

**CHINOOK TYEE INDUSTRY LIMITED**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**MARCH 31, 2017**

**(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**  
 March 31, 2017 and December 31, 2016  
 (Expressed in Canadian Dollars)

|  | Notes | March 31,<br>2017   | December 31,<br>2016 |
|--|-------|---------------------|----------------------|
| <b>ASSETS</b>                            |       |                     |                      |
| <b>Current assets</b>                    |       |                     |                      |
| Cash                                     |       | \$ 151,132          | \$ 272,295           |
| Accounts receivable and prepaid expenses | 4     | <u>27,900</u>       | <u>23,258</u>        |
|  |       | 179,032             | 295,553              |
| Prepaid expenses                         | 4     | 13,469              | 17,392               |
| Investment loan receivable               | 5     | <u>2,656,012</u>    | <u>2,637,662</u>     |
| <b>Total assets</b>                      |       | <u>\$ 2,848,513</u> | <u>\$ 2,950,607</u>  |
| <b>LIABILITIES AND EQUITY</b>            |       |                     |                      |
| <b>Current liabilities</b>               |       |                     |                      |
| Trade and other payables                 | 6     | <u>\$ 67,687</u>    | <u>\$ 92,060</u>     |
| <b>Equity</b>                            |       |                     |                      |
| Share capital                            | 7     | 895,401             | 895,401              |
| Share based payment reserve              |       | 2,744,438           | 2,744,438            |
| Foreign currency translation reserve     |       | (49,369)            | (60,504)             |
| Deficit                                  |       | <u>(809,644)</u>    | <u>(720,788)</u>     |
| Total equity                             |       | <u>2,780,826</u>    | <u>2,858,547</u>     |
| <b>Total liabilities and equity</b>      |       | <u>\$ 2,848,513</u> | <u>\$ 2,950,607</u>  |

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

**CHINOOK TYEE INDUSTRY LIMITED**  
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS  
THREE MONTHS ENDED MARCH 31,  
(Expressed in Canadian Dollars)

|  | Notes | 2017        | 2016         |
|--|-------|-------------|--------------|
| <b>Income</b>  |       |             |              |
| Interest income  |       | \$ 4        | \$ 327       |
| Merchant banking fee   |       | -           | 22,050       |
|  |       | 4           | 22,377       |
| <b>Expenses</b>  |       |             |              |
| Corporate governance expenses                                  | 9     | 7,625       | 7,500        |
| General and administration expenses                            | 8     | 59,497      | 49,030       |
| Public company expenses  |       | 21,738      | 15,222       |
|  |       | 88,860      | 71,752       |
| <b>Loss for the period</b>                                     |       | (88,856)    | (49,375)     |
| <b>Other comprehensive loss</b>                                |       |             |              |
| Foreign currency translation differences on foreign operations |       | 11,135      | (88,715)     |
| <b>Comprehensive loss for the period</b>                       |       | \$ (77,721) | \$ (138,090) |
| <b>Weighted average number of common shares outstanding</b>    |       |             |              |
|  |       | 3,405,932   | 3,405,932    |
| Loss per common share, basic and diluted                       |       | \$ (0.03)   | \$ (0.01)    |

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

**CHINOOK TYEE INDUSTRY LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**THREE MONTHS ENDED MARCH 31,**  
(Expressed in Canadian Dollars)

|                              | Number of<br>common<br>shares issued | Share capital | Share-based<br>payment<br>reserve | Foreign<br>currency<br>translation<br>reserve | Deficit      | Total equity |
|------------------------------|--------------------------------------|---------------|-----------------------------------|---|--------------|--------------|
| Balance, December 31, 2015   | 3,405,932                            | \$ 895,401    | \$ 2,744,438                      | \$ 161,505                                    | \$ (368,007) | \$ 3,433,337 |
| Loss for the period          | -                                    | -             | -                                 | -   | (49,375)     | (49,375)     |
| Foreign currency translation | -                                    | -             | -                                 | (88,715)                                      | -            | (88,715)     |
| Balance, March 31, 2016      | 3,405,932                            | 895,401       | 2,744,438                         | 72,790  | (417,382)    | 3,295,247    |
| Loss for the period          | -                                    | -             | -                                 | -   | (303,406)    | (303,406)    |
| Foreign currency translation | -                                    | -             | -                                 | (133,294)                                     | -            | (133,294)    |
| Balance, December 31, 2016   | 3,405,932                            | 895,401       | 2,744,438                         | (60,504)                                      | (720,788)    | 2,858,547    |
| Loss for the period          | -                                    | -             | -                                 | -   | (88,856)     | (88,856)     |
| Foreign currency translation | -                                    | -             | -                                 | 11,135  | -            | 11,135       |
| Balance, March 31, 2017      | 3,405,932                            | \$ 895,401    | \$ 2,744,438                      | \$ (49,369)                                   | \$ (809,644) | \$ 2,780,826 |

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

**CHINOOK TYEE INDUSTRY LIMITED**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**THREE MONTHS ENDED MARCH 31,**  
(Expressed in Canadian Dollars)

|   | <u>2017</u>       | <u>2016</u>      |
|---|-------------------|------------------|
| <b>CASH PROVIDED BY (USED IN):</b>        |                   |                  |
| <b>OPERATING ACTIVITIES</b>               |                   |                  |
| Loss for the period                       | \$ (88,856)       | \$ (49,375)      |
| Changes in non-cash working capital items |                   |                  |
| Receivables and prepaids                  | (719)             | (39,366)         |
| Accounts payable and accrued liabilities  | (24,373)          | (19,415)         |
|   | <u>(113,948)</u>  | <u>(108,156)</u> |
| <b>INVESTING ACTIVITIES</b>               |                   |                  |
| Investment loans receivable               | -                 | (70,045)         |
| Effect of foreign exchange on cash        | <u>(7,215)</u>    | <u>(23,879)</u>  |
| Change in cash during the period          | (121,163)         | (202,080)        |
| Cash, beginning of the period             | <u>272,295</u>    | <u>261,231</u>   |
| Cash, end of the period                   | <u>\$ 151,132</u> | <u>\$ 59,151</u> |

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

## **CHINOOK TYEE INDUSTRY LIMITED**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

MARCH 31, 2017

(Expressed in Canadian Dollars)

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#### **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, 2016. 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, 2016.

The consolidated financial statements were authorized for issue by the Board of Directors on May 30, 2017.

#### **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 (collectively referred to as "Chinook"). The inactive wholly-owned subsidiaries include Chinook Tyee (Switzerland) GmbH, Boreal Taiga Biofuels Limited, BT Biofuels Europe GmbH and Asiamerica AG (collectively referred to as "Chinook Inactive Subsidiaries").

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

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets and changes in net assets of subsidiaries attributable to non-controlling interests are presented as a component of equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as acquisition or disposal transactions.

**CHINOOK TYEE INDUSTRY LIMITED**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2017

(Expressed in Canadian Dollars)

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)****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 ("€").

**4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES**

|  | March 31,<br>2017 | December 31,<br>2016 |
|--|-------------------|----------------------|
| Prepaid expenses                                 | \$ 29,162         | \$ 40,650            |
| Other receivables                                | 12,207            | -                    |
|  | <u>41,369</u>     | <u>40,650</u>        |
| Less non-current prepaid expenses                | (13,469)          | (17,392)             |
| Current accounts receivable and prepaid expenses | <u>\$ 27,900</u>  | <u>\$ 23,258</u>     |

**5. INVESTMENT LOAN RECEIVABLE**

Chinook's investments are made through its wholly-owned subsidiary, MPC.

Chinook holds a loan receivable from MPC-JV, which is unsecured and bears interest at 0.0025%. At March 31, 2017, the loan receivable totalled €1,834,964 / \$2,656,012 (2016 - €1,834,964 / \$2,637,662). Subsequent to the reporting period, the Company received €250,000 in investment loan receivable repayments (note 12).

The primary assets of MPC-JV include approximately 1.9 million shares of Solidare Real Estate Holding plc (XETRA, Frankfurt Stock Exchange: SRH) and a 55% shareholding in Taiga Atlas plc, an unlisted investment company based in Malta whose assets include a €10-million secured loan with collateral claims on German real estate and shareholdings in German listed stocks.

MPC JV is accounted for using the equity method. Initially, the carrying value was attributed to the loans receivable and no value was attributed to the equity accounted investment and its carrying value is \$nil (2016 - \$nil). The Company has reviewed the underlying assets of MCP-JV and its consolidated subsidiaries, which include the real estate loan receivable. The real estate loan receivable has been and remains subject to court proceedings and ultimate collection may not occur for several years. Based on factors such as timing and uncertainty of collection, management has concluded that the recoverable amount is expected to be adequate to cover the loans held by the Company. However, additional returns beyond this are uncertain. As a result, the equity accounted investment remains at \$nil.

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

**CHINOOK TYEE INDUSTRY LIMITED**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2017

(Expressed in Canadian Dollars)

**6. TRADE AND OTHER PAYABLES**

|                              | March 31,<br>2017 | December 31,<br>2016 |
|------------------------------|-------------------|----------------------|
| Trade payables               | \$ 28,487         | \$ 20,635            |
| Accrued liabilities (note 9) | 39,200            | 71,425               |
|                              | <u>\$ 67,687</u>  | <u>\$ 92,060</u>     |

**7. CAPITAL AND OTHER COMPONENTS OF EQUITY**

As of March 31, 2017, 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.

**8. GENERAL AND ADMINISTRATION EXPENSES**

|                       | Note | Three Months<br>ended<br>March 31, 2017 | Three Months<br>ended<br>March 31, 2016 |
|-----------------------|------|---|---|
| Office and supplies   |      | \$ 18,421                               | \$ 16,247                               |
| Professional fees     | 9    | 13,997                                  | 6,933                                   |
| Rent and insurance    |      | 11,168                                  | 11,168                                  |
| Salaries and benefits |      | 15,911                                  | 14,682                                  |
|                       |      | <u>\$ 59,497</u>                        | <u>\$ 49,030</u>                        |

**9. RELATED PARTY TRANSACTIONS**

During the three months ended March 31, 2017:

The Company paid board meeting and service fees of \$7,625 (2016 - \$7,500) to independent directors of the Company and paid or accrued professional fees of \$6,825 (2016 - \$6,625) to its Chief Financial Officer’s consulting company for accounting services.

Included in accounts payable at March 31, 2017 is \$13,993 owing to two officers of the Company for accounting fees and expenses incurred on behalf of the Company.



## **CHINOOK TYEE INDUSTRY LIMITED**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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(Expressed in Canadian Dollars)

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#### **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 2017 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.

#### **11. FINANCIAL INSTRUMENTS**

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

As at March 31, 2017, 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 March 31, 2017:

**CHINOOK TYEE INDUSTRY LIMITED**

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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**11. FINANCIAL INSTRUMENTS (cont'd...)**

|                              | Euro | US<br>Dollar | CDN<br>Dollar | Total |
|------------------------------|------|--------------|---------------|-------|
| Cash and accounts receivable | 14%  | 61%          | 25%           | 100%  |
| Loans receivable             | 100% | 0%           | 0%            | 100%  |
| Trade and other payables     | 6%   | 0%           | 94%           | 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.

**12. SUBSEQUENT EVENT**

Subsequent to the reporting period, the Company received €250,000 in investment loan receivable repayments.