

CHINOOK TYEE INDUSTRY LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2014

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CHINOOK TYEE INDUSTRY LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
March 31, 2014 AND DECEMBER 31, 2013
(Expressed in Canadian Dollars)

	Notes	March 31, 2014	December 31, 2013
ASSETS			
Current assets			
Cash		\$ 73,605	\$ 396,931
Short-term deposits		2,009,863	2,003,390
Accounts receivable and prepaid expenses	4	50,316	24,101
Loans receivable	5	767,263	650,619
		<u>2,901,047</u>	<u>3,075,041</u>
Prepaid expenses	4	57,540	61,463
Loans receivable	5	772,424	744,069
Total assets		<u>\$ 3,731,011</u>	<u>\$ 3,880,573</u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	\$ 93,047	\$ 241,811
Loan payable	8	234,340	226,866
Total liabilities		<u>327,387</u>	<u>468,677</u>
Equity			
Share capital	9	26,071,953	26,071,953
Share based payment reserve		2,744,438	2,744,438
Foreign currency reserves		(9,278)	(8,486)
Deficit		(25,587,387)	(25,577,421)
Equity attributable to owners		<u>3,219,726</u>	<u>3,230,484</u>
Non-controlling interest		183,898	181,412
Total equity		<u>3,403,624</u>	<u>3,411,896</u>
Total liabilities and equity		<u>\$ 3,731,011</u>	<u>\$ 3,880,573</u>

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

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

	Notes	2014	2013
Revenue			
Interest		\$ 25,365	\$ 11,598
Consulting		4,127	-
		<u>29,492</u>	<u>11,598</u>
EXPENSES			
Directors' fees		7,500	9,000
General and administrative costs	10	61,442	137,820
Interest		89	42
Regulatory fees and shareholder communication		1,102	16,701
		<u>70,133</u>	<u>163,563</u>
Loss before other items and income taxes		(40,641)	(151,965)
Foreign exchange gain		49,902	-
Income (loss) before income taxes		9,261	(151,965)
Income tax		-	(10)
Loss for the period		<u>9,261</u>	<u>(151,975)</u>
Other comprehensive loss			
Foreign currency translation differences on foreign operations		(17,533)	-
Comprehensive loss for the period		<u>\$ (8,272)</u>	<u>\$ (151,975)</u>
Income (loss) for the period attributable to :			
Owners		\$ (9,966)	\$ (151,975)
Non-controlling interest		19,227	-
Income (loss) for the period		<u>\$ 9,261</u>	<u>\$ (151,975)</u>
Comprehensive loss for the period attributable to:			
Owners		\$ (10,758)	\$ (151,975)
Non-controlling interest		2,486	-
Comprehensive loss for the period attributable to:		<u>\$ (8,272)</u>	<u>\$ (151,975)</u>
Weighted average number of common shares outstanding		3,472,741	3,690,149
Loss per common share attributable to owners, basic and diluted		<u>\$ (0.00)</u>	<u>\$ (0.04)</u>

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

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

	Equity attributable to owners							
	Number of common shares issued	Share capital	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total equity attributable to owners	Non-controlling interest	Total equity
Balance, January 1, 2013	3,816,016	\$ 26,387,766	\$ 2,744,438	\$ -	\$ (25,239,639)	\$ 3,892,565	\$ -	\$ 3,892,565
Loss for the period	-	-	-	-	(151,975)	(151,975)	-	(151,975)
Share repurchase	(343,275)	(315,813)	-	-	-	(315,813)	-	(315,813)
Balance, March 31, 2013	3,472,741	26,071,953	2,744,438	-	(25,391,614)	3,424,777	-	3,424,777
Income (loss) for the period	-	-	-	-	(185,807)	(185,807)	18,501	(167,306)
Foreign currency translation	-	-	-	(8,486)	-	(8,486)	(14,193)	(22,679)
Foreign currency translation re: non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	(18,683)	(18,683)
Purchase of subsidiary (note 4)	-	-	-	-	-	-	195,787	195,787
Balance, December 31, 2013	3,472,741	26,071,953	2,744,438	(8,486)	(25,577,421)	3,230,484	181,412	3,411,896
Income (loss) for the period	-	-	-	-	(9,966)	(9,966)	19,227	9,261
Foreign currency translation	-	-	-	(792)	-	(792)	(16,741)	(17,533)
Balance, March 31, 2014	3,472,741	\$ 26,071,953	\$ 2,744,438	\$ (9,278)	\$ (25,587,387)	\$ 3,219,726	\$ 183,898	\$ 3,403,624

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

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

	Notes	2014	2013
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Income (loss) for the period		\$ 9,261	\$ (151,975)
Items not affecting cash:			
Foreign exchange		7,474	-
Accrued interest		(26,171)	(11,598)
		(9,436)	(163,573)
Changes in non-cash working capital items			
Receivables and prepaids		(22,292)	(137,041)
Accounts payable and accrued liabilities		(148,764)	(13,716)
		(180,492)	(314,330)
INVESTING ACTIVITIES			
Interest received		565	-
Loans receivable		(80,025)	-
		(79,460)	-
FINANCING ACTIVITIES			
Repurchase and cancellation of share capital	9	-	(315,813)
		-	(315,813)
Effect of foreign exchange on cash		(63,374)	-
Change in cash		(323,326)	(630,143)
Cash, beginning of the period		396,931	650,969
Cash, end of the period		\$ 73,605	\$ 20,826

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

CHINOOK TYEE INDUSTRY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Chinook Tye Industry Limited ("the Company") is domiciled in the Province of British Columbia, Canada with its registered and head office located at Suite 1000, 925 West Georgia Street, Vancouver, British Columbia, Canada V6C 3L2.

The Company is listed on the NEX, a separate board of the TSX Venture Exchange in Canada, under the ticker symbol "XCX.H". The Company is currently seeking to identify and evaluate potential businesses with a view of completing a change of business under the policies of the TSX Venture Exchange.

On January 31, 2013, at a special meeting of the Company's shareholders, the shareholders passed special resolutions to revoke the Certificate of Intent to Dissolve issued to the Company by the Registrar of Corporations of Alberta on October 14, 2011 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.

On August 13, 2013, the Company changed its name to Chinook Tye Industry Limited from Global Railway Industries Ltd.

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, 2013. 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, 2013.

The consolidated financial statements were authorized for issue by the Board of Directors on May 29, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for financial instruments which are measured at fair value.

Basis of consolidation

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.

CHINOOK TYEE INDUSTRY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Basis of consolidation (cont'd...)

These consolidated financial statements include the accounts of Chinook Tye Industry Limited, its wholly-owned subsidiaries 0979307 B.C. Ltd. ("0979307"), which is inactive, and Chinook Tye (Switzerland) GmbH ("Chinook Swiss"), its 54% owned subsidiary Boreal Taiga Biofuels Limited ("BTBL") and BTBL's 100% owned subsidiary, BT Biofuels Europe GmbH ("BTBE"). BTBE holds 50% of jointly controlled Asiamerica AG ("Asiamerica"). All inter-company transactions and balances have been eliminated upon consolidation.

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets and changes in net assets of subsidiaries attributable to non-controlling interests are presented as a component of equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as acquisition or disposal transactions.

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.

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Canadian dollars, which is the Company's presentation currency.

The functional currency of the Company, 0979307 and BTBL is the Canadian dollar. The functional currency of BTBE, Chinook Swiss, the Company's jointly controlled entity, Asiamerica, Asiamerica's equity accounted investment DYVA Holdings AG ("DYVA") and DYVA's 55% controlled investment in Xanthus Holdings PLC ("Xanthus PLC") is the Euro.

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	March 31, 2014	December 31, 2013
VAT receivable	\$ 201	\$ 180
Interest receivable	3,939	3,812
Prepaid expenses	103,716	81,572
	107,856	85,564
Less: non-current prepaid expenses	(57,540)	(61,463)
Current accounts receivable and prepaid expenses	\$ 50,316	\$ 24,101

CHINOOK TYEE INDUSTRY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in Canadian Dollars)

5. LOANS RECEIVABLE

	March 31, 2014	December 31, 2013
(a) Xanthus Spec 1 Limited (EUR 49,610)	\$ 75,442	\$ 71,623
(b) DYVA (EUR 454,936)	691,821	578,996
(c) Asiamerica (EUR 507,940)	772,424	744,069
	1,539,687	1,394,688
Less: current loans receivable	(767,263)	(650,619)
Total loans receivable	\$ 772,424	\$ 744,069

- (a) BTBE loan to Xanthus Spec 1 Limited for EUR 150,000. The loan bears interest at 8% capitalized quarterly, principal due January 14, 2016 and is secured by a pledge of 44,000 shares of UDG United Digital Group GmbH.
- (b) Chinook Swiss loan, in the form of a revolving credit line, to DYVA to a maximum amount of EUR 700,000. The loan has been granted for an unlimited period, but the lender can terminate with three months notice. The loan bears interest at 8.5% capitalized quarterly and is secured by an assignment of 10,940,242 shares of Xanthus PLC (Frankfurt Stock Exchange Symbol: XNH).
- (c) BTBE unsecured loan to Asiamerica bearing interest at 2% per annum capitalized quarterly and due December 1, 2017.

6. EQUITY ACCOUNTED INVESTMENTS HELD BY SUBSIDIARY**Xanthus Group**

Xanthus PLC, which is listed on the Entry Standard of the Frankfurt Stock Exchange and on Xetra under the trading symbol "XNH", and its wholly-owned subsidiaries including, Xanthus SPEC 1 Limited, are collectively referred to as the "Xanthus Group".

During the year ended December 31, 2013, the Company purchased a 54% ownership interest in BTBL through the acquisition of equity and debt totalling \$529,000 from North Group, a company listed on the TSX Venture Exchange which owns 39% of the Company. BTBL has invested in the restructuring of the Xanthus Group.

BTBL, through its 100% owned subsidiary, BTBE, owns 50% of jointly controlled Asiamerica, Asiamerica holds a 50% interest in DYVA and DYVA owns 55% of Xanthus PLC. The Company has recorded an equity income of \$nil for the period ended March 31, 2014, as the attributable losses to date exceed the carrying amount of the investment in Asiamerica.

The non-controlling shareholder in BTBL holds an equal shareholding in Asiamerica and participated equally in the mezzanine loan financing of the jointly-controlled investee company.

CHINOOK TYEE INDUSTRY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in Canadian Dollars)

7. TRADE AND OTHER PAYABLES

	March 31, 2014	December 31, 2013
Trade payables	\$ 36,047	\$ 174,220
Accrued liabilities	57,000	67,591
	<u>\$ 93,047</u>	<u>\$ 241,811</u>

8. LOAN PAYABLE

	March 31, 2014	December 31, 2013
BTBL loan from BTBL's non-controlling shareholder, unsecured and bearing no interest, 154,100 Euro	<u>\$ 234,340</u>	<u>\$ 226,866</u>

9. CAPITAL AND OTHER COMPONENTS OF EQUITY

	Shares	Amount
Authorized		
Unlimited number of voting common shares, no par value		
Unlimited number of preferred shares, issuable in one or more series, designations, rights, privileges restrictions and conditions determined by Board of Directors		
Issued		
Common shares		
Balance December 31, 2012 and January 1, 2012	3,816,016	\$ 26,387,766
Repurchase and cancellation of shares	(343,275)	(315,813)
Balance, March 31, 2014 and December 31, 2013	<u>3,472,741</u>	<u>\$ 26,071,953</u>

On February 27, 2013, 343,275 common shares were repurchased from dissenting shareholders for \$315,813 and returned to treasury for cancellation.

Share Options

There were no share options outstanding as at March 31, 2014 and December 31, 2013.

CHINOOK TYEE INDUSTRY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in Canadian Dollars)

10. GENERAL AND ADMINISTRATIVE COSTS

	<u>March 31, 2014</u>	<u>March 31, 2013</u>
Office and supplies	\$ 22,257	\$ 11,057
Professional fees	15,084	95,564
Rent and insurance	11,423	15,223
Salaries and benefits	12,678	15,976
	<u>\$ 61,442</u>	<u>\$ 137,820</u>

11. RELATED PARTY TRANSACTIONS

The Company has a related party relationship with North Group as it owns 1,349,950 common shares of the Company representing approximately 39% of the shares issued and outstanding.

During the three months ended March 31, 2014, the Company entered into the following related party transactions:

- (a) Paid or accrued directors fees of \$7,500 (2013 - \$9,000) to non-executive directors of the Company.
- (b) Paid or accrued consulting fees of \$6,500 (2013 - \$14,500) to the Chief Financial Officer of the Company.
- (c) Paid \$Nil (2013 - \$45,000) 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 ended December 31, 2013.

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 expects its current and available capital resources will be sufficient to meet operational needs through its 2014 operating period.

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

CHINOOK TYEE INDUSTRY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTSFair value

The Company's financial instruments consist of cash, short-term deposits, accounts receivable, loans receivable, equity accounted investments, trade and other payables and loans payable.

All financial assets recognized at fair value are classified into three fair value hierarchy levels as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities.

Level 2 – Inputs that are observable, either directly or indirectly, but do not qualify as Level 1 inputs (i.e. quoted prices for similar assets or liabilities).

Level 3 – Prices or valuation techniques with significant unobservable market inputs.

The Company's financial assets are measured at fair value by level within the fair value hierarchy as follows:

	Balance	Level 1	Level 2	Level 3
Cash	\$ 73,605	\$ 73,605	\$ -	\$ -
Short-term deposits	\$ 2,009,863	\$ 2,009,863	\$ -	\$ -
Receivables and prepaids	\$ 107,856	\$ -	\$ -	\$ 107,856
Loans receivable	\$ 1,539,687	\$ -	\$ -	\$ 1,539,687
Trade and other payables	\$ 93,047	\$ -	\$ -	\$ 93,047

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 are provided 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 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.

The Company holds cash in Canadian, Euro, Swiss Francs 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 54% interest in BTBL is 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, 2014:

CHINOOK TYEE INDUSTRY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2014

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS (cont'd...)**Credit risk (cont'd...)**

	US Dollar	Euro	Swiss Franc	CDN Dollar
Cash, short-term deposits, accounts receivable and prepaids	0%	1%	1%	98%
Loans receivable	0%	100%	0%	0%
Trade and other payables	0%	0%	9%	91%
Loan payable	0%	100%	0%	0%

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. SEGMENTED INFORMATION

The Company operates in Canada primarily in one business segment for its investing activities. Since the acquisition of BTBL in September 2013, the Company's investments are now located in Canada, Germany and Switzerland and the Company's geographic distribution of results, assets and liabilities is as follows:

2014	Canada		Germany		Switzerland		Total
Interest revenue	\$	7,039	\$	5,265	\$	13,061	\$ 25,365
Consulting		-		4,127		-	4,127
	\$	7,039	\$	9,392	\$	13,061	\$ 29,492
Segmented income (loss) before other items	\$	(45,820)	\$	(7,882)	\$	13,061	\$ (40,641)
Foreign exchange gain		49,902		-		-	49,902
Net income (loss) for the period	\$	4,082	\$	(7,882)	\$	13,061	\$ 9,261
Net income (loss) for the period attributable to:							
Owners	\$	4,082	\$	-	\$	13,061	\$ 17,143
Non-controlling interest		(4,256)		(3,626)		-	(7,882)
Net income (loss) for the period	\$	(174)	\$	(3,626)	\$	13,061	\$ 9,261
Total assets	\$	2,156,206	\$	853,987	\$	720,818	\$ 3,731,011
Total liabilities	\$	318,752	\$	-	\$	8,635	\$ 327,387