

CHINOOK TYEE INDUSTRY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Expressed in Canadian Dollars)



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Chinook Tyee Industry Limited:

We have audited the accompanying consolidated financial statements of Chinook Tyee Industry Limited, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Chinook Tyee Industry Limited as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

A handwritten signature in dark ink that reads "DMCL".

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
April 26, 2018

CHINOOK TYEE INDUSTRY LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017
(Expressed in Canadian Dollars)

	Notes	2017	2016
ASSETS			
Current assets			
Cash		\$ 172,589	\$ 272,295
Accounts receivable and prepaid expenses	4	51,714	23,258
Available for sale financial asset	5	45,300	-
		<u>269,603</u>	<u>295,553</u>
Prepaid expenses	4	-	17,392
Long-term investment	5	212,986	-
Investment loan receivable	6	2,230,735	2,637,662
Total assets		<u>\$ 2,713,324</u>	<u>\$ 2,950,607</u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	<u>\$ 74,069</u>	<u>\$ 92,060</u>
Equity			
Share capital	8	174,613	895,401
Share based payment reserve		2,744,438	2,744,438
Foreign currency translation reserves		108,146	(60,504)
Deficit		(387,942)	(720,788)
Total equity		<u>2,639,255</u>	<u>2,858,547</u>
Total liabilities and equity		<u>\$ 2,713,324</u>	<u>\$ 2,950,607</u>

On behalf of the Board:

/s/ Tom Kusumoto Director /s/ Alex Blodgett Director

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

CHINOOK TYEE INDUSTRY LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31,
(Expressed in Canadian Dollars)

	Notes	2017	2016
Income			
Interest income		\$ 461	\$ 565
Merchant banking income		-	22,050
		<u>461</u>	<u>22,615</u>
Expenses			
Corporate governance expenses	10	44,700	38,100
General and administration expenses	9	314,178	313,200
Interest		-	229
Public company expenses		29,525	23,867
		<u>388,403</u>	<u>375,396</u>
Loss for the year		(387,942)	(352,781)
Other comprehensive loss			
Foreign currency translation differences on foreign operations		168,650	(222,009)
Comprehensive loss for the year		<u>\$ (219,292)</u>	<u>\$ (574,790)</u>
Weighted average number of common shares outstanding		3,405,932	3,405,932
Loss per common share, basic and diluted		<u>\$ (0.11)</u>	<u>\$ (0.10)</u>

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

CHINOOK TYEE INDUSTRY LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31,
(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Share-based payment reserve	Foreign currency translation 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 year	-	-	-	-	(352,781)	(352,781)
Foreign currency translation	-	-	-	(222,009)	-	(222,009)
Balance, December 31, 2016	3,405,932	895,401	2,744,438	(60,504)	(720,788)	2,858,547
Loss for the year	-	-	-	-	(387,942)	(387,942)
Reduction of deficit (note 8)	-	(720,788)	-	-	720,788	-
Foreign currency translation	-	-	-	168,650	-	168,650
Balance, December 31, 2017	3,405,932	\$ 174,613	\$ 2,744,438	\$ 108,146	\$ (387,942)	\$ 2,639,255

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

CHINOOK TYEE INDUSTRY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,
(Expressed in Canadian Dollars)

	<u>2017</u>	<u>2016</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Loss for the year	\$ (387,942)	\$ (352,781)
Items not affecting cash:		
Interest capitalized to loans	(60)	(75)
	<u>(388,002)</u>	<u>(352,856)</u>
Changes in non-cash working capital items		
Accounts receivable and prepaid expenses	(11,064)	15,426
Trade and other payables	(17,991)	(8,607)
	<u>(417,057)</u>	<u>(346,037)</u>
INVESTING ACTIVITIES		
Repayments from equity accounted investee	365,000	406,602
Acquisition of available for sale financial asset	(45,000)	-
	<u>320,000</u>	<u>406,602</u>
Effect of foreign exchange on cash	(2,649)	(49,501)
Change in cash during the year	(99,706)	11,064
Cash, beginning of the year	272,295	261,231
Cash, end of the year	<u>\$ 172,589</u>	<u>\$ 272,295</u>
Supplemental disclosure with respect to cash flows:		
Cash received during the year for interest	\$ 461	\$ 490
Cash paid during the year for interest	\$ -	\$ 229

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

1. NATURE OF OPERATIONS

Chinook Tye Industry Limited ("the Company" or "Chinook") is a financial service company domiciled in the Province of British Columbia in Canada with its registered and head office located at Suite 1000, 925 West Georgia Street, Vancouver, British Columbia, Canada V6C 3L2.

The Company's common shares are listed for trading on the TSX Venture Exchange ("TSXV") in Canada under the trading symbol, "XCX". The Company is a reporting issuer in the Canadian provinces of British Columbia, Alberta, Ontario and Quebec.

The reporting currency of Chinook's consolidated financial statements is the Canadian dollar ("C\$").

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared on an accrual basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and with the accounting policies and selected annual disclosures disclosed in note 3.

The consolidated financial statements were authorized for issue by the Board of Directors on April 26, 2018.

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.

For the year ended December 31, 2017 and 2016, these consolidated financial statements include the accounts of Chinook, its 99% owned subsidiary Mercury Partners & Company plc ("MPC") of Malta, its wholly-owned subsidiary Chinook Tye (Switzerland) GmbH of Switzerland 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 BT Biofuels Europe GmbH of Germany and Asiamerica AG of Switzerland (collectively referred to as "Chinook Inactive Subsidiaries"). BT Biofuels Europe GmbH was dissolved on February 26, 2018.

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

Foreign currency translation

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Basis of preparation

The functional currency of the Company is the Canadian dollar (“\$”). The functional currency of MPC, MPC-JV and its wholly-owned subsidiaries is the Euro (“€”). The functional currencies of Chinook Inactive Subsidiaries are the €.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income (loss) in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations

The financial results of foreign operations whose functional currency is different from the Company’s presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at the reporting date;
- equity is translated at historical rates; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of the financial statements of foreign operations from the functional currency to the presentation currency are adjusted directly to the Company’s foreign currency translation reserve in the statement of comprehensive income (loss). These differences are recognized in the profit or loss and reversed from the foreign currency translation reserve in the period in which the operation is disposed of.

Use of estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period and contingent assets and liabilities. Significant estimates include the fair value measurements and assumptions relating to financial instruments, changes in equity accounted investments, foreign exchange, accruals, deferred income taxes and the recoverability of receivables and loans receivable.

The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Actual results could significantly differ from those estimates.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company’s financial statements include the assessment of the Company’s influence on associates, determination of the nature of joint arrangements and determination of functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments

Financial assets and liabilities are classified into one of five categories: fair value through profit and loss, held-to-maturity, loans and receivables, available-for-sale financial assets or financial liabilities at amortized cost. All financial instruments, including derivatives, are measured at the statement of financial position date at fair value except for loans and receivables, held-to-maturity investments and financial liabilities, which are measured at amortized cost.

The Company's financial instruments consist of cash, accounts receivable, available for sale financial asset, equity-accounted investments, long-term investments and investment loans receivable and trade and other payables.

Cash, accounts receivable and investment loans receivable are classified as receivables and measured at amortized cost. The available for sale financial asset and the long-term investment are measured at fair value with unrealized gains or losses recorded through other comprehensive income/loss. Trade and other payables, which are measured at amortized cost are classified as other financial liabilities.

Equity accounted investments

Equity accounted investments are those entities in which the Company has significant influence, but does not have control over the financial and operating policies of the investees. Significant influence is presumed to exist when the Company holds between 20 percent and 50 percent of the voting power of another entity. Joint arrangement entities are those over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Joint ventures are joint arrangements, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's share of earnings or losses less dividends since significant influence was acquired. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to \$nil and additional losses are not provided for unless the Company is committed to provide other financial support to the investee. The Company resumes accounting for its portion of income (loss) of the investment when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended.

Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. The Company determines at each reporting date whether there is objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary adjustments are made to bring the accounting policies of associates in line with those of the Company.

Revenue recognition

Fees for services are recognized when the service is performed providing there is reasonable expectation of collection.

Income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax is recognized in profit and loss except to the extent that it relates to items recognized directly in equity or in reserves as part of shareholders' equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes (cont'd...)

Deferred tax is recognized in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be realized.

Deferred income tax assets and deferred income tax liabilities are offset only if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the reporting period.

Diluted earnings (loss) per share is determined by dividing the net income (loss) attributable to the equity owners of the Company by the weighted average number of common shares outstanding, adjusted for the dilutive effect of all potential common shares issuances upon exercise of options, warrants and similar instruments. For the periods presented the Company had no dilutive instruments.

Reserves

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of the financial statements of subsidiaries and equity accounted investments of the Company that have a functional currency other than the Canadian dollar.

New accounting standards, amendments and interpretations

IFRS 9, Financial Instruments, is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company has not early adopted this revised standard and does not expect that it will impact its financial statements.

A number of other new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2017 and have not been applied in preparing these consolidated financial statements. These new standards are not expected to have a significant effect on the consolidated financial statements of the Company.

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	2017	2016
Accounts receivable and prepaid expenses	\$ 51,714	\$ 40,650
Less non-current prepaid expenses	-	(17,392)
Current accounts receivable and prepaid expenses	<u>\$ 51,714</u>	<u>\$ 23,258</u>

5. INVESTMENTS

	2017	2016
(1) Short-term: Peekaboo Beans Inc. ("PBI")	\$ 45,300	\$ -
(2) Long-term: Taiga Atlas plc ("Taiga")	212,986	-
	<u>\$ 258,286</u>	<u>\$ -</u>

(1) MPC owns 75,000 shares and 37,500 warrants of PBI. The warrants are exercisable at \$0.80 to acquire an additional share of PBI until May 12, 2019. The entire value has been attributed to the shares.

(2) MPC owns 1,843,416 shares of Taiga, which is a non-quoted, reporting issuer on the Malta Stock Exchange. The shares were acquired in partial settlement of the investment loan received (note 6) and are carried at their estimated fair value which was determined based on the amount of the loan that was settled.

6. INVESTMENT LOAN RECEIVABLE

MPC holds a loan receivable from MPC-JV, which is unsecured and bears interest at 0.0025%. At December 31, 2017, the loan receivable totaled €1,477,308 / \$2,230,735 (2016 - €1,834,964 / \$2,637,662). During the year ended December 31, 2017, MPC received \$570,933 / €391,050 (2016 - \$593,145 / € 403,500 in net loan payments of which \$205,933 / €141,050 was in the form of shares (note 5).

The primary assets of MPC-JV include approximately 1.7 million shares of Solidare Real Estate Holding plc (XETRA, Frankfurt Stock Exchange: SRH) and a majority shareholding in Taiga, an unlisted merchant banking company based in Malta.

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 investments, which includes a non-performing real estate loan receivable held by Taiga. 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.

7. TRADE AND OTHER PAYABLES

	2017	2016
Trade payables	\$ 34,719	\$ 20,635
Accrued liabilities	39,350	71,425
	<u>\$ 74,069</u>	<u>\$ 92,060</u>

8. CAPITAL AND OTHER COMPONENTS OF EQUITY

As of December 31, 2017, the Company had 3,405,932 Class A Voting Common Shares issued and outstanding. The Company does not have any outstanding stock options, warrants or other dilutive security.

During the year ended December 31, 2017, the Company reduced its deficit by \$720,788 as an offset against share capital.

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.

9. GENERAL AND ADMINISTRATION EXPENSES

	Note	2017	2016
Office and supplies		\$ 126,860	\$ 80,433
Professional fees	10	71,926	104,184
Rent and insurance		43,619	50,162
Salaries and benefits		71,773	78,421
		<u>\$ 314,178</u>	<u>\$ 313,200</u>

10. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2017, the Company paid or accrued board meeting and service fees of \$32,125 (2016 - \$38,100) to independent directors of the Company.

During the year ended December 31, 2017, the Company paid or accrued accounting fees of \$37,145 (2016 - \$38,750) to its Chief Financial Officer's consulting company.

Included in accounts payable at December 31, 2017 is \$25,258 (2016 - \$24,148) owing to two officers of the Company for accounting fees and expenses incurred on behalf of the Company.

11. 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 2018 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.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, marketable securities, accounts receivable, long-term investment, loans receivable and accounts payable.

As at December 31, 2017, the Company had available-for-sale financial assets and long-term investments recognized at fair value.

Fair value

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

The Company's cash and investment in PBI are classified as Level 1 and the investment in Taiga is classified as Level 3. Taiga is a private company with no quoted prices and there are inherent uncertainties in the measuring the value of this investment. The fair value of the Taiga shares on acquisition was estimated based on the amount of the loan that was settled. This estimate is highly subjective and subject to change based on the extent to which Taiga is able to realize on its assets and ultimately, on how much the Company will be able to realize on disposal of these shares.

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.

12. FINANCIAL INSTRUMENTS (cont'd...)

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 credit risk is on its investment loan receivable (note 6). The loan is subject to MPC-JV realizing on its investments, including its shares of Taiga. Taiga is a private company and its primary asset is an under-performing loan which remains subject to court proceedings. While management believes that it will recover this loan, credit risk is assessed as high.

The Company's other 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 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 December 31, 2017:

	Euro	US Dollar	CDN Dollar	Total
Cash and accounts receivable	43%	31%	26%	100%
Loans receivable	100%	0%	0%	100%
Available-for-sale financial asset	0%	0%	100%	100%
Long-term investment	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 11.

13. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying a combined federal and provincial income tax rate of 26% (2016 - 26%) to income before taxes as follows:

	2017	2016
Loss before income taxes	\$ (387,942)	\$ (352,781)
Expected income tax recovery	\$ (100,866)	\$ (90,517)
Change in valuation allowance	143,382	246,153
True-up of tax pools	(42,516)	(155,636)
	<u>\$ -</u>	<u>\$ -</u>

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	2017	2016
Capital loss carry-forwards	\$ 1,135,359	\$ 1,135,359
Non-capital loss carry-forwards	931,512	827,745
Other	(10,060)	1,300
Net deferred tax assets	2,056,811	1,964,404
Less: valuation allowance	(2,056,811)	(1,964,404)
	<u>\$ -</u>	<u>\$ -</u>

The Company has non-capital tax losses carried forward approximating \$3,582,738 in Canada, expiring from 2026 through 2037.

The Company has gross capital losses approximating \$8,733,531 available for deduction against future capital gains that if not utilized will carry forward indefinitely.

Deferred tax assets have not been recognized because management believes it is not sufficiently probable that future taxable profits will be available against which the Company can utilize the benefits.