

CHINOOK TYEE INDUSTRY LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2016

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CHINOOK TYEE INDUSTRY LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND DECEMBER 31, 2015
(Expressed in Canadian Dollars)

	Notes	June 30, 2016	December 31, 2015
ASSETS			
Current assets			
Cash		\$ 76,277	\$ 261,231
Accounts receivable and prepaid expenses	4	16,596	22,992
		<u>92,873</u>	<u>284,223</u>
Prepaid expenses	4	25,237	33,084
Investment loan receivable	5	3,124,636	3,216,697
Total assets		<u>\$ 3,242,746</u>	<u>\$ 3,534,004</u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	6	\$ 92,026	\$ 100,667
Equity			
Share capital	7	895,401	895,401
Share based payment reserve		2,744,438	2,744,438
Deficit		(493,215)	(368,007)
Foreign currency translation reserve		4,096	161,505
Total equity		<u>3,150,720</u>	<u>3,433,337</u>
Total liabilities and equity		<u>\$ 3,242,746</u>	<u>\$ 3,534,004</u>

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

CHINOOK TYEE INDUSTRY LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
SIX MONTHS ENDED JUNE 30,
(Expressed in Canadian Dollars)

		Six Months ended June 30, 2016	Six Months ended June 30, 2015	Three Months ended June 30, 2016	Three Months ended June 30, 2015
Income					
Interest income		\$ 399	\$ 2,051	\$ 72	\$ 916
Merchant banking income		22,050	-	-	-
		<u>22,449</u>	<u>2,051</u>	<u>72</u>	<u>916</u>
Expenses					
Corporate governance expenses	9	19,675	24,165	12,175	12,022
General and administration expenses	8	111,255	111,566	62,225	14,260
Interest		-	99	-	-
Public company expenses		16,727	9,518	1,505	737
		<u>147,657</u>	<u>145,348</u>	<u>75,905</u>	<u>27,019</u>
Loss before other items		(125,208)	(143,297)	(75,833)	(26,103)
Equity income	5	-	96,623	-	78,878
Income (loss) for the period		<u>(125,208)</u>	<u>(46,674)</u>	<u>(75,833)</u>	<u>52,775</u>
Other comprehensive income (loss)					
Foreign currency translation differences on foreign operations		(157,409)	(83,574)	(68,694)	(4,029)
Comprehensive income (loss) for the period		<u>\$ (282,617)</u>	<u>\$ (130,248)</u>	<u>\$ (144,527)</u>	<u>\$ 48,746</u>
Income (loss) for the period attributable to:					
Owners		\$ (125,208)	\$ (46,674)	\$ (75,833)	\$ 52,775
Non-controlling interest		-	-	-	-
Income (loss) for the period		<u>\$ (125,208)</u>	<u>\$ (46,674)</u>	<u>\$ (75,833)</u>	<u>\$ 52,775</u>
Comprehensive income (loss) for the period attributable to:					
Owners		\$ (282,617)	\$ (130,248)	\$ (144,527)	\$ 48,746
Non-controlling interest		-	-	-	-
Comprehensive income (loss) for the period		<u>\$ (282,617)</u>	<u>\$ (130,248)</u>	<u>\$ (144,527)</u>	<u>\$ 48,746</u>
Weighted average number of common shares outstanding		3,405,932	3,405,932	3,405,932	3,405,932
Income (loss) per common share attributable to owners, basic and diluted		<u>\$ (0.04)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ 0.02</u>

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

CHINOOK TYEE INDUSTRY LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2015 AND 2016
(Expressed in Canadian Dollars)

	Number of common shares issued	Share capital	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total equity
Balance, December 31, 2014	3,405,932	\$ 895,401	\$2,744,438	\$ (57,334)	\$ (19,391)	\$3,563,114
Loss for the period	-	-	-	-	(46,674)	(46,674)
Foreign currency translation	-	-	-	(83,574)	-	(83,574)
Balance, June 30, 2015	3,405,932	895,401	2,744,438	(140,908)	(66,065)	3,432,866
Loss for the period	-	-	-	-	(301,942)	(301,942)
Foreign currency translation	-	-	-	302,413	-	302,413
Balance, December 31, 2015	3,405,932	895,401	2,744,438	161,505	(368,007)	3,433,337
Loss for the period	-	-	-	-	(125,208)	(125,208)
Foreign currency translation	-	-	-	(157,409)	-	(157,409)
Balance, June 30, 2016	3,405,932	\$ 895,401	\$2,744,438	\$ 4,096	\$ (493,215)	\$3,150,720

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

CHINOOK TYEE INDUSTRY LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30,
(Expressed in Canadian Dollars)

	Six Months ended June 30, 2016	Six Months ended June 30, 2015	Three Months ended June 30, 2016	Three Months ended June 30, 2015
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Loss for the period	\$ (125,208)	\$ (46,674)	\$ (75,833)	\$ 52,775
Items not affecting cash:				
Equity income	-	(96,623)	-	(78,878)
	(125,208)	(143,297)	(75,833)	(26,103)
Changes in non-cash working capital items				
Receivables and prepaids	14,243	(2,051)	53,609	11,421
Accounts payable and accrued liabilities	(8,641)	9,822	10,774	66
	(119,606)	(135,526)	(11,450)	(14,616)
INVESTING ACTIVITIES				
Proceeds from sale of short-term deposits	-	882,608	-	-
Investment loans receivable	(2,951)	(360,531)	67,094	(254,288)
	(2,951)	522,077	67,094	(254,288)
Effect of foreign exchange on cash	(62,397)	(5,592)	(38,518)	(2,015)
Change in cash during the period	(184,954)	380,959	17,126	(270,919)
Cash, beginning of the period	261,231	98,219	59,151	750,097
Cash, end of the period	\$ 76,277	\$ 479,178	\$ 76,277	\$ 479,178

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

CHINOOK TYEE INDUSTRY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2016

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Chinook Tyee Industry Limited ("the Company" or "Chinook") is incorporated in the Province of British Columbia, Canada with its registered address located at Suite 1000, 925 West Georgia Street, Vancouver, British Columbia, Canada V6C 3L2, whose business number (BN) is 874349426.

2. BASIS OF PRESENTATION

These consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting". These consolidated interim financial statements do not include all of the information required for annual financial statements.

These consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended December 31, 2014. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's annual consolidated financial statements for the year ended December 31, 2015.

The consolidated financial statements were authorized for issue by the Board of Directors on August 29, 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for investments in associates and jointly controlled entities that are accounted for using the equity method and certain financial instruments and investments which are measured at fair value.

The Company consolidates subsidiaries over which it has control, where control is the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

These consolidated financial statements include the accounts of Chinook and its 99% owned subsidiary Mercury Partners & Company plc ("MPC") and the accounts of Chinook's inactive wholly-owned subsidiaries, which are anticipated to be dissolved in the future. The inactive wholly-owned subsidiaries include Chinook Tyee (Switzerland) GmbH ("Chinook Swiss"), Boreal Taiga Biofuels Limited ("BTBL"), BT Biofuels Europe GmbH ("BTBE") and Asiamerica AG ("AA AG").

Chinook Tyee Industry Limited and its subsidiaries are referred to as "the Company" or "Chinook".

MPC and its European joint investment partner ("EJIP") equally fund and own 50% of the share capital of Asiamerica Limited ("MPC JV"), which is accounted for using the equity method.

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Canadian dollars.

The functional currency of the Company is the Canadian dollar ("\$"). The functional currency of the Company's subsidiaries is the EURO ("€").

CHINOOK TYEE INDUSTRY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2016

(Expressed in Canadian Dollars)

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	June 30, 2016	December 31, 2015
Prepaid expenses	\$ 40,930	\$ 56,076
Other receivables	903	-
	<u>41,833</u>	<u>56,076</u>
Less non-current prepaid expenses	(25,237)	(33,084)
Current accounts receivable and prepaid expenses	<u>\$ 16,596</u>	<u>\$ 22,992</u>

5. INVESTMENT LOAN RECEIVABLE

Chinook has an unsecured demand loan from MPC for \$3,124,636 (€2,134,912) (2015 - \$3,216,697 / €2,111,512), which bears interest at 0.0025%. MPC and EJIP have unsecured demand loans from MPC JV, which bear interest at 0.0025%. The primary assets of MPC JV include collateralized, interest-bearing loans secured with first collateral claims on German real estate loan receivables and shareholdings in German listed stocks and other collateral.

MPC JV is accounted for using the equity method. On reorganization, no value was attributed to the equity accounted investment and its carrying value is \$nil (2015 - \$Nil).

All inter-company transactions and balances have been eliminated upon consolidation.

6. TRADE AND OTHER PAYABLES

	Note	June 30, 2016	December 31, 2015
Trade payables		\$ 47,542	\$ 28,757
Accrued liabilities	9	44,484	71,910
		<u>\$ 92,026</u>	<u>\$ 100,667</u>

7. CAPITAL AND OTHER COMPONENTS OF EQUITY

As of June 30, 2016, the Company had 3,405,932 Class A Voting Common Shares (“common shares”) issued and outstanding, which trade on TSX Venture Exchange in Canada under the trading symbol “XCX”. The Company has not granted or issued or have any outstanding stock options, warrants or other dilutive security.

Share-based payment reserve

Share-based payment reserve is increased by the compensation expense recorded for share options granted to previous key management of the Company and is reduced for options exercised by the related compensation expense previously recognized.

CHINOOK TYEE INDUSTRY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2016

(Expressed in Canadian Dollars)

8. GENERAL AND ADMINISTRATION EXPENSES

		Six Months ended	Six Months ended	Three Months ended	Three Months ended
	Note	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Office and supplies		\$ 32,085	\$ 25,080	\$ 15,838	\$ 10,982
Professional fees	9	24,356	32,712	17,423	(21,469)
Rent and insurance		22,336	22,336	11,168	11,168
Salaries and benefits		32,478	31,438	17,796	13,579
		<u>\$ 111,255</u>	<u>\$ 111,566</u>	<u>\$ 62,225</u>	<u>\$ 14,260</u>

9. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2016:

The Company paid board meeting and service fees of \$19,675 (2015 - \$24,165) to independent directors of the Company and paid or accrued professional fees of \$13,525 (2015 - \$25,265) to its Chief Financial Officer's consulting company for accounting services.

Included in accounts payable at June 30, 2016 is \$35,273 owing to two officers of the Company for accounting fees and expenses incurred on behalf of the Company.

10. CAPITAL MANAGEMENT

The Company's capital is comprised of shareholders' equity less reserves and liabilities. Cash, short-term investments, loans receivable and equity-accounted investments are managed for liquidity and operational requirements in conjunction with budgeted or expected capital needs. The Company's objective when managing capital is to maintain its ability to retain sufficient liquidity to make investments as opportunities arise and to continue to meet ongoing expenditure and operational needs.

The Company manages the capital structure and makes adjustments to its capital management strategies when economic conditions or risk characteristics of its capital change. To maintain or adjust the capital structure, the Company may consider the issuance of shares, acquire or dispose of assets or adjust the amount of cash or short-term investments held.

Currently, the Company's strategy is to monitor economic conditions and capital markets and to allocate operating capital for investment opportunities arising from market conditions.

The Company expects its current and available capital resources will be sufficient to meet operational needs through its 2016 operating period.

The Company is not subject to externally imposed capital requirements. The Company's overall capital management strategy remains unchanged from the prior year.

CHINOOK TYEE INDUSTRY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2016

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, short-term deposits, accounts receivable, loans receivable and accounts payable.

As at June 30, 2016, the Company did not have any financial assets recognized at fair value.

The Company is exposed in varying degrees to financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of investment policies, counterparty credit limits and liquidity concerns. The more significant risk exposure and the way in which such exposure is managed is described below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and short-term deposits held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Currency risk

The Company holds cash in Canadian, Euro, Swiss Francs and US currencies and makes investments in foreign companies, equities and financial instruments. Accordingly, there is risk of losses from volatility in foreign currency fluctuations.

The Company's investments are subject to foreign currency risk, which may adversely affect the Company's financial position, results of operations and cash flows. The following table summarizes the geographical distribution of the Company's financial instruments in Canadian dollars at June 30, 2016:

	Euro	Swiss Franc	CDN Dollar	Total
Cash and accounts receivable	18%	1%	81%	100%
Loans receivable	100%	0%	0%	100%
Trade and other payables	1%	0%	99%	100%

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of its investment in money market funds included in cash is limited as the money market funds may be redeemed at any time without penalty. The Company's loans receivable have fixed interest rates and are not affected by changes in interest rates and the Company's loan payable bears no interest and is not affected by changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet financial obligations as they fall due. The Company manages liquidity risk through management of its capital structure as outlined in note 10.