CHINOOK TYEE INDUSTRY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Chinook Tyee Industry Limited

Opinion

We have audited the consolidated financial statements of Chinook Tyee Industry Limited (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss of $794,886 during the year ended December 31, 2018 and, as of that date, the Company's current liabilities exceeded its current assets by $323,127. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management’s Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Rakesh Patel*.*

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
April 26, 2019

CHINOOK TYEE INDUSTRY LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018
(Expressed in Canadian Dollars)

	Notes	2018	2017
ASSETS			
Current assets			
Cash		$ 53,358	$ 172,589
Accounts receivable and prepaid expenses	4	25,912	51,714
Marketable securities	5	9,750	45,300
		89,020	269,603
Long-term investment	5	220,038	212,986
Investment loan receivable	6	2,018,626	2,230,735
Total assets		$ 2,327,684	$ 2,713,324
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	$ 152,189	$ 74,069
Loan payable	8	259,958	-
		412,147	74,069
Equity			
Share capital	9	174,613	174,613
Share based payment reserve	9	2,744,438	2,744,438
Foreign currency translation reserves		179,314	108,146
Deficit		(1,182,828)	(387,942)
Total equity		1,915,537	2,639,255
Total liabilities and equity		$ 2,327,684	$ 2,713,324

On behalf of the Board:

/s/ Kenneth McLeod 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	2018	2017
Income			
Interest income		$ 409	$ 461
Expenses			
Corporate governance expenses	11	38,225	44,700
General and administration expenses	10, 11	426,575	314,178
Interest		2,384	-
Transfer agent, filing fees and shareholder communication		46,065	29,525
		513,249	388,403
Foreign exchange		17,296	-
Impairment of investment loan receivable	6	229,500	-
Unrealized loss on marketable securities	5	35,250	-
Loss for the year		(794,886)	(387,942)
Other comprehensive loss			
Foreign currency translation differences on foreign operations		71,168	168,650
Comprehensive loss for the year		$ (723,718)	$ (219,292)
Weighted average number of common shares outstanding		10,217,796	10,217,796
Loss per common share, basic and diluted		$ (0.08)	$ (0.04)

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)

	(Note 9) Number of common shares	Share capital	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total equity
Balance, December 31, 2016	10,217,796	$ 895,401	$ 2,744,438	$ (60,504)	$ (720,788)	$ 2,858,547
Loss for the year	-	-	-	-	(387,942)	(387,942)
Reduction of deficit (note 9)	-	(720,788)	-	-	720,788	-
Foreign currency translation	-	-	-	168,650	-	168,650
Balance, December 31, 2017	10,217,796	174,613	2,744,438	108,146	(387,942)	2,639,255
Loss for the year	-	-	-	-	(794,886)	(794,886)
Foreign currency translation	-	-	-	71,168	-	71,168
Balance, December 31, 2018	10,217,796	$ 174,613	$ 2,744,438	$ 179,314	$ (1,182,828)	$ 1,915,537

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)

	2018	2017
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Loss for the year	$ (794,886)	$ (387,942)
Items not affecting cash:		
Interest capitalized to loans	(55)	(60)
Non-cash loan interest	2,558	-
Impairment of investment loan receivable	229,500	-
Unrealized loss on marketable securities	35,250	-
	(527,633)	(388,002)
Changes in non-cash working capital items		
Accounts receivable and prepaid expenses	25,802	(11,064)
Trade and other payables	78,120	(17,991)
	(423,711)	(417,057)
INVESTING ACTIVITIES		
Repayments from equity accounted investee	-	365,000
Loan receivable repayments	50,363	-
Marketable securities	-	(45,000)
	50,363	320,000
FINANCING ACTIVITIES		
Loan payable	240,278	-
Effect of foreign exchange on cash	13,839	(2,649)
Change in cash during the year	(119,231)	(99,706)
Cash, beginning of the year	172,589	272,295
Cash, end of the year	$ 53,358	$ 172,589
Supplemental disclosure with respect to cash flows:		
Cash received during the year for interest	$ 352	$ 461
Cash paid during the year for interest	$ 2	$ -

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Chinook Tyee Industry Limited ("the Company" or “Chinook”) is a financial service company incorporated in the Province of British Columbia in Canada with its registered office located at Suite 1000, 925 West Georgia Street, Vancouver, British Columbia, Canada V6C 3L2. Chinook’s head office is located at Charlottenstrasse 59, Berlin Germany, 10117.

The Company’s common shares are listed for trading on the TSX Venture Exchange (“TSXV”) in Canada under the trading symbol, “XCX” and on the Frankfurt Stock Exchange under the trading symbol, “C4T”. 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 (“$”).

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. The Company incurred a net loss of $794,886 during the year ended December 31, 2018 and has a net working capital deficiency of $323,127. The Company’s continuation as a going concern is dependent upon its ability to recover its assets or raise borrowings sufficient to meet current and future obligations. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with available cash on hand, sale of assets and/or private placement of common shares, if required.

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, 2019.

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, 2018, these consolidated financial statements include the accounts of its wholly-owned subsidiaries AMP Alternative Medical Products GmbH (“AMP Germany”) of Germany, Chinook Tyee (Switzerland) GmbH of Switzerland (“Chinook Swiss”), Asiamerica AG of Switzerland (“Asiamerica AG”) and its 99% owned subsidiary Mercury Partners & Company plc (“MPC”) of Malta. Chinook Swiss has applied to change its name to Alternative Medical Products Switzerland GmbH. A former subsidiary, BT Biofuels Europe GmbH (“BT”), was dissolved on February 26, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Basis of consolidation (cont'd…)

For the year ended December 31, 2017, these consolidated financial statements included the accounts of Chinook's 99% owned subsidiary MPC of Malta and its wholly-owned subsidiaries Chinook Swiss, BT and Asiamerica AG.

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.

Basis of preparation

The functional currency of the Company is the Canadian dollar ("$"). The functional currency of MPC, MPC-JV and the Company's other wholly-owned subsidiaries is the Euro ("€").

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, deferred income taxes and the recoverability of receivables and loans receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Use of estimates and assumptions

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.

Financial instruments

The following is the Company's new accounting policy for financial instruments under IFRS 9:

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive loss ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification IAS 39	New classification IFRS 9
Cash	Amortized cost	FVTPL
Receivables	Amortized cost	Amortized cost
Trade and other payables	Amortized cost	Amortized cost
Marketable securities	FVTOCI	FVTPL
Long-term investments	Amortized cost	Amortized cost
Investment loans receivable	Amortized cost	Amortized cost

The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive loss on January 1, 2018.

Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs and subsequently carried at amortized cost less any impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Measurement (cont'd…)

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of comprehensive income (loss). Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive income (loss) in the period in which they arise. Where management has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of comprehensive loss.

Financial liabilities
The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statements of comprehensive loss.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Equity accounted investments (cont'd…)

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.

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.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting standards, amendments and interpretations

IFRS 16 Leases: IFRS 16 was issued in January 2016 and specifies how a company will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with the approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The standard is applicable for annual periods beginning on or after January 1, 2019.

IFRIC 23 Uncertainty over Income Tax Treatments: IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	2018	2017
Accounts receivable	$ 12,555	$ 29,229
Prepaid expenses	13,357	22,485
	$ 25,912	$ 51,714

5. INVESTMENTS

	2018	2017
(1) Peekaboo Beans Inc. ("PBI")	$ 9,750	$ 45,300
(2) Taiga Atlas plc ("Taiga")	220,038	212,986
	$ 229,788	$ 258,286

(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. At December 31, 2018, the shares had a fair value of $9,750 (2017 - $45,300) and the Company has recognized an unrealized loss of $35,250 (2017 - $Nil).

(2) MPC owns 184,342 shares of Taiga, which is a Malta public liability company. The shares were acquired in partial settlement of the investment loan received (note 6) and are carried at their estimated fair value.

(Expressed in Canadian Dollars)

6. INVESTMENT LOAN RECEIVABLE

	CDN$		€	
	2018	2017	2018	2017
Loan receivable MPC-JV	$ 2,230,735	$ 2,637,662	1,443,955	1,834,964
Interest capitalized to loan	55	60	36	41
Repayments	(50,363)	(365,000)	-	(250,000)
Repayments in the form of shares (note 5)	-	(205,933)	-	(141,050)
Impairment	(229,500)	-	(150,000)	-
FX conversion	67,699	163,946	-	-
	$ 2,018,626	$ 2,230,735	1,293,991	1,443,955

The Company, through MPC, holds a loan receivable from MCP-JV which is unsecured and bears interest at 0.0025%, which is capitalized to the loan annually.

The primary assets of MPC-JV include minority shareholdings in blockescene plc (XETRA, Frankfurt Stock Exchange: BCK) and Taiga.

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. 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, net of an impairment of $229,500 (€150,000). However, additional returns beyond this are uncertain.

Subsequent to December 31, 2018, a further $148,505 (€100,000) was repaid on the loan receivable.

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

7. TRADE AND OTHER PAYABLES

	2018	2017
Trade payables	$ 109,664	$ 34,719
Accrued liabilities	42,525	39,350
	$ 152,189	$ 74,069

8. LOAN PAYABLE

During the year ended December 31, 2018, the Company entered into a Series B bridge loan financing for €500,000 for the development of AMP Germany, a German biopharmaceutical company that is proposing to engage in importing medical cannabis into Germany. As of December 31, 2018, $259,958 (€165,000) was drawn-down. The non-secured credit facility bears interest at 8% per annum, matures December 31, 2019 and may be converted into shares of the Company or AMP Germany at the sole discretion of the lender at the price to be agreed upon by the parties.

(Expressed in Canadian Dollars)

9. CAPITAL AND OTHER COMPONENTS OF EQUITY

As of December 31, 2018, the Company had 10,217,796 (2017 – 10,217,796) 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, 2018, the Company completed share split of its common shares on a 1 old for 3 new basis. The Company has retroactively restated all share and per share information disclosed in these financial statements.

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.

10. GENERAL AND ADMINISTRATION EXPENSES

	2018	2017
Consulting and management fees	$ 104,367	$ -
Office and supplies	90,806	126,860
Professional fees	117,434	71,926
Rent and insurance	52,185	43,619
Salaries and benefits	61,783	71,773
	$ 426,575	$ 314,178

11. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2018, the Company paid or accrued board meeting and service fees of $25,625 (2017 - $32,125) and management and consulting fees of $58,806 (2017 - $Nil) to directors of the Company.

During the year ended December 31, 2018, the Company paid or accrued accounting fees of $30,450 (2017 - $37,145) to its Chief Financial Officer's consulting company.

Included in accounts payable at December 31, 2018 is $55,632 (2017 - $25,258) owing to three officers of the Company for directors fees, accounting fees and expenses incurred on behalf of the Company.

12. 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.

12. CAPITAL MANAGEMENT (cont'd…)

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

13. FINANCIAL INSTRUMENTS

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

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.

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 one of its primary assets 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.

13. FINANCIAL INSTRUMENTS (cont'd…)

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, 2018:

	Euro	US Dollar	CDN Dollar	Total
Cash and accounts receivable	70%	4%	26%	100%
Loans receivable	100%	0%	0%	100%
Marketable securities	0%	0%	100%	100%
Long-term investment	100%	0%	0%	100%
Trade and other payables	3%	0%	97%	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 12. At December 31, 2018, the Company has cash of $53,358 to settle current liabilities of $412,147. Therefore the liquidity risk is assessed as high.

14. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying a combined federal and provincial income tax rate of 27% (2017 - 26%) to income before taxes as follows:

	2018	2017
Loss before income taxes	$ (794,886)	$ (387,942)
Income tax recovery	(214,619)	(100,866)
Valuation allowance	304,218	143,382
Non-deductible expenses	27,296	-
Effect of tax rate change/diffs	(85,810)	-
Other - FX rate changes	(32,667)	-
Other - True-up tax loss as filed	1,582	(42,516)
	$ -	$ -

(Expressed in Canadian Dollars)

14. **INCOME TAXES** (cont'd…)

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

	2018	2017
Capital loss carry-forwards	$ 1,179,561	$ 1,135,359
Non-capital loss carry-forwards	1,250,790	931,512
Other	(67,724)	(10,060)
Net deferred tax assets	2,362,627	2,056,811
Less: valuation allowance	(2,362,627)	(2,056,811)
	$ -	$ -

The Company has non-capital tax losses carried forward approximating $4,500,000 in Canada, expiring from 2026 through 2038.

The Company has gross capital losses approximating $8,737,000 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.