2019, but cashable at an earlier date if necessary.

The Company's working capital decreased by \$516,398 to \$3,369,216 on September 30, 2017 from \$3,885,614 at December 31, 2016.

Nevertheless, the Company's total accessible cash as at November 28, 2017, when taking into

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account the exercise of warrants after the end of the period is approximately \$4.675m (see Subsequent Events).

**4. Related-party Transactions**

- (i) During the nine months ended September 30, 2017, \$Nil (2016 - \$6,840) was incurred for rent a company in which the Secretary and Director of the Company, has an indirect interest, through a family trust. The Company and this related party also entered into a consulting agreement on May 15, 2015. In consideration for services, the Company agreed to pay a monthly fee of \$10,000 inclusive of rent which was renegotiated to \$7,000 in July 2016. In September 2016, the Company discontinued its engagement. Accordingly, consulting fees for the nine months ended September 30, 2017 was \$Nil (2016 - \$81,000). As at September 30, 2017, \$16,701 (December 31, 2016 - \$16,701) is included in accounts payable.
- (ii) During the nine months ended September 30, 2017, \$1,234 (2016 - \$17,808) in legal fees were incurred for services provided by a law firm in which the Secretary and Director of the Company is a partner. As at September 30, 2017, included in accounts payable is \$11 (December 31, 2016 - \$5,249) payable to this law firm.
- (iii) During the nine months ended September 30, 2017, directors received stock-based compensation of \$169,864 (2016 - \$24,490) in addition to cash compensation of \$280,313 (2016 - \$162,000) for services rendered. As at September 30, 2017, \$31,640 (December 31, 2016 - \$16,950) payable to the directors of the Company, and \$16,950 (December 31, 2016 - \$16,950) payable to the former director of the Company is included in accounts payable.
- (iv) The Company entered into a management services agreement which include the services of the Company's Chief Financial Officer. During the nine months ended September 30, 2017, \$66,500 (2016 - \$45,000) in management, accounting and administrative services were incurred under this agreement. As at September 30, 2017, \$77 (December 31, 2016 - \$Nil) is included in account payable.

**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:

Nine months ended September 30,	2017	2016
	\$	\$
Short-term employee benefits, including salaries and fees	<b>346,813</b>	290,340
Share-based compensation	<b>169,864</b>	24,490
Professional fees	<b>1,234</b>	17,808
	<b>517,911</b>	332,638

**Subsequent Events**

1. The following are warrant activities subsequent to the nine-month period ended September 30, 2017:

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- a. In October 2017, 240,000 warrants were exercised at \$0.20, and 7,700 warrants were exercised at \$0.17 for total proceeds of \$49,309;
- b. In November 2017, 3,275,005 warrants were exercised at \$0.25, 578,125 warrants were exercised at \$0.20, and 46,655 warrants were exercised at \$0.17 for total proceeds of \$942,308;
- c. On November 27, 2017, 25,000 options were exercised at \$0.11 for total process of \$2,750.

**Disclosure of Outstanding Share Data November 28, 2017**

	<b>Authorized</b>	<b>Outstanding</b>
Voting or equity securities issued and outstanding	Unlimited Common Shares	81,189,388 Common Shares
Securities convertible or exercisable into voting or equity shares		<ul style="list-style-type: none"> <li>a) Options to acquire up to 2,785,500 common shares</li> <li>b) 3,932,438 Warrants exercisable to acquire common shares of the Company.</li> </ul>

**Significant Accounting Policies**

Refer to Note 3 to the audited annual consolidated financial statements for a detailed description of our significant accounting policies.

**5. Financial Instruments and financial risk factors**

Refer to Note 3 to the audited annual consolidated financial statements for year ended December 31, 2016 and Note 11 of the unaudited interim condensed consolidated financial statements for nine months ended September 30, 2017 and 2016 for a detailed description of our financial instruments and other instruments and related risk.

**Risk Factors**

There are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. If any of these risks occur, the Company's business, financial condition or results of operation may be materially adversely affected. In such case, the trading price of the Company Shares could decline, and investors could lose all or part of their investment. The following is a summary of certain risks that could be applicable to the business of the Company:

*Limited operating history in its new area of business.*

The Company has a limited operating history in its new area of business, is in the early-stage development and must be considered a start-up. As such, the Company is subject to many risks

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common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenue. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Company also has no history of earnings.

Because the Company has a limited operating history in emerging area of business, you should consider and evaluate its operating prospects in light of the risks and uncertainties frequently encountered by early-stage companies in rapidly evolving markets. These risks may include:

- risks that it may not have sufficient capital to achieve its growth strategy;
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues; and
- risks relating to an evolving regulatory regime.

The Company's future growth will depend substantially on its ability to address these and the other risks described in this section. If it does not successfully address these risks, its business may be significantly harmed.

*Additional financing*

The Company believes that its raised capital is sufficient to meet its presently anticipated working capital and capital expenditure requirements for the near future. This belief is based on its operating plan which, in turn, is based on assumptions, which may prove to be incorrect. In addition, the Company may need to raise significant additional funds sooner to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing to meet its plans for expansion. The Company cannot be sure that this additional financing, if needed, will be available on acceptable terms or at all. Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

*Volatile global financial and economic conditions*

Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain

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financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial condition could be adversely impacted.

Competition

The beverage industry is highly competitive. The Company will compete with numerous other businesses in the beverage industry, many of which possess greater financial and marketing resources and other resources than the Company. The beverage business is often affected by changes in consumer tastes and discretionary spending patterns, national and regional economic conditions, demographic trends, consumer confidence in the economy, traffic patterns, local competitive factors, cost and availability of raw material and labor, and governmental regulations. Any change in these factors could materially and adversely affect the Company's operations. The Company's operations can also be substantially affected by adverse publicity resulting from quality, illness, injury, health concerns, public opinion, or operating issues. The Company will attempt to manage these factors, but the occurrence of any one or more of these factors could materially and adversely affect the Company's business, financial condition and results of operations.

Reliance on Management

The success of the Company is currently dependent on the performance of its senior management. The loss of the services of these persons would have a material adverse effect on the Company's business and prospects in the short term. There is no assurance the Company can maintain the services of its officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

Factors which may Prevent Realization of Growth Targets

The Company is currently in the early development stage. There is a risk that the additional resources will be needed, and milestones will not be achieved on time, on budget, or at all, as they are can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following as it relates to the Company:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

The Products Sold by the Company are Subject to Regulation Governing Food, Dietary Supplement, Controlled Substances and Related Products

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

While cannabinoids, commonly found in hemp oil, can also be commonly found in certain strains of marijuana, which faces significant restrictions on use and distribution under the United States Controlled Substances Act ("**CSA**"), the Company was not sourcing any derivatives from marijuana as at year end for its hemp products.

While oil derived from industrial hemp stalk that has naturally occurring THC content equal to or less than 0.3% is excluded from the definition of marijuana under the CSA, there is no certainty that this exclusion could not be altered by court or governmental action or re-interpretation. There is no certainty that the United States Food and Drug Administration ("**FDA**") will not regulate the use of hemp oil or components of hemp oil as a drug and prohibit use as a dietary ingredient. There is no certainty that hemp oil will be considered a grandfathered dietary ingredient under the Dietary Supplement Health and Education Act of (1994) ("**DSHEA**"), or would otherwise be permitted for use under the DSHEA. The U.S. Food and Drug Administration ("**FDA**") has stated that cannabidiol, a component of hemp oil, is precluded from the definition of a dietary ingredient as it is the subject of an Investigational New Drug application.

The Company relies on the supply of hemp stalk oil extracts, which is imported into the United States from other countries. The United States Drug Enforcement Administration ("**DEA**") and the U.S. Customs and Border Protection Agency will not permit the entry of hemp extract into the United States if it contains any amount of THC which is a marijuana derivative and, therefore, a Schedule I drug. Currently, the definition of "marijuana" in the CSA does not include the plant's "mature stalks", which are used to create hemp (which only contains trace amounts of THC and has no psychoactive effect). Hemp stalk oil is not scheduled under the CSA and therefore, is also not under the enforcement authority of the DEA. Currently, the DEA does not take jurisdiction over hemp stalk oil products, but controls hemp cultivation, and companies that wish to cultivate hemp in the United States must apply for a permit with the DEA. If in future DEA takes jurisdiction to regulate hemp stalk oil products, the Company may become subject to additional licensing requirements, which may require additional capital. There is no assurance that the Company will be able to obtain any such licenses, or be eligible to apply for such licenses, which would adversely affect the Company's Business.

Products containing cannabis and hemp CBD may currently not be manufactured, distributed or sold in Canada unless such activity is undertaken in accordance with the Access to Cannabis for Medical Purposes Regulations ("**ACMPR**") or other appropriate regulatory exemptions. The Company is monitoring changes to Canada's regulations with respect to both medical and recreational cannabis and may seek to pursue opportunities to distribute its products in Canada as such regulatory changes permit.

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In April of 2017, the Company began offering products containing cannabis in California. As such, it faces the following risks:

- a) Federal Law. The Controlled Substances Act (the "CSA") makes it illegal under federal law to manufacture, distribute or dispense marijuana. 21 U.S.C § 801, et seq. Marijuana and cannabis is a Schedule I controlled substance under the CSA. 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.

Since 2013, federal enforcement of state regulated cannabis operations has been deprioritized and defunded. The U.S. Department of Justice issued a memorandum (the "Cole Memo") that indicated that resources would not be directed for federal enforcement activity, including civil enforcement and criminal investigations and prosecutions related to marijuana activities. Essentially, the Cole Memo states that cannabis operations that are compliant with robust state regulatory systems are not priorities for federal enforcement. In 2014, Congress provided that "none of the funds made available... to the Department of Justice may be used ... to prevent [various] States from implementing their own State laws that authorize the use, distribution, possession, or cultivation of medical marijuana" (§ 542 of the Consolidated Appropriations Act). In 2016, the Ninth Circuit held that federal judges should stop prosecutions for conduct that is authorized by state medical marijuana laws. 2016 WL 4363168 (9th Cir. Aug. 16, 2016).

The Cole Memo listed the U.S. Federal government's enforcement priorities relative to marijuana, which include, without limitation: (a) preventing the distribution of marijuana to minors; (b) preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels; (c) preventing the diversion of marijuana from states where it is legal under state law in some form to other states; (d) preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or illegal activity; (e) preventing violence and the use of firearms in the cultivation and distribution of marijuana; (f) preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use; (g) preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and (h) preventing marijuana possession or use on federal property.

Consistent with these priorities: (a) Company has a strict policy not to distribute its medical marijuana products to patients under the age of 18 and its recreational marijuana products to consumers under the age of 21; (b) Company has not and will not enter into any agreements or financial arrangements with criminal enterprises, gangs, and cartels; (c) (i) Company only sells marijuana in U.S. States where it is legal under State law; (ii) Company does not transport its products across state or country line; and (iii) informs its patients and consumers that they may not transport Company's products across state or country line; (d) (i) Company does engage in other illegal activity or traffic other drugs; and (ii) Company has not allowed persons to use its lawful marijuana activities to serve as a cover or pretext for the trafficking of other illegal drugs or illegal activity; (e) Company has a strict policy forbidding the use of firearms or violence, in its cannabis operations; (f) Company has a

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strict policy against driving after consuming marijuana and, on its labels, warns its patients about the impairing effects of consuming marijuana and driving; (g) Company only operates on its private land, it does not operate on public lands; and (h) Company has a strict policy against the use or possession of marijuana on federal property.

As Company takes great care to ensure that its operations are consistent with the Cole Memo, it is clear that Company's U.S. marijuana-related activities are conducted in a manner consistent with U.S. federal enforcement priorities.

This position could change at any time. President Trump has appointed Jeff Sessions as Attorney General, an appointment that does not signal support for the cannabis industry. There is no way to predict how Mr. Trump will enforce federal law or how he will deal with states that have legalized medical or recreational marijuana. Even for businesses compliant with state laws, cannabis-related investments remain a risk under federal law. At present, the Company is solely distributing products in California's medical cannabis industry, however it may seek to distribute via California's recreational industry as well as in other states as regulations permit.

In the event that the U.S. Federal government changes its approach to enforcement of the CSA, 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 also lead to dissolution, asset forfeiture and total loss of investment.

- b) **State and Local Compliance.** In California, the state has enacted a series of laws to regulate medical cannabis, and recently voters passed Proposition 64 to regulate and tax recreational cannabis. The regulatory framework for commercial cannabis enterprises is currently being developed by several state agencies. For medical cannabis, the state anticipates issuing regulations and accepting applications for licenses in 2018. The state legislature may change Proposition 64 so long as the original intent of the initiative is maintained. For recreational cannabis, the state anticipates issuing regulations and accepting applications for licenses in 2018 as well. The cannabis industry will see many changes to laws and regulations in the coming years.

State medical and recreational laws allow local jurisdictions to enact codes so long as those regulations are more restrictive than state laws. Many local jurisdictions are in the process of developing cannabis policies. If the local jurisdiction allows cannabis operations, the business must first obtain local permits before seeking state licensing.

Permit and License requirements create a host of issues that investors should consider, including but not limited to the following:

- i. Limitations on the number of licenses and license types available to investors;
- ii. Rapidly changing laws and regulations;
- iii. Increased regulatory compliance costs and potentially lower gross margins;
- iv. Competition; and,

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- v. Potential changes to business plans, predicted income, or structure of business entities.

In addition to developing regulatory systems and local ordinances, cannabis operations must comply with all state laws and regulations as well as local ordinances and codes. Failure to comply with state and local laws and regulations could result in civil penalties, and in some cases, criminal prosecution.

There is no guarantee that any cannabis operation will get a local permit or state license. For a wide variety of reasons, cannabis businesses may not be granted state licenses. Failure to obtain a local permit or state license will prohibit future cannabis-related business activity until the business can obtain the required permits and licenses.

- c) Given the illegality of marijuana under U.S. federal law, there is no guarantee that the Company will be able to access both public and private capital. Until now the Company has been able to rely on public capital to fund continued operations.
- d) The regulations for U.S. states in which the issuer operates may differ and affect how the Company complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.

Current California Regulations – Prior to January 1, 2018

Until the new legislation discussed below becomes effective, California State law as it relates to medical marijuana is an affirmative defense based system. As a general rule, the California Uniform Controlled Substances Act made marijuana possession and commercial marijuana activity a crime except as otherwise authorized by law. Under the California Compassionate Use Act of 1996 (the "CUA") California protected qualified medical marijuana patients and their primary caregivers from criminal prosecution for personal possession and cultivation of marijuana, but not for distribution or sale to others. In 2004, the Medical Marijuana Program Act ("MMPA") also referred to as Senate Bill 420 (Health & Safety Code 11362.7-8) was passed expanding the exception in CUA. Among other things, SB 420 authorized patient "cooperatives" or "collectives" to cultivate, manufacture, distribute and sell medical marijuana on a non-profit basis to their members. In August 2008, the California Attorney General promulgated Guidelines for the Security and Non-Diversion of Marijuana Grown for Medical Use (the "AG Guidelines"). In the AG Guidelines, the California Attorney General specifically recommends that medical marijuana associations utilize the cooperative corporation business form. The AG Guidelines further specified that cooperatives and collectives should use only marijuana legally grown or obtained by their own members, with no purchases from outside their membership. In addition, California requires compliance with any and/all local municipal laws in the municipalities that cannabis is being cultivated, manufactured, distributed and sold.

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Collectively, these sets of rules compromise the tenets of compliance with California State law until January 1, 2018: (1) marijuana may only be used for medicinal purpose by authorized patients who are older than 18 years old; (2) authorized patients may collectively organize into "cooperatives" or "collectives" in order to aggregate their resources to collectively facilitate the cultivation, manufacture, distribution and sale of medical marijuana on behalf of their patient members; (3) "cooperatives" or "collectives" must be operationally non-profit; and (4) "cooperatives" or "collectives" must maintain a "closed loop" ensuring that no "cooperative" or "collective" marijuana is diverted to persons that are not patient members of the "cooperative" or "collective;" and (5) "cooperatives" or "collectives" must comply with any and/all local municipal laws in the municipalities that the cooperative" or "collective" operate.

Company's Compliance with Current California Regulations

Company is complying with the current set of California State Regulations. Namely, (1) Company's California products are currently only available as medical marijuana products, and are only sold to authorized patients who are older than 18 years old, who have valid medical marijuana recommendations. Company ensures the age of the patient by requiring government issued identification and a valid medical recommendation prior to providing any products to any person. (2) Company formed Tinley Collective, a California Cooperative Corporation (the "Cooperative"), the corporate form specifically recommended by the California Attorney General to serve as the patient-based collectively organized organization for its patient members. All employees at Company that are involved in the cultivation, manufacturing, packaging, labeling, distribution, or sale of the Company's product are required to join the Cooperative. Moreover, Company requires that all potential customers join the Cooperative prior to selling any products to said person. (3) The Cooperative operates operationally on a not-for-profit basis. Company is a for-profit service-provider that provides management and administration services for the Cooperative. Company does not consider this contractual relationship to violate current California law relating to "for profit" activities, however, there is no assurance that this structure will be respected by applicable governmental authorities. (4) Company and the Cooperative ensure that no products are sold to persons that are not members of the Cooperative. Company verifies that all purchasers have signed all Cooperative membership application materials prior to providing any products to any person.

Upcoming California Regulations – January 1, 2018 Onwards

On June 27, 2017, California's governor signed into law Medicinal and Adult-Use Cannabis Regulation and Safety Act ("MAUCRSA") also referred to a Senate Bill 94. MAUCRSA created a State-wide licensing scheme for both commercial medical marijuana activity and commercial adult-use marijuana activity in the State of California. MAUCRSA contemplates granting licenses issued by the State of California, beginning on January 1, 2018, in the following categories:

- Type 1—Cultivation; Specialty outdoor; Small.
- Type 1A—Cultivation; Specialty indoor; Small.
- Type 1B—Cultivation; Specialty mixed-light; Small.
- Type 1C—Cultivation; Specialty cottage; Small.

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Type 2—Cultivation; Outdoor; Small.  
Type 2A—Cultivation; Indoor; Small.  
Type 2B—Cultivation; Mixed-light; Small.  
Type 3—Cultivation; Outdoor; Medium.  
Type 3A—Cultivation; Indoor; Medium.  
Type 3B—Cultivation; Mixed-light; Medium.  
Type 4—Cultivation; Nursery.  
Type 5—Cultivation; Outdoor; Large.  
Type 5A—Cultivation; Indoor; Large.  
Type 5B—Cultivation; Mixed-light; Large.  
Type 6—Manufacturer 1.  
Type 7—Manufacturer 2.  
Type 8—Testing laboratory.  
Type 10—Retailer.  
Type 11—Distributor.  
Type 12—Microbusiness.

Under MAUCRSA, after January 1, 2018 only license holders are permitted to engage in commercial marijuana activities. A pre-condition to obtaining a California State marijuana license is obtaining a valid license, permit, or authorization from the local municipal government. With a local license, permit, or authorization an applicant can apply for a State temporary license, which will allow the applicant to operate while the State license application is pending.

The Company intends to partner with an organization that has obtained a local manufacturer municipal authorization in California. Once the Company partners with this organization, it intends to rely on this organization to submit a temporary license application with the State of California. Since local and state licenses are not yet required under California law, the Company is still currently complying (see Company's Compliance with Current California Regulations, above). Nevertheless, there is no assurance that this organization or the Company will be able to obtain or maintain licenses in various jurisdictions.

- e) The Company is monitoring compliance with California Law on an Ongoing Basis. The Company has engaged California-based marijuana regulatory compliance counsel, who have substantial experience advising marijuana companies on how to comply with California law. Company's counsel has been tasked with monitoring California law on an ongoing basis and ensure that Company's operations comply with all California marijuana laws. Company has regularly scheduled calls with compliance counsel to discuss compliance matters. Nevertheless, there is no assurance that the Company will be able to maintain or remain in compliance with California or other state laws.
  
- f) The Company's has implemented internal compliance procedures. In connection with its partner's upcoming license application, the Company will submit Standard Operating Procedures, which shall include Company's internal compliance procedures. Nevertheless, while the Company will maintain and update its Standard Operating Procedures, there is no

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assurance the Company's Standard Operating Procedures will be sufficiently acceptable in the future.

- g) With respect to Material Non-Compliance; Material Citations; Notices of Violation, as of the date hereof, Company has no material non-compliance, citations or notices of violation to report. Nevertheless, there is no assurance the Company will remain in compliance or not receive a Notice of Violation in the future. Lack of Adequate Banking Systems. Due to federal laws against marijuana, most banks are unwilling to take deposits, issue credit cards, open bank accounts or assist with payroll services for cannabis businesses. While efforts are underway to address the banking issue, cannabis businesses deal primarily with cash. This presents numerous risks related to security, managing cash flow and the inability to invest funds. The California Board of Equalization allows for cash payments of tax bills at county branches located throughout the state. Nevertheless, cash-related issues continue to present risks for investors. The Company presently maintains accounts at multiple major banks for redundancy.
- h) Taxes. Under Internal Revenue Code Section 280E, cannabis businesses are prohibited from deducting their ordinary and necessary business expenses, except for some "costs of goods sold" by cultivators. This results in cannabis enterprises facing much higher federal tax rates than similar companies in other industries. While opinions differ, experts estimate from 40% to 70% as the effective federal tax rate imposed by Section 280E.
- i) In addition, the state and localities may levy various taxes on cannabis operators. The recent passage of Proposition 64 imposes new excise taxes, including \$9.25 per ounce on flowers, \$2.75 per ounce for leaves, and 15% of gross receipts for sales. Local jurisdictions are permitted to impose additional taxes. In total, the aggregate tax rate for cannabis operations is well above other similar industries. Tax rates and structures (example: gross receipts vs square footage) are rapidly changing and will continue to change in the coming years.
- j) Food and Drug Administration (FDA). The FDA does not permit or allow any statement that cannabis or cannabinoid is intended to treat or cure any disease. Research and scientific studies are underway throughout the U.S.; however, no product may make statements of diagnosis, treatment, or cure for any disease without FDA approval.
- k) Developing Cannabis Market. The legal commercial cannabis industry in California is nascent. Although the medical collective model has existed since 2004, the commercial medical and recreational regulatory framework is currently being developed by state agencies. Commercial cannabis enterprises will start operating for-profit after state medical licenses become available in 2018. The market for medical and recreational products will likely experience fluctuation as supply chains become operational. Demand for cannabis

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products has been predicted to be substantial; however, there are no guarantees. Investors must consider the developing nature of the state regulated industry and the corresponding unpredictability of the cannabis market.

- l) **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.
  
- m) **Background Checks.** California and some local jurisdictions require background checks for management and employees as well as applicants for licenses and permits. Although some cannabis-related convictions are not prohibited for obtaining licensing, convictions for other offenses may cause a delay or make a company ineligible for licensing.
  
- n) **California's Prohibition of For Profit Activities.** At this time and until state licenses are issued, California prohibits cannabis activity, other than as a qualified member of a qualified cooperative or collective. Moreover, until applicable licensing, California prohibits the non-medical commercial use, cultivation, distribution, sale or purchase of cannabis. At this time, it is illegal under California law to engage in any "for profit" activities relating to the purchase and sale of cannabis and to sell, distribute or purchase cannabis for any reason other than certain medical uses, pending the implementation of the Medical Cannabis Regulation and Safety Act, pursuant to which medical cannabis companies may conduct their business in a "for profit" manner, and Proposition 64, pursuant to which recreational cannabis will become legal under California law.
  
- o) The Company is presently a service-provider to Tinley Collective, a California Cooperative Corporation, and Company does not consider such services to violate California law relating "for profit" activities. However, there is no assurance that this structure will be respected by applicable governmental authorities. In the event that this structure is not respected, Company may be prohibited from engaging in "for profit" activities. California law also both prohibits the purchase and sale of cannabis by any person or entity who is not a member of a collective or cooperative and requires all cannabis transactions be reasonably related to the membership's qualifying medical needs. Such limitations often result in inefficiencies in operations and use of resources and hinders, and otherwise prevents, the growth of the Company's business and of a commercially viable cannabis industry in California.
  
- p) **Inspections.** As part of the permitting and licensing process, state and local officials will conduct random and scheduled inspections of cannabis operations.

*Risks Associated with Increasing Competition*

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There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

Due to the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations the Company.

*Risks Inherent in an Agricultural Business*

A part of the Company's business revolves around purchasing hemp extract, an agricultural product, although the Company will not itself grow or sell hemp. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company intends to manufacture its products indoors under climate controlled conditions, carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

*Product Liability*

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of the Company's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, discontinuation of products, adverse impact on the Company's reputation with its clients and consumers generally, and could have a material adverse effect on its results of operations and financial condition. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company potential products.

*Product Recalls*

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Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products developed by the Company are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense relating to the recall and any legal proceedings that might arise in connection with the recall. Company may lose a significant amount of revenue and may not be able to replace that revenue at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company is establishing procedures to test finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by the regulatory agencies, requiring further management attention and potential legal fees and other expenses.

*Dependence on Suppliers and Skilled Labour*

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure program may be significantly greater than anticipated by the Company's management, and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the financial results of the Company.

*Operating Risk and Insurance Coverage*

The Company's insurance coverage is intended to address all material risks to which it is exposed and is adequate and customary in its current state of operations. However, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

*Management of Growth*

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand,

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train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Dividends

The Company has no earnings or dividend record, and does not anticipate paying any dividends on the Company Shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Limited Market for Securities

There can be no assurance that an active and liquid market for the Company Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company.

Environmental and Employee Health and Safety Regulations

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

**4. Cautionary Note Regarding Forward Looking Statements**

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of the Company to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of Tinley to fund the capital and operating

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expenses necessary to achieve the business objectives of Tinley, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

**Internal Control over Financial Reporting**

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

During the most recent year end there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Corporation's President and Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the year covered by this management's discussion and analysis, management of the Corporation, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the period covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Corporation's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Corporation, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**THE TINLEY BEVERAGE COMPANY INC.**  
**Management's Discussion and Analysis**  
**of Financial Condition and Results of Operation**  
**For the nine months ended September 30, 2017**

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

Management is responsible for all information contained in this report. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the consolidated financial statements in all material aspects. Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate, and assets are safeguarded.

The Audit Committee has reviewed the audited consolidated financial statements with management. The Board of Directors has approved the audited consolidated financial statements on the recommendation of the Audit Committee.

November 28, 2017

Jeffrey Maser  
Chief Executive Officer