

## **Management's Discussion and Analysis of Financial Condition and Results of Operations as at April 29, 2014.**

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 year ended December 31, 2013 and should be read in conjunction with the audited consolidated financial statements and related notes for the same reporting period.

All references herein refer to the audited financial statements for the year ending December 31, 2013 and except where otherwise indicated, all financial information is expressed in Canadian dollars.

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.com](http://www.chinooktyee.com)

### **Forward-Looking Statements**

Statements in this MD&A, in regard to the financial condition and results of operations based upon the Audited and Consolidated Financial Statements for the year ending December 31, 2013, to the extent that they are not based on historical events, constitute forward-looking statements.

These statements appear in a number of different places in this MD&A and include statements regarding the intent, belief or current expectations of the Company and its directors or officers, primarily with respect to the result of operations, financial position or cash flows of the Company and its subsidiaries. Forward-looking statements include, without limitation, statements regarding the outlook for future operations, forecasts of future revenue and expenditures, evaluation of market conditions, specifically the Canadian stock markets, or other business plans.

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; 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 first quarter financial results for the three months ending March 31, 2014.

This forward-looking statement dated April 29, 2014, 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, 2009.

### **Overall Performance**

Chinook is an inactive holding company with cash assets of approximately \$2.4-million and investment in loan receivables of approximately \$1.4-million.

Chinook is listed on the NEX in Canada and trades under the trading symbol "XCX.H". Companies that fall below the TSX Venture Exchange (TSXV) listing standards, or who request to be de-listed from the TSXV, as is the case with Chinook, trade on the NEX, which is a separate board of the TSXV. While listed on NEX, the Company's operational, financing and investing activities are very restricted, therefore companies that trade on NEX are deemed to be inactive.

During fiscal 2013, the Company invested in the workout of Xanthus Holdings PLC by purchasing a 54% interest in Boreal Taiga Biofuels Limited through the acquisition of equity and debt totalling \$529,000 from North Group Finance Limited, a company that owns more than 10% of the Company (see Note 4, "Acquisition of 54% Owned Subsidiary" in the Notes to the Audited Consolidated Financial Statements). Through subsidiary companies, Boreal Taiga Biofuels Limited indirectly has an economic

interest in a 55% shareholding in Xanthus Holdings PLC, which is listed on the Entry Standard of the Frankfurt Stock Exchange and on Xetra under the trading symbol “XNH” (see Note 7, “Equity Accounted Investments held by Subsidiary” in the Notes to the Audited Consolidated Financial Statements). After the purchase of Boreal Taiga Biofuels Limited, the Company provided a loan secured by the 55% shareholding in Xanthus Holdings PLC for \$578,996 (see Note 6, “Loans Receivables” in the Notes to the Audited Consolidated Financial Statements). The Company holds these shares as security. The Company’s total investment in loans and equity in Boreal Taiga Biofuels Limited and Xanthus Holdings PLC was \$1,394,688 and is represented as a current loan receivable of \$650,619 and loan receivable of \$744,069 (collectively herein referred to as “Xanthus Group”, also see Note 6, “Loan Receivables” and Note 7, “Equity Accounted Investments held by Subsidiary” in the Notes to the Audited Consolidated Financial Statements).

The Company anticipates seeking shareholder approval for a change of business under the policies of the TSX Venture Exchange to re-list its shares on the TSXV during fiscal 2014.

During fiscal 2013, shareholders passed special resolutions to change the Company’s name from Global Railway Industries Ltd. and to revoke the Certificate of Intent to Dissolve issued to the Company by the Registrar of Corporations of Alberta and to continue the Company from the jurisdiction of Alberta to the jurisdiction of British Columbia. The Company was continued to the jurisdiction of British Columbia on April 16, 2014 (see Note 1, “Nature of Operations” in the Notes to the Audited Consolidated Financial Statements).

The status of the Canadian equity markets, in particular the TSXV, may affect the financial performance of the Company. In addition, as the Company holds cash in Canadian dollars, high annual inflation in Canada may affect the financial performance and condition of the Company. Also, a portion of the Company’s assets have an economic interest in Germany, therefore the fluctuation in the price between the Canadian dollar and Euro may affect financial performance. Generally, the economic health of the economies of Canada, Germany and the European Union may affect the financial performance of the Company (see Note 14, “Capital Management” and Note 15, “Financial Instruments” in the Notes to the Audited Consolidated Financial Statements).

The Company is a reporting issuer in the following Canadian provinces: British Columbia, Alberta, Ontario and Québec.

#### Accounting Policy

Financial information for 2013 and 2012 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”) (see Note 2, “Basis of Presentation” in the Notes to the Audited Consolidated Financial Statements).

The Company consolidates (IFRS 10) the financial results of Boreal Taiga Biofuels Limited and its subsidiaries (see Note 3, “Significant Accounting Policies” in the Notes to the Audited Consolidated Financial Statements). The Company refers to “parent” as Chinook and “subsidiary” as Boreal Taiga Biofuels Limited and its subsidiaries.

#### Selected Annual Information

The following table summarizes selected consolidated financial data for the Company. The information in this table was extracted from the more detailed consolidated financial statements and related notes included herein and should be read in conjunction with such financial statements.

	2013	2012	2011
Revenue . . . . .	\$ 69,002	\$ 74,458	\$ 30,907,423
Loss for the period attributable to owners . . . . .	\$ (337,782)	\$ (706,456)	\$ (14,317,854)
Net loss per share attributable to owners . . . . .	\$ (0.10)	\$ (0.19)	\$ (0.94)
Diluted . . . . .	\$ (0.10)	\$ (0.19)	\$ (0.94)
Total assets . . . . .	\$ 3,880,573	\$ 4,219,576	\$ 11,456,529

#### 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.

	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue . . . . .	\$ 37	\$ 9	\$ 11	\$ 12	\$ 10	\$ 13	\$ 27	\$ 24
Earnings (loss) attributable to owners . . . . .	\$ (208)	\$ 159	\$ (137)	\$ (152)	\$ (192)	\$ (248)	\$ (135)	\$ (131)
Earnings (loss) per share attributable to owners basic and diluted . . . . .	\$ (0.06)	\$ 0.04	\$ (0.04)	\$ (0.04)	\$ (0.03)	\$ (0.08)	\$ (0.04)	\$ (0.04)

**Liquidity and Capital Resources**

The Company’s principal assets as of December 31, 2013, included cash and short-term deposits of approximately \$2.4 million and the Company’s investment in the Xanthus Group of approximately \$1.4-million (see Consolidated Statement of Financial Position and Note 6, “Loans Receivable” in the Notes to the Audited Consolidated Financial Statements). Additional sources of liquidity at year-end included account receivables of \$8,408. Included in prepaid expenses are premiums for directors and officers insurance for the former board of directors of the Company who resigned during fiscal 2012 (see Note 5, “Account Receivables and Prepaid Expenses” in the Notes to the Audited Consolidated Financial Statements).

The Company is limited on the source of funds it can use to raise cash resources while listed on the NEX. The Company believes it has sufficient cash to maintain the Company’s liquidity and does not anticipate any major expenditures or use of funds while listed on NEX (see Note 15, “Capital Management” in the Notes to the Audited Consolidated Financial Statements).

The Company’s recurring cash requirements at the parent company level include regulatory, shareholder communication and general and administrative expenses.

As at December 31, 2013, the Company’s total debt was \$468,677 and consisted of trade and other payables of \$241,811 and loan payable of \$226,866 (see Note 8, “Trade and Other Payables” and Note 9, “Loan Payables” in the Notes to the Audited Consolidated Financial Statements). The majority of the Company’s trade payables are held at the subsidiary level. The Company and the non-controlling shareholder of Boreal Taiga Biofuels Limited financed the company through loans, of which, \$226,866, is due to the non-controlling shareholder of Boreal Taiga Biofuels Limited. The loan payable is at the subsidiary level and is non-recourse to the parent company, Chinook.

During fiscal 2013, the Company used cash of \$254,038 from operating, investing and financing activities to hold \$396,931 as of December 31, 2013 compared to cash of \$650,969 for the corresponding comparative period (see Consolidated Statements of Cash flows). Operating activities used \$492,527 in cash due largely to the loss for the year of \$319,281, while adjustments for items not affecting cash were (\$44,041) and changes in non-cash working capital items totaled, (\$85,200). Investing activities generated cash of \$591,576, predominately as a result of the purchase and sale of short-term cash deposits (see Note 15, “Capital Management” in the Notes to the Audited Consolidated Financial Statements). Other transactions that affected investing activities include the Company’s purchase of Boreal Taiga Biofuels Limited for \$529,000 and loans provided for the workout of the Xanthus Group. Financing activities used cash of \$315,813 for the repurchase and cancellation of the Company’s common shares (see Note 10, “Capital and Other Components of Equity” in the Notes to the Audited Consolidated Financial Statements).

As at December 31, 2013, Chinook had no bank obligations or any off-balance sheet financial arrangements.

**Discussion of Operating Results**

*For the year ending December 31, 2013*

Revenues, which were basically generated from interest and consulting income decreased to \$69,002 compared to \$74,458 for the corresponding comparative period (see Consolidated Statements of Comprehensive Loss). The workout of the Xanthus Group generated a modest amount of consulting income during fiscal 2013.

Operating expenses increased to \$683,183 in fiscal 2013 compared to \$601,583 for the corresponding comparative period due to the addition of general and administration costs at the subsidiary level and parent level expenses. General and administrative expenses totaled \$590,472 and included professional fees of \$384,468, office and supplies of \$81,591, rent and insurance of

\$61,493 and salaries, benefits and training of \$62,920 (see Note 11, "General and Administrative Costs" in the Notes to the Audited Consolidated Financial Statements). Professional fees of \$384,468 included \$60,750 paid for management services provided by a company owned by the Company's former acting President and former Chief Executive Officer. The management service contract was cancelled during the year and these costs will not be incurred in the future.

Regulatory fees and shareholder communication costs, which are incurred at the parent level, decreased to \$40,853 in fiscal 2013 from \$67,552 in the corresponding comparative period. The Company paid directors and board meeting fees of \$49,000 to the Independent Directors during fiscal 2013 compared to \$73,894 for the corresponding comparative period. The Company endeavors to continue to reduce parent level expenses, especially director fees and general and administrative expenses. The President/Non-Independent Director has not received any remuneration since his appointment.

Other items, which represent other gains or losses not recognized in revenue and expenses, generated a gain of \$254,985 solely from a provision reversed during the year (see Note 12, "Other Items" in the Notes to the Audited Consolidated Financial Statements).

The Company reported a loss of \$319,281 compared to a loss of \$706,456 for the corresponding comparative period. The loss during fiscal 2012 includes consolidated results from the Company's former railway business. The losses incurred during 2013 occurred at the parent and subsidiary level. Basic and diluted loss per common share attributable to owners was \$0.10 and \$0.19 for the respective periods.

#### **Summary of Quarterly Results**

*For the three months ending December 31, 2013*

The following analysis of the Company's operating results for the three months ended December 31, 2013, includes a comparison against the previously completed three months ended December 31, 2012.

Revenues, which were generated from interest and consulting fees, totaled \$37,100 compared to \$10,072 for the corresponding comparative period, while general and administrative costs totaled \$247,732, compared to \$144,231 for the corresponding comparative period. The loss for the three months ending December 31, 2013 was \$187,932, compared to \$196,958 in corresponding period in 2012, while basic and diluted loss per common share attributable to owners was \$0.06 in fiscal 2013, compared to a loss of \$0.03 in fiscal 2012. The increase in revenue and expenses from fiscal 2012 compared to fiscal 2013 relate to the acquisition of Boreal Taiga Biofuels Limited and the inclusion of its results for the three months ended December 31, 2013.

#### **Disclosure of Outstanding Share Data**

The Company has 3,472,741 shares issued and outstanding as at April 29, 2014. No dilutive securities were either granted or issued during fiscal 2013 (see Note 10, "Capital and Other Components of Equity" in the Notes to the Audited Consolidated Financial Statements).

During the year, the Company's shareholders passed a resolution to consolidate all of the Company's issued Class A voting common shares on the basis of four pre-consolidation common shares being consolidated into one common share. Also during the year, the Company repurchased and cancelled 343,275 common shares for \$315,813.

#### **Transactions Between Related Parties**

Based on the accounting policies and definitions followed by the Company, Chinook, the parent company, has a related party relationship with its subsidiaries. Also, Chinook has a related party relationship with, North Group Finance Limited who holds more than 10% of the Company's shares outstanding. In addition, management and director compensation is regarded as related party transactions. Also, the President/Non-Independent Director of the Company is a related party due to his directorship on the board of North Group Finance Limited. Accordingly, during the years ended December 31, 2013 and December 31, 2012, the Company entered into the following related party transactions (see Note 13, "Related Party Transactions" in the Notes to the Audited Consolidated Financial Statements).

In regard to management and director compensation, the Company paid or accrued fees to three Independent Directors of the Company for their service and meeting attendance of \$49,000 during fiscal 2013 compared to \$73,894 in fiscal 2012. In addition, the Company paid or accrued fees of \$48,135 for accounting work provided by the Chief Financial Officer of the Company. The Company paid \$60,750 during fiscal 2013 compared to \$180,000 during fiscal 2012 for management services provided by the

former acting President and former Chief Executive Officer. The management service contract with the former acting President and former Chief Executive Officer was cancelled during fiscal 2013.

In regard to the parent and subsidiary relationship, the Company purchased a controlling interest in Boreal Taiga Biofuels Limited through the acquisition of equity and debt for \$529,000 from North Group Finance Limited, which owned greater than 10% of the Company (see Note 4, "Acquisition of 54% Owned Subsidiary" in the Notes to the Audited Consolidated Financial Statements).

During the year ended December 31, 2012, \$450,000 was released from the Company's escrow receivable related to the sale of a discontinued operation.

-End of Document-