Management's Discussion and Analysis of Financial Condition and Results of Operations as at May 30th, 2019.

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 three months ended March 31st, 2019 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 three months ended March 31st, 2019 and except where otherwise indicated, all financial information is expressed in Canadian dollars ("$"). 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 1st of that year and ending on December 31st of that year. For example, fiscal 2019, means the period beginning January 1st, 2019 and ending December 31st, 2019. Reference to "reported quarter" means the three calendar months commencing on January 1st of that year and ending on March 31st 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. The Company's website is www.amp-eu.com.

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 30th, 2019.

This forward-looking statement dated May 30th, 2019, 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 20th, 2009.

Accounting Policy
Financial information for 2019 and 2018 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")[1].

The Company
Chinook is a German managed investment company that invests in the cannabis industry in Europe. Chinook holds investments in AMP Alternative Medical Products GmbH and Mercury Partners & Company plc.

Chinook is listed on the TSX Venture Exchange ("TSXV") in Canada under the trading symbol "XCX" and on the Frankfurt Stock Exchange in Germany under the trading symbols, "C4T" and "WKN: A12DYZ" and is a reporting issuer in the Canadian provinces of British Columbia, Alberta, Ontario, and Québec.

AMP Alternative Medical Products GmbH ("AMP Germany")
AMP Germany, a German biopharmaceutical company based in Erfurt, Germany, which will provide medical cannabis formulations and dose delivery systems for German patients. AMP Germany purchases EU-GMP medical cannabis from third-party suppliers located in Canada and other countries and arranges transportation, logistics and storage services for ultimate distribution through pharmaceutical distributors to pharmacists in Germany. All of AMP Germany's suppliers are audited by German auditors to ensure they meet the stringent EU-GMP standards. Meeting the EU-GMP standard is the biggest obstacle for licensed producers of cannabis ("LP") trying to export to Germany. As the majority of LPs in Canada are not EU-GMP, AMP Germany assists LPs in their audit and arranges EU-GMP certification in Germany to allow importation.

During 2019, AMP entered into a memorandum of understanding production supply agreement with Pure Life Cannabis Corporation, a late stage Health Canada applicant to become a licensed producer of cannabis flower based in Edmonton, Alberta. The MOU covers the purchase of 1,200 kilograms of cannabis annually in the first year of production and increasing thereafter.

Mercury Partners & Company plc ("MPC")
Non-medical cannabis investments are held through MPC, a public liability investment holding company based and operated in Valetta, Malta, whose investments include cash held in €s, its 50% ownership and investment loan receivable[2] in the MPC-JV and shareholdings in publicly listed and private companies.

The MPC-JV owns a majority shareholding in a merchant banking company, whose assets predominately include cash and a non-performing €10-million loan to a real estate development company in Dusseldorf, Germany.

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 $s 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.

[1] See Note 2, "Basis of Presentation".
[2] See Note 6, "Investment Loan Receivable".

Summary of Quarterly Results

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.

	2019	2018					2017	
	(In thousands, except per share amounts)							
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	$ -	$ -	$ -	$ -	$ -	$ --	$ -	$ -
Loss	$ (393)	$ (593)	$ (71)	$ (61)	$ (70)	$ (141)	$ (42)	$ (116)
Loss per share, basic and diluted	$ (0.04)	$ (0.06)	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

Liquidity and Capital Resources

The following analysis of the Company's liquidity and capital resources for the three months ended March 31st, 2019, includes a comparison to the corresponding comparative three months ended March 31st, 2018.

The Company's principal sources of capital are its available cash and public financing. At March 31, 2019, Chinook had net investment assets of $1.4-million consisting of cash holdings of $89,424[3], long-term investments of $211,575 and a $1.7-million[4] investment loan receivable.

During May 2019, Chinook announced a Series C private placement for $1.5-million through the issuance of 10,000,000 million shares at $0.15 per share.

Total liabilities increased to $622,047 during the quarter compared $412,147 at year-end due to the bridge loan funding for AMP Germany, which totaled $406,485, compared to $259,958 at year-end. Chinook's other liabilities included trade and other payables totaling $215,562[5].

The statement of cash flows shows the structure of and changes in cash for the reported year and is broken down into operating activities, investing activities and financing activities. Chinook generated cash of $36,066 to hold $89,424 in cash at quarter-end. Operating activities used cash of $319,525 largely to finance AMP Germany, while investing activities generated $221,775 from investment loan receivable repayments of $226,500 during the quarter. Chinook's financing activities include borrowing $147,036 from its bridge loan facility to fund AMP Germany.

Shareholder equity declined to $1.4-million during the quarter compared to $1.9-million at year-end due to the funding of AMP Germany.

Summary of Reported Period Results

For the three months ended March 31st, 2019.

The following analysis of Chinook's operating results for the three months ended March 31, 2019 includes a comparison to the corresponding, comparative period ended March 31, 2018.

Revenue income was immaterial. Going forward, through its investment subsidiaries and partnerships, Chinook plans to generate revenue from the exportation of medical cannabis from Canada and other countries, where it is legal, into Germany.

Expenses increased to $389,366 during the quarter compared to $70,309 in the prior year period due to higher general and administration and corporate governance expenses. General and administration costs totaled $328,297 and largely included office and supplies of $65,820, marketing of $58,195 and consulting and management fees of $130,043. Corporate governance expenses increased to $38,946 during the quarter compared to $7,750 a year earlier. During 2019, Chinook will continue to incur fees to German consultants and pharmaceutical consulting firms and legal fees. Chinook also incurred a foreign currency translation

[3] See Statements of Financial Position.

[4] See Note 6, "Investment Loan Receivable".

[5] See Note 7, "Trade and Other Payables".

adjustment of $90,998 on foreign operations. Gains or losses from foreign currency translation differences on foreign operations are non-cash accounting adjustments included in comprehensive income (loss).

The Company reported a loss of $392,608, or a loss of $0.04 per share, compared to a loss of $70,233, or $0.01 per share, for the corresponding comparative period due to funding costs for AMP Germany.

Disclosure of Outstanding Share Data
The Company's weighted average and shares outstanding as at the reported period were 10,217,796 common shares.

Subsequent to quarter, the Company granted incentive stock options to purchase up to 1,020,000 common shares of the Company to its directors, officers, employees, and consultants in Germany, Switzerland and Canada pursuant to its stock option plan, including 655,000 options issued to directors and officers. Each option vests immediately, has an exercise price of $0.15 per share and is valid for a period of one year from the date of issuance.

Transactions Between Related Parties[6]
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 three months ended March 31st, 2019, the Company paid board meeting and management fees of $97,120 (2018 - $5,125) to directors of the Company and paid or accrued professional fees of $7,630 (2018 - $6,300) to its Chief Financial Officer's consulting company for accounting services.

Included in accounts payable at March 31, 2019 is $13,930 owing to one officer of the Company for accounting fees.

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[6] See Note 11, "Related Party Transactions".

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
MARCH 31, 2019

(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.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
March 31, 2019 and December 31, 2018
(Expressed in Canadian Dollars)

	Notes	March 31, 2019	December 31, 2018
ASSETS			
Current assets			
Cash		$ 89,424	$ 53,358
Accounts receivable and prepaid expenses	4	22,517	25,912
Marketable securities	5	9,750	9,750
		121,691	89,020
Equipment		4,725	-
Long-term investment	5	211,575	220,038
Investment loan receivable	6	1,715,987	2,018,626
Total assets		$ 2,053,978	$ 2,327,684
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	$ 215,562	$ 152,189
Loan payable	8	406,485	259,958
		622,047	412,147
Equity			
Share capital	9	174,613	174,613
Share based payment reserve	9	2,744,438	2,744,438
Foreign currency translation reserves		88,316	179,314
Deficit		(1,575,436)	(1,182,828)
Total equity		1,431,931	1,915,537
Total liabilities and equity		$ 2,053,978	$ 2,327,684

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
THREE MONTHS ENDED MARCH 31,
(Expressed in Canadian Dollars)

	Notes	2019	2018
Interest revenue		$ 133	$ 76
Expenses			
Corporate governance expenses	11	38,946	7,750
General and administration expenses	10	328,297	43,867
Interest		6,799	-
Transfer agent, filing fees and shareholder communication		15,324	18,692
		389,366	70,309
Foreign exchange		(7,201)	-
Unrealized gain on marketable securities		(378)	-
Foreign income taxes		10,954	-
Loss for the period		(392,608)	(70,233)
Other comprehensive income (loss)			
Foreign currency translation differences on foreign operations		(90,998)	133,357
Comprehensive income (loss) for the period		$ (483,606)	$ 63,124
Weighted average number of common shares outstanding		10,217,796	10,217,796
Loss per common share, basic and diluted		$ (0.04)	$ (0.01)

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

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

	Number of common shares issued	Share capital	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total equity
Balance, December 31, 2017	10,217,796	$ 174,613	$ 2,744,438	$ 108,146	$ (387,942)	$ 2,639,255
Loss for the period	-	-	-	-	(70,233)	(70,233)
Foreign currency translation	-	-	-	133,357	-	133,357
Balance, March 31, 2018	10,217,796	174,613	2,744,438	241,503	(458,175)	2,702,379
Loss for the period	-	-	-	-	(724,653)	(724,653)
Foreign currency translation	-	-	-	(62,189)	-	(62,189)
Balance, December 31, 2018	10,217,796	174,613	2,744,438	179,314	(1,182,828)	1,915,537
Loss for the period	-	-	-	-	(392,608)	(392,608)
Foreign currency translation	-	-	-	(90,998)	-	(90,998)
Balance, March 31, 2019	10,217,796	$ 174,613	$ 2,744,438	$ 88,316	$ (1,575,436)	$ 1,431,931

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

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31,
(Expressed in Canadian Dollars)

	2019	2018
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Loss for the year	$ (392,608)	$ (70,233)
Items not affecting cash:		
Non-cash loan interest	6,693	-
Unrealized gain on marketable securities	(378)	-
	(386,293)	(70,233)
Changes in non-cash working capital items		
Accounts receivable and prepaid expenses	3,395	38,187
Trade and other payables	63,373	(16,586)
	(319,525)	(48,632)
INVESTING ACTIVITIES		
Loan receivable repayments	226,500	-
Acquisition of equipment	(4,725)	
	221,775	-
FINANCING ACTIVITIES		
Loan payable	147,036	-
Effect of foreign exchange on cash	(13,220)	4,157
Change in cash during the year	36,066	(44,475)
Cash, beginning of the year	53,358	172,589
Cash, end of the year	$ 89,424	$ 128,114

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

1. NATURE 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.

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 (“$”).

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, 2018. 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, 2018.

The consolidated financial statements were authorized for issue by the Board of Directors on May 30, 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 to obtain benefits from its activities.

These consolidated financial statements include the accounts of its wholly-owned subsidiaries AMP Alternative Medical Products Limited (“AMP Canada”) of Canada, AMP Alternative Medical Products GmbH (“AMP Germany”) of Germany, Chinook Tyee (Switzerland) GmbH of Switzerland (“AMP Switzerland”), 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.

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.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Basis of preparation

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

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	2019	2018
Accounts receivable	$ 10,827	$ 12,555
Prepaid expenses	11,690	13,357
	$ 22,517	$ 25,912

5. INVESTMENTS

	2018	2017
(1) Peekaboo Beans Inc. ("PBI")	$ 9,750	$ 9,750
(2) Taiga Atlas plc ("Taiga")	211,575	220,038
	$ 221,325	$ 229,788

(1) MPC owns 75,000 shares and 37,500 warrants of PBI. The warrants were 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 (2018 - $9,750) and the Company has recognized an unrealized gain (loss) of $387 (2018 – ($35,250).

(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.

6. INVESTMENT LOAN RECEIVABLE

(Expressed in Canadian Dollars)

	CDN$		€	
	2019	2018	2019	2018
Loan receivable MPC-JV	$ 2,018,626	$ 2,230,735	1,293,991	1,443,955
Interest capitalized to loan	-	55	-	36
Repayments	(226,500)	(50,363)	(150,000)	-
Impairment	-	(229,500)	-	(150,000)
FX conversion	(76,139)	67,699	-	-
	$ 1,715,987	$ 2,018,626	1,143,991	1,293,991

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.

6. INVESTMENT LOAN RECEIVABLE (cont'd…)

The primary assets of MPC-JV include shareholdings in German stocks 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 (2018 - $nil). The Company has reviewed the underlying assets of MCP-JV and its investments. During 2018, based on factors such as timing and uncertainty of collection, management 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.

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

7. TRADE AND OTHER PAYABLES

	2019	2018
Trade payables	$ 210,837	$ 109,664
Accrued liabilities	4,725	42,525
	$ 215,562	$ 152,189

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 March 31, 2019, 406,485 / €265,000 (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.

9. CAPITAL AND OTHER COMPONENTS OF EQUITY

(Expressed in Canadian Dollars)

As of March 31, 2019, the Company had 10,217,796 (2018 - 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.

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

	Three Months ended March 31, 2019	Three Months ended March 31, 2018
Consulting and management fees	$ 130,043	$ -
Marketing	58,195	-
Office and supplies	65,820	10,178
Professional fees	22,020	7,393
Rent and insurance	14,782	13,373
Salaries and benefits	37,437	12,923
	$ 328,297	$ 43,867

11. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2019:

The Company paid board meeting and management fees of $97,120 (2018 - $5,125) to independent directors of the Company and paid or accrued professional fees of $7,630 (2018 - $6,300) to its Chief Financial Officer's consulting company for accounting services.

Included in accounts payable at March 31, 2019 is $13,930 owing to one officer of the Company for accounting fees.

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.

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.

13. FINANCIAL INSTRUMENTS (cont'd…)

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.

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 March 31, 2019:

13. FINANCIAL INSTRUMENTS (cont'd…)

	Euro	US Dollar	CDN Dollar	Total
Cash and accounts receivable	41%	1%	58%	100%
Loans receivable	100%	0%	0%	100%
Marketable securities	0%	0%	100%	100%
Long-term investment	100%	0%	0%	100%
Trade and other payables	1%	0%	99%	100%
Loan payable	100%	0%	0%	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.

14. SUBSEQUENT EVENT

Subsequent to March 31, 2019, the Company granted incentive stock options to purchase up to 1,020,000 common shares of the Company to its directors, officers, employees, and consultants in Germany, Switzerland and Canada pursuant to its stock option plan, including 655,000 options issued to directors and officers. Each option vests immediately, has an exercise price of $0.15 per share and is valid for a period of one year from the date of issuance.

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