



## **Management's Discussion and Analysis of Financial Condition and Results of Operations as at August 29<sup>th</sup>, 2018.**

The following is management's discussion and analysis ("MD&A") of Chinook Tyee Industry Limited's (the "Company" or "Chinook") financial condition and results of operations for the six months ended June 30<sup>th</sup>, 2018 and should be read in conjunction with the unaudited condensed consolidated financial statements and related notes for the same reporting period. The MD&A will also outline the economic operating conditions and how these influence Chinook Tyee Industry Limited's business activities.

All references herein refer to the unaudited condensed consolidated financial statements and related notes for the six months ended June 30<sup>th</sup>, 2018 and except where otherwise indicated, all financial information is expressed in Canadian dollars ("C\$"). Unless otherwise indicated, reference to the "Company" or "Chinook" means Chinook Tyee Industry Limited and its subsidiaries. The financial year is the calendar year. Reference to a "fiscal year" means the Company's year commencing on January 1<sup>st</sup> of that year and ending on December 31<sup>st</sup> of that year. For example, fiscal 2018, means the period beginning January 1<sup>st</sup>, 2018 and ending December 31<sup>st</sup>, 2018. Reference to "reported quarter" means the six calendar months commencing on January 1<sup>st</sup> of that year and ending on June 30<sup>th</sup> of that year. In addition, reference will be made to "Notes", which refers to the Notes to the Unaudited Condensed Consolidated Financial Statements. References to Statements of "Financial Position", "Income or Loss" and "Cash Flows, refers to Condensed Consolidated Interim Statements of: Financial Position, Comprehensive Loss and Cash Flows, respectively.

The Company files reports and other information on the System for Electronic Document Analysis and Retrieval ("SEDAR") in Canada at [www.sedar.com](http://www.sedar.com). The Company's website is [www.chinooktyee.ca](http://www.chinooktyee.ca).

### **Forward-Looking Statements**

This document contains forward-looking statements. The Company's representatives may also make forward-looking statements orally from time to time.

Statements in this document that are not historical facts, including statements about the Company's beliefs and expectations, recent business and economic trends constitute forward-looking statements. Forward-looking statements include, without limitation, statements regarding the outlook for future operations, forecasts of future revenue and expenditures, market conditions, specifically the Canadian and German stock markets or other business plans. Forward-looking statements include statements regarding the intent, belief or current expectations of the Company, primarily with respect to the results of operations, financial position or cash flows of the Company.

The statements are based on current plans, estimates, and projections and are subject to change. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, and the Company undertakes no obligation to update publicly any changes in light of new information or future events.

Shareholders and potential investors are cautioned that any such forward-looking statements are not guarantees and involve risks and uncertainties, and that actual results may differ from those in the forward-looking statements as a result of various factors such as general economic and business conditions particularly in North America and Europe, including changes in interest rates, actions by government authorities in Canada, Germany or the European Union, including changes in government regulation, political conditions in Europe and future decisions by the Company's directors or officers in response to changing conditions, the ability to execute prospective business plans and misjudgments in the course of preparing forward-looking statements.

Material factors and assumptions underlying the Company's expectations regarding forward-looking statements include, among others: the ability of the Company to obtain financing on acceptable terms, that the Company will be able to maintain appropriate levels of liquidity in order to make investments when attractive opportunities arise, stability in the global economic environment particularly in Canada and Germany and broadly in regard to North America and the European Union, and Canadian and German interest rates and that interest rates and foreign exchange rates, particularly in regard to the Canadian dollar and Euro ("€"), will not vary materially from current levels.

Shareholders and potential investors are advised that these cautionary remarks expressly qualify in their entirety all forward-looking statements attributable to the Company or persons acting on its behalf contained in this MD&A.

The Company will review its forward-looking statement when it files its second quarter financial results for the six months ending June 30<sup>th</sup>, 2018.

## Chinook Tyee Industry Limited

This forward-looking statement dated August 29<sup>th</sup>, 2018, references CSA Staff Notice 51-330 Guidance regarding the Application of Forward-Looking Information Requirements under National Instrument 51-102 Continuous Disclosure Obligations dated November 20<sup>th</sup>, 2009.

### Accounting Policy

Financial information for 2018 and 2017 presented and discussed in this MD&A is prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”)<sup>1</sup>.

The Company prepares consolidated financial statements which, in addition to Chinook as the parent company, incorporates all material subsidiaries in which the Company is deemed to have control or influence over (IFRS 10), which includes Mercury Partners & Company plc (“MPC”). MPC and its European joint investment partner equally fund and own 50% of the share capital of an investment-joint-venture, which is accounted for using the equity method of accounting<sup>2</sup> (“MPC-JV”).

### The Company

Chinook is a holding company listed on the TSX Venture Exchange (“TSXV”) in Canada under the trading symbol “XCX” and has 3.4-million shares outstanding. Chinook conducts its business through its Malta based investment holding company, MPC, which is a non-quoted, reporting issuer with the Malta Stock Exchange. Chinook reports its financial results<sup>3</sup> in \$, while MPC holds its investments generally in €s and non-committed cash in US\$ or €s.

MPC’s assets include cash, its 50% ownership and \$2.3-million investment loan receivable<sup>4</sup> to MPC-JV and a minority shareholding in Taiga Atlas plc and other publicly listed investments.

The MPC-JV owns approximately, 1.7-million shares of blockescence plc (“blockescence”) and a majority shareholding in Taiga Atlas plc (“Taiga Atlas”), a private investment merchant banking company based in Valletta, Malta and with a representative office in Berlin, Germany.

Taiga Atlas assets predominately include cash, a non-performing €10-million loan to a real estate development company in Dusseldorf, Germany, approximately 1-million shares of InCity Immobilien AG (Frankfurt Stock Exchange: IC8), a real estate development company with a portfolio of commercial and office real estate in major German cities and a minority shareholding in blockescence. Further information about InCity Immobilien AG can be found at [www.incity.ag](http://www.incity.ag)

blockescence (Frankfurt Stock Exchange: SRH) is one of the first direct investment companies to focus on implementing Distributed Ledger Technology (DLT or Blockchain) in industries like online gaming industry where cryptocurrencies like bitcoin can provide peer-to-peer payment services. blockescence recently acquired control of gamigo AG (“Gamigo”), a leading provider of free-to-play online and mobile games with over 100-million registered users. Further information can be found at [www.blockescence.com](http://www.blockescence.com)

The status of the equity markets in Canada and Germany, in particular, the TSXV and the Frankfurt Stock Exchange, may affect the financial performance of the Company. In addition, as the Company’s cash and assets are held in €s and to a lesser extent in \$ high annual inflation in Germany, the European Union and Canada may affect the financial performance and condition of the Company. A majority of the Company’s assets have an economic interest in Germany, therefore the fluctuation between the \$ and the € may affect financial performance. The economic health of the economies of Germany and the European Union may also affect the financial performance of the Company. Generally, the status of the real estate property markets in Germany and particularly Dusseldorf may affect the financial position of the Company. The status of digital currencies which have a limited history and the fair value historically has been very volatile may affect the financial performance of the Company.

Chinook is a reporting issuer in the Canadian provinces of British Columbia, Alberta, Ontario, and Quebec.

### Summary of Quarterly Results

---

<sup>1</sup> See Note 2, “Basis of Presentation”.

<sup>2</sup> See Note 3, “Significant Accounting Policies” and Note 4, “Investments”.

<sup>3</sup> See Note 3, “Significant Accounting Policies”.

<sup>4</sup> See Note 5, “Investment Loan Receivable”.

## Chinook Tyee Industry Limited

The following selected financial data as reported by the Company for the past eight business quarters have been summarized from the Company's unaudited quarterly financial statements and are qualified in their entirety by reference to, and should be read in conjunction with, such financial statements.

	2018		2017				2016	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	(In thousands, except per share amounts)							
Revenue .....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ -
Loss .....	\$ (61)	\$ (70)	\$ (141)	\$ (42)	\$ (116)	\$ (89)	\$ (165)	\$ (63)
Loss per share, basic and diluted .....	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.01)	\$ (0.03)	\$ (0.03)	\$ (0.05)	\$ (0.02)

### Liquidity and Capital Resources

The following analysis of the Company's liquidity and capital resources for the six months ended June 30<sup>th</sup>, 2018, includes a comparison to the corresponding, comparative six months ended June 30<sup>th</sup>, 2017.

The Company's principal sources of capital are its available cash and public financing. The Company believes it has sufficient cash to maintain its liquidity.

The Company's principal assets included cash of \$64,817<sup>5,6</sup> short and long-term investments totaling \$237,092 and a \$2.3 million<sup>7</sup> investment loan receivable, which increased during the reported period due to changes in foreign currency translation. Chinook's investment in MPC-JV is reported at \$nil.

As at June 30<sup>th</sup>, 2018, the Company's total debt included trade and other payables of \$59,606<sup>8</sup>.

The Company's recurring cash requirements include public company expenses such as regulatory, shareholder communication and corporate governance expenses totaling \$36,501<sup>9</sup> and \$95,309 in general and administration expenses.

The statement of cash flows shows the structure of and changes in cash for the reported period and is broken down into operating activities, investing activities and financing activities. The Company used cash of \$107,772 predominately from operating losses to hold \$64,817 in cash at quarter end. Other than the aforementioned, other uses and generations of cash flows from operating and investing activities did not materially affect cash flows during the reported period.

Total assets and shareholders' equity were reduced by the operating losses during the first six months of the year.

### Summary of Reported Period Results

*For the six months ended June 30<sup>th</sup>, 2018.*

The following analysis of the Company's operating results for the six months ended June 30<sup>th</sup>, 2018, includes a comparison to the corresponding, comparative six months ended June 30<sup>th</sup>, 2017.

The Company's subsidiary, MPC occasionally earns fees from merchant banking and interest revenue for cash holdings. Income for the current and comparative period was immaterial. Expenses decreased to \$131,810 compared to \$204,488 in the prior year period due to lower general and administrative, corporate governance and public company expenses. General and administration expenses<sup>10</sup> totaled \$95,309 and included professional fees of \$13,959, office and supplies of \$28,758, rent and insurance of \$26,746 and salaries and benefits of \$25,846.

<sup>5</sup> See Statements of Financial Position.

<sup>6</sup> See Note 11, "Financial Instruments".

<sup>7</sup> See Note 5, "Investment Loan Receivable".

<sup>8</sup> See Note 6, "Trade and Other Payables".

<sup>9</sup> See Statements of Comprehensive Income (Loss).

<sup>10</sup> See Note 8, "General and Administration Expenses".

## Chinook Tyee Industry Limited

The Company's losses decreased to \$131,654 compared to a loss of \$204,473 in the prior year period due to lower general and administrative, public company and governance costs. Basic and diluted loss per common share attributable to owners was \$0.04 and \$0.06 for the respective periods.

Due to foreign currency translation differences between US\$ and €, the Company reported a gain of \$49,981, which is reflected in the comprehensive income (loss) for the period. Comprehensive loss also includes a revaluation loss of \$26,325 resulting from the investment in Peekaboo Beans Inc. being recognized at fair value.

### Summary of Reported Period Results

*For the three months ended June 30<sup>th</sup>, 2018.*

The following analysis of the Company's operating results for the three months ended June 30<sup>th</sup>, 2018, includes a comparison to the corresponding, comparative three months ended June 30<sup>th</sup>, 2017.

Income in the current and comparative reporting period was immaterial. Expenses decreased to \$61,501 compared to \$115,628 in the prior period. General and administration expenses totaled \$51,442 and included professional fees of \$6,566, office and supplies of \$18,580, rent and insurance of \$13,373 and salaries and benefits of \$12,923.

The Company reported a loss of \$61,421 compared to a loss of \$115,617 for the prior year period while basic and diluted loss per common share was \$0.02 and \$0.03 for the respective periods.

### Disclosure of Outstanding Share Data

The Company's weighted average and shares outstanding as at the reported period were 3,405,932 common shares and no dilutive securities were either granted or issued in the past five years.

The Company has adopted a stock option plan but has not granted any options to date.

### Transactions Between Related Parties<sup>11</sup>

Chinook has a related party relationship with its subsidiaries, with shareholders who own more than 10% of the shares of the Company, Executive Officers, and the Company's Directors.

Accordingly, during the six months ended June 30<sup>th</sup>, 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<sup>th</sup>, 2018 is \$12,254 owing to two officers of the Company for accounting fees and expenses incurred on behalf of the Company.

-End of Document-

---

<sup>11</sup> See Note 9, "Related Party Transactions".