

**CHINOOK TYEE INDUSTRY LIMITED**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**(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, 2018 and December 31, 2017  
(Expressed in Canadian Dollars)

	Notes	June 30, 2018	December 31, 2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 64,817	\$ 172,589
Accounts receivable and prepaid expenses		14,900	51,714
Available for sale financial asset	4	19,875	45,300
		<u>99,592</u>	<u>269,603</u>
Long-term investment	4	217,217	212,986
Investment loan receivable	5	2,274,054	2,230,735
<b>Total assets</b>		<u>\$ 2,590,863</u>	<u>\$ 2,713,324</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	6	\$ 59,606	\$ 74,069
<b>Equity</b>			
Share capital	7	174,613	174,613
Share based payment reserve		2,744,438	2,744,438
Foreign currency translation reserve		131,802	108,146
Deficit		(519,596)	(387,942)
Total equity		<u>2,531,257</u>	<u>2,639,255</u>
<b>Total liabilities and equity</b>		<u>\$ 2,590,863</u>	<u>\$ 2,713,324</u>

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

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

	Notes	Six Months June 30, 2018	Six Months June 30, 2017	Three Months June 30, 2018	Three Months June 30, 2017
<b>Interest revenue</b>		\$ 156	\$ 15	\$ 80	\$ 11
<b>Expenses</b>					
Corporate governance expenses	9	16,550	30,125	8,800	19,875
General and administration expenses	8	95,309	147,889	51,442	91,017
Public company expenses		19,951	26,474	1,259	4,736
		<u>131,810</u>	<u>204,488</u>	<u>61,501</u>	<u>115,628</u>
<b>Loss for the period</b>		(131,654)	(204,473)	(61,421)	(115,617)
<b>Other comprehensive income (loss)</b>					
Foreign currency translation differences on foreign operations		49,981	121,153	(83,376)	110,018
Net change in fair value of available for sale financial asset		(26,325)	-	(26,325)	-
<b>Comprehensive loss for the period</b>		<u>\$ (107,998)</u>	<u>\$ (83,320)</u>	<u>\$ (171,122)</u>	<u>\$ (5,599)</u>
<b>Weighted average number of common shares outstanding</b>		3,405,932	3,405,932	3,405,932	3,405,932
Loss per common share, basic and diluted		<u>\$ (0.04)</u>	<u>\$ (0.06)</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</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,**  
(Expressed in Canadian Dollars)

	Number of common shares issued	Share capital	Share-based payment reserve	Revaluation reserve	Deficit	Total equity
Balance, December 31, 2016	3,405,932	\$ 895,401	\$ 2,744,438	\$ (60,504)	\$ (720,788)	\$ 2,858,547
Loss for the period	-	-	-	-	(204,473)	(204,473)
Reduction of deficit (note 7)	-	(720,788)	-	-	720,788	-
Foreign currency translation	-	-	-	121,153	-	121,153
Balance, June 30, 2017	3,405,932	174,613	2,744,438	60,649	(204,473)	2,775,227
Loss for the period	-	-	-	-	(183,469)	(183,469)
Foreign currency translation	-	-	-	47,497	-	47,497
Balance, December 31, 2017	3,405,932	174,613	2,744,438	108,146	(387,942)	2,639,255
Loss for the period	-	-	-	-	(131,654)	(131,654)
Foreign currency translation	-	-	-	49,981	-	49,981
Change in fair value of available for sale financial assets	-	-	-	(26,325)	-	(26,325)
Balance, June 30, 2018	3,405,932	\$ 174,613	\$ 2,744,438	\$ 131,802	\$ (519,596)	\$ 2,531,257

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, 2018	Six Months ended June 30, 2017	Three Months ended June 30, 2018	Three Months ended June 30, 2017
<b>CASH PROVIDED BY (USED IN):</b>				
<b>OPERATING ACTIVITIES</b>				
Loss for the period	\$ (131,654)	\$ (204,473)	\$ (61,421)	\$ (115,617)
Changes in non-cash working capital items				
Receivables and prepaids	36,814	(16,244)	(1,373)	(15,525)
Accounts payable and accrued liabilities	(14,463)	(5,320)	2,123	19,053
	<u>(109,303)</u>	<u>(226,037)</u>	<u>(60,671)</u>	<u>(112,089)</u>
<b>INVESTING ACTIVITIES</b>				
Purchase of long-term investment	-	(44,400)	-	(44,400)
Investment loans receivable	-	254,837	-	254,837
	<u>-</u>	<u>210,437</u>	<u>-</u>	<u>210,437</u>
Effect of foreign exchange on cash	<u>1,531</u>	<u>107,868</u>	<u>(2,626)</u>	<u>115,083</u>
Change in cash during the period	(107,772)	92,268	(63,297)	213,431
Cash, beginning of the period	<u>172,589</u>	<u>272,295</u>	<u>128,114</u>	<u>151,132</u>
Cash, end of the period	<u>\$ 64,817</u>	<u>\$ 364,563</u>	<u>\$ 64,817</u>	<u>\$ 364,563</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**

JUNE 30, 2018

(Expressed in Canadian Dollars)

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#### **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 ("\$").

#### **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, 2017. 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, 2017.

The consolidated financial statements were authorized for issue by the Board of Directors on August 29, 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 to obtain benefits from its activities.

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 subsidiary, Asiamerica AG of Switzerland, which is anticipated to be dissolved in the future (collectively referred to as "Chinook").

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.

**CHINOOK TYEE INDUSTRY LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

JUNE 30, 2018

(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 MPC, MPC-JV and its wholly-owned subsidiaries is the Euro ("€").

**4. INVESTMENTS**

	June 30, December 31,	
	2018	2017
(1) Short-term: Peekaboo Beans Inc. ("PBI")	\$ 19,875	\$ 45,300
(2) Long-term: Taiga Atlas plc ("Taiga")	217,217	212,986
	<u>\$ 237,092</u>	<u>\$ 258,286</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. As at June 30, 2018, the investment in PBI has been recognized at fair value of \$19,875, which resulted in a revaluation loss of \$26,325 (2017 - \$Nil) to other comprehensive income (loss).

(2) MPC owns 1,843,416 shares of Taiga, an investment merchant banking company based in Valletta, Malta. Taiga is a non-quoted, reporting issuer on the Malta Stock Exchange. The shares were acquired in partial settlement of the investment loan received (note 5) and are carried at their estimated fair value, which was determined based on the amount of the loan that was settled.

**5. INVESTMENT LOAN RECEIVABLE**

MPC holds a loan receivable from MPC-JV, which is unsecured and bears interest at 0.0025%. At June 30, 2018, the loan receivable totalled €1,443,955 / \$2,274,054 (2017 - €1,477,501 / \$2,230,735).

MPC-JV owns approximately, 1.7-million shares of blockescence plc and a majority shareholding in Taiga. In May 2018, the business of Solidare Real Estate Holding plc was sold and the company purchased blockescence plc, a blockchain development company, and appointed a new board of directors.

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 (2017 - \$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.

**CHINOOK TYEE INDUSTRY LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

JUNE 30, 2018

(Expressed in Canadian Dollars)

**6. TRADE AND OTHER PAYABLES**

	June 30, 2018	December 31, 2017
Trade payables	\$ 20,011	\$ 34,719
Accrued liabilities	39,595	39,350
	<u>\$ 59,606</u>	<u>\$ 74,069</u>

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

As of June 30, 2018, 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.

**8. GENERAL AND ADMINISTRATION EXPENSES**

	Six Months ended June 30, 2018	Six Months ended June 30, 2017	Three Months ended June 30, 2018	Three Months ended June 30, 2017
Office and supplies	\$ 28,758	\$ 45,950	\$ 18,580	\$ 27,529
Professional fees	13,959	35,759	6,566	24,387
Rent and insurance	26,746	22,336	13,373	11,168
Salaries and benefits	25,846	43,844	12,923	27,933
	<u>\$ 95,309</u>	<u>\$ 147,889</u>	<u>\$ 51,442</u>	<u>\$ 91,017</u>

**9. RELATED PARTY TRANSACTIONS**

During the six months ended June 30, 2018:

The Company paid board meeting and service fees of \$10,250 (2017 - \$23,825) to independent directors of the Company and paid or accrued professional fees of \$6,300 (2017 - \$18,730) to its Chief Financial Officer's consulting company for accounting services.

Included in accounts payable at June 30, 2018 is \$12,254 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**

JUNE 30, 2018

(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 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.

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

The Company's financial instruments consist of cash, accounts receivable, available for sale financial assets, long-term investment, loans receivable and accounts payable.

As at June 30, 2018, 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.

**CHINOOK TYEE INDUSTRY LIMITED****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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(Expressed in Canadian Dollars)

**11. 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 5). 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 the credit risk is assessed as high.

The Company's other exposure to credit risk is on its cash 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 June 30, 2018:

	Euro	US Dollar	CDN Dollar	Total
Cash and accounts receivable	1%	70%	29%	100%
Available-for-sale financial asset	0%	0%	100%	100%
Loans receivable	100%	0%	0%	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 Company's loans receivable have fixed interest rates and are 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.