

Chinook Tyee Industry Limited

Management's Discussion and Analysis of Financial Condition and Results of Operations as at August 28, 2014.

The following management's discussion and analysis ("MD&A") of Chinook Tyee Industry Limited's financial condition and results of operations for the six months ended June 30, 2014, should be read in conjunction with the unaudited 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 consolidated financial statements and related notes for the six months ended June 30, 2014 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 2013, means the period beginning January 1st, 2013 and ending December 31st, 2013. Reference to "reported quarter" means the six calendar months commencing on January 1st of that year and ending on June 30th of that year. In addition, reference will be made to "Notes", which refers to the Notes to the Unaudited Condensed Consolidated Interim Financial Statements. References to Statements of "Financial Position", "Income or Loss" and "Cash Flows", refers to Unaudited Condensed Consolidated Interim Statement of Financial Position, Comprehensive Income (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.chinooktyee.com

Forward-Looking Statement

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.

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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 document.

The Company will review its forward-looking statement when it files its second quarter financial results for the nine-months ending September 30, 2014.

This forward-looking statement dated, August 28th 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.

Accounting Policy

Financial information for the six months ended June 30, 2014 and 2013 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”).

The Company prepares consolidated financial statements which, in addition to Chinook as operating parent company, incorporates all material subsidiaries in which the Company is deemed to have control and influence over (IFRS 10) which includes Boreal Taiga Biofuels Limited and its subsidiaries (see Note 3, “Significant Accounting Policies”). The Company refers to “parent” as Chinook and “subsidiary” as Boreal Taiga Biofuels Limited and its subsidiaries.

Overall Performance

Chinook is an inactive holding company with cash assets of approximately \$1.7 million and investment in loans receivable totaling approximately \$1.8 million and which represents the Company’s investment in Xanthus Holdings PLC (“Xanthus”). The aforementioned investments represent approximately 96% of the Company’s total assets (see “Statements of Financial Position”).

During fiscal 2013, the Company invested in the workout of Xanthus by purchasing a 54% interest in Boreal Taiga Biofuels Limited through the acquisition of equity and debt totalling \$529,000. Through subsidiary companies, Boreal Taiga Biofuels Limited indirectly has an economic interest in a 55% shareholding in Xanthus, which is listed on the Entry Standard of the Frankfurt Stock Exchange and on Xetra under the trading symbol “XNH” (see Note 6, “Equity Accounted Investments held by Subsidiary”). After the purchase of Boreal Taiga Biofuels Limited, the Company provided a loan secured by the 55% shareholding in Xanthus for \$991,221 (see Note 5, “Loans Receivable”). The Company’s total investment in loans and equity in Boreal Taiga Biofuels Limited and Xanthus was \$1,803,581 and is represented as a current loan receivable of \$991,221 and a non-current loan receivable of \$812,360 (collectively herein referred to as “Xanthus Group”).

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.

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.

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 12, “Capital Management” and Note 13, “Financial Instruments”).

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

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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.

	2014		2013				2012	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	(In thousands, except per share amounts)							
Revenue	\$ 30	\$ 29	\$ 37	\$ 9	\$ 11	\$ 12	\$ 10	\$ 13
Earnings (loss) attributable to owners	\$ (129)	\$ (9)	\$ (208)	\$ 159	\$ (137)	\$ (152)	\$ (192)	\$ (248)
Earnings (loss) per share attributable to owners basic and diluted	\$ (0.03)	\$ -	\$ (0.06)	\$ 0.04	\$ (0.04)	\$ (0.04)	\$ (0.03)	\$ (0.08)

Liquidity and Capital Resources

The Company's principal assets as of June 30, 2014, included cash and short-term deposits of approximately \$1.7 million and the Company's investment in the Xanthus Group represented as current loan receivables of \$991,221 and non-current receivables of \$812,360 (see Note 5, "Loans Receivable"). Included in current and non-current 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 4, "Accounts Receivable and Prepaid Expenses").

The Company is limited on the sources of funds it can raise 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 12, "Capital Management").

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

As at June 30, 2014, the Company's total debt was \$306,342 and consisted of trade and other payables of \$82,157 and loan payable of \$224,185 (see Note 7, "Trade and Other Payables" and Note 8, "Loan Payable"). The Company and the non-controlling shareholder of Boreal Taiga Biofuels Limited financed the company through mezzanine loans, of which, \$224,185 is due to the non-controlling shareholder of Boreal Taiga Biofuels Limited. The loan payable is at the subsidiary level and is non-interest bearing and non-recourse to the parent company, Chinook. Any changes in the reported amount in this loan payable in the current reporting period compared to the comparative period is due solely to unrealized currency fluctuations in the reporting of the asset (see Note 8, "Loan Payable").

The statements of cash flows shows the structure of and changes in each cash and cash equivalent during the reported quarter. It is broken down into operating activities, investing activities and financing activities. Cash and cash equivalents for the reported period decreased to \$62,555 compared to \$2.4 million for the corresponding comparative period, due largely to the sales and purchase of short-term deposits. The Company used cash of \$334,376 predominately due to the payment of accounts payable and accrued liabilities of \$159,653, reported under changes in non-cash working capital items in operating activities and from the reported loss for the period of \$120,187. The Company funded loan drawdown requests for loans related to the Xanthus Group, which increased its loan receivable by \$415,349 in the reported period and reported in investing activities. The effects of foreign exchange on changes in cash totaled \$30,328 and relates to the foreign exchange conversion of loans held in currencies other than Canadian dollars. Other than the aforementioned, other uses and generation of cash from operating and investing activities did not materially affect cash flows during the reported quarter (see "Statements of Cash Flows").

As at June 30, 2014, Chinook had no bank obligations or any off-balance sheet financial arrangements.

Total assets and equity did not change materially in the reported period compared to the comparative period (see "Statements of Financial Position").

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Summary of Period Results

For the six months ending June 30, 2014

The following analysis of the Company's operating results for the six months ended June 30, 2014, includes a comparison to the corresponding, comparative six months ended June 30, 2013 (see "Statements of Income or Loss").

Revenue, which was basically generated from interest and consulting income increased to \$59,584 compared to \$23,172 for the corresponding comparative period. Consulting income was generated at the subsidiary operating level. Interest revenues increased in the reported period to \$53,823 compared to the corresponding comparative period, due to the higher interest income earned from loans associated with Xanthus.

Operating expenses declined to \$152,989 compared to \$312,405 for the corresponding period due largely to the decline in general and administrative costs, which declined to \$130,251 from \$270,194 for the same periods. The Company paid directors and board meeting fees of \$19,500 to Independent Directors during the reported period and corresponding comparative period (see Note 13, "Related Party Transactions"). The President and Non-Independent Director has not received any remuneration since his appointment. Other general and administrative expenses remained generally unchanged except professional fees, which declined to \$37,790 during the reported period from \$192,534 for the corresponding comparative period.

The Company reported a loss for the reported period of \$120,187 compared to loss of \$289,233 for the corresponding comparative period. The change in loss in the reported quarter compared to the corresponding comparative period is due to the decline in expenses. Basic and diluted loss per common share attributable to owners was \$0.03 during the reported period compared to a loss of \$0.08 for the corresponding, comparative period.

Summary of Quarterly Results

For the three months ended June 30, 2014

The following analysis of the Company's operating results for the three months ended June 30, 2014, includes a comparison to the corresponding, comparative three months ended June 30, 2013 and includes results from the parent and subsidiary operating level (see "Statements of Comprehensive Income (Loss)").

Revenue, which was predominately generated from interest, for the quarter was \$30,092 compared to \$11,574 for the corresponding comparative period. Operating expenses decreased to \$82,856 compared to \$148,832 for the corresponding comparative period due to cost reduction measures at the parent operating level. Combined, parent and subsidiary, general and administrative expenses totaled \$68,809 and included office and supplies of \$22,136, professional fees of \$22,706, rent and insurance of \$11,423 and salaries and benefits of \$12,544 (see Note 10, "General and Administrative Costs"). The corresponding comparative period includes management services of \$60,750 provided by a company owned by the Company's former acting President and former Chief Executive Officer. The management service contract was cancelled during fiscal 2013 (see Note 11, "Related Party Transactions").

Regulatory fees and shareholder communication costs, which are incurred at the parent operating level, decreased to \$2,002 from \$4,926 in the corresponding comparative period. The Company held a special meeting of shareholders during the corresponding comparative period, which resulted in higher shareholder communication costs during that reported period. The Company paid directors and board meeting fees of \$12,500 to Independent Directors (see Note 11, "Related Party Transactions"). The President and Non-Independent Director has not received any remuneration since his appointment.

The Company reported a loss for the period of \$129,448 for the reported period compared to \$137,258 for the corresponding comparative period. Basic and diluted loss per common share attributable to owners was a loss of \$0.03 for the reported period and a loss of \$0.04 for corresponding comparative period.

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Disclosure of Outstanding Share Data

The Company has 3,472,741 shares issued and outstanding as at August 28, 2014. No dilutive securities were either granted or issued during fiscal 2013 and 2014 (see Note 9, “Capital and Other Components of Equity”).

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 are regarded as related party transactions. Also, the President and 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 reported quarter and the corresponding comparative period, the Company entered into the following related party transactions (see Note 11, “Related Party Transactions”).

In regard to management and director compensation, the Company paid or accrued fees to three Independent Directors for their service and meeting attendance of \$19,500 during the reported quarter and corresponding comparative period. In addition, the Company paid or accrued fees of \$18,220 (2013 - \$16,785) for accounting work provided by the Chief Financial Officer of the Company. The Company did not pay any management fees in the reported quarter compared to management fees of \$60,750 in the corresponding comparative period for 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.