

# **CHINOOK TYEE INDUSTRY LIMITED**

## **NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING AND MANAGEMENT INFORMATION CIRCULAR**

Date and Time: September 29, 2014  
at 8:30 AM (Vancouver time)

Place: The Landing Building  
Suite 416, 375 Water Street  
Vancouver, British Columbia

August 29, 2014

*Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the proposed change of business described in this management information circular.*

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**NOTICE OF GENERAL ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
OF CHINOOK TYEE INDUSTRY LIMITED**

NOTICE IS GIVEN that the annual general and special meeting (the "**Meeting**") of shareholders (the "**Shareholders**") of Chinook Tyee Industry Limited (the "**Corporation**") will be held at the Landing Building at Suite 416, 375 Water Street, Vancouver, British Columbia on September 29, 2014 at 8:30 a.m. (Vancouver Time) for the following purposes:

1. to receive and consider the financial statements of the Corporation for the financial year ended December 31, 2013, together with the report of the auditors thereon;
2. to elect directors of the Corporation for the ensuing year;
3. to appoint the auditors of the Corporation for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditors for the ensuing year;
4. to consider and, if deemed appropriate, to pass a special resolution consolidating all of the Corporation's issued and outstanding class A voting common shares on the basis of one (1) post-consolidated class A voting common share for one-thousand (1000) pre-consolidated class A voting common shares and then split the Corporation's issued and outstanding class A voting common shares on the basis of one-thousand (1000) post-split class A voting common shares for each one (1) post-consolidation class A voting common share, as more particularly described in the management information circular (the "**Circular**") accompanying this notice;
5. to consider and, if deemed appropriate, to pass a special resolution to reduce the capital stock of the Corporation, as more particularly described in the Circular;
6. to consider and, if deemed appropriate, to pass to an ordinary resolution, approving a change of business of the Corporation from "Inactive" to an "Investment Issuer", as more particularly described in the Circular; and
7. to transact such other business as may properly come before the Meeting or any adjournment thereof.

The Corporation's board of directors has fixed the close of business on August 29, 2014 as the record date for the Meeting. Only Shareholders of record at the close of business on the record date are entitled to receive notice of and to vote at the Meeting.

Registered shareholders who are unable to attend the Meeting are requested to complete, sign, date and return the enclosed form of proxy in accordance with the instructions set out therein and in the management information circular accompanying this notice of meeting. A proxy will not be valid unless it is received by Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or any adjournment(s) or postponement(s) thereof. The chairman of the Meeting has the discretion to accept proxies received after that time.

DATED at Vancouver, this 29th day of August, 2014.

By order of the Board of Directors.

/s/ Tom Kusumoto  
Tom Kusumoto  
Chairman, Chief Executive Officer, President and Director

*If you are a non-registered Shareholder of the Corporation and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary. Failure to do so may result in your shares not being eligible to be voted by proxy at the Meeting.*

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Circular:

- a. "**Affiliate**" means a Company that is affiliated with another Company as described below:
- a Company is an "Affiliate" of another Company if:
- (i) one of them is the subsidiary of the other, or
  - (ii) each of them is controlled by the same Person;
- a Company is "controlled" by a Person if;
- (i) voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person, and
  - (ii) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company;
- a Person beneficially owns securities that are beneficially owned by:
- (i) a Company controlled by that Person, or
  - (ii) an Affiliate of that Person or an Affiliate of any Company controlled by that Person;
- b. "**Associate**" when used to indicate a relationship with a Person, means
- (i) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,
  - (ii) any partner of the Person,
  - (iii) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity,
  - (iv) in the case of a Person, who is an individual:
    - (I) that Person's spouse or child, or
    - (II) any relative of the Person or of his spouse who has the same residence as that Person;
- but
- (v) where the Exchange determines that two Persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.
- c. "**Board**" means the board of directors of the Corporation;
- d. "**BTBE**" means BT Biofuels Europe GmbH, a wholly-owned subsidiary of BTBL;
- e. "**BTBL**" means Boreal Taiga Biofuels Limited, a private Canadian company of which the Corporation owns 54%;
- f. "**CDS**" means CDS Clearing and Depository Services Inc.;

- g. "**Change of Business**" means a transaction or series of transactions which will redirect an issuer's resources and which changes the nature of its business, for example, through the acquisition of an interest in another business which represents a material amount of the issuer's market value, assets or operations, or which becomes the principal enterprise of the issuer;
- h. "**Circular**" means this management information circular of the Corporation;
- i. "**Company**" means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;
- j. "**Control Person**" means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer;
- k. "**Corporation**" means Chinook Tyee Industry Limited;
- l. "**DYVA**" means DYVA Holding AG;
- m. "**Insider**" if used in relation to an issuer, means:
  - (i) a director or senior officer of the issuer;
  - (ii) a director or senior officer of the Company that is an insider or subsidiary of the issuer;
  - (iii) a Person that beneficially owns or controls, directly or indirectly, voting shares carrying more than 10% of the voting rights attached to all outstanding voting shares of the issuer; or
  - (iv) the issuer itself if it holds any of its own securities;
- n. "**Intermediary**" means an intermediary that a Non-Registered Holder deals with in respect of the Shares;
- o. "**Meeting**" means the annual general and special meeting of the Shareholders to be held on September 29, 2014;
- p. "**Meeting Materials**" means the Notice of Meeting, Proxy and this Circular;
- q. "**Named Executive Officer**" means each of the following individuals:
  - (i) a CEO;
  - (ii) a CFO;
  - (iii) each of the three most highly compensated executive officers of the company, including any of its subsidiaries, or the three most highly compensated individuals acting in a similar capacity, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, for that financial year; and
  - (iv) each individual who would be an NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the company or its subsidiaries, nor acting in a similar capacity, at the end of that financial year;

- r. "**NOBOs**" means Non-Registered Holders who have not objected to their Intermediary disclosing ownership information about themselves;
- s. "**Non-Registered Holder**" means a beneficial Shareholder whose Shares are held by another person on behalf of that beneficial Shareholder;
- t. "**Notice of Meeting**" means the notice of the Meeting of the Corporation, which accompanies this Circular;
- u. "**OBOs**" means Non-Registered Holders who have objected to their Intermediary disclosing ownership information about themselves;
- v. "**Person**" means a Company or an individual;
- w. "**Proposed Change of Business**" means the proposed Change of Business of the Corporation from an inactive issuer on the NEX board of the TSXV to an "investment issuer" on tier 2 of the TSXV;
- x. "**Proxy**" means the form of proxy accompanying this Circular;
- y. "**proxy authorization form**" means the voting instruction form that an Intermediary sends to a Non-Registered Holder;
- z. "**Record Date**" means August 29, 2014, being the record date for determining which Shareholders are entitled to receive notice of and to attend and vote at the Meeting;
- aa. "**Share Alteration**" means the proposed share consolidation and subsequent share split discussed in this Circular;
- bb. "**Shareholders**" means the holders of Shares;
- cc. "**Shares**" means Class A Voting common shares of the Corporation;
- dd. "**Sponsor**" means has the meaning specified in TSXV Policy 2.2 – Sponsorship and Sponsorship Requirements;
- ee. "**TSXV**" means the TSX Venture Exchange Inc.; and
- ff. "**Xanthu**" means Xanthus Holdings Plc.

# CHINOOK TYEE INDUSTRY LIMITED

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## MANAGEMENT INFORMATION CIRCULAR

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### SUMMARY

*The following summary of information relating to the Corporation should be read together with the more detailed information and financial data and statements contained elsewhere in this Information Circular. Terms with initial capital letters in this summary are defined in the Glossary of Terms immediately preceding this summary.*

#### **Particulars of the Meeting**

The Meeting will be held at 8:30 a.m. (Vancouver time) on September 29, 2014 at the Landing Building at Suite 416, 375 Water Street, Vancouver, British Columbia. The following items for business will be considered at the meeting:

1. receiving and considering the financial statements of the Corporation for the financial year ended December 31, 2013, together with the report of the auditors thereon;
2. electing directors of the Corporation for the ensuing year;
3. appointing the auditors of the Corporation for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditors for the ensuing year;
4. a special resolution consolidating all of the Corporation's issued and outstanding Shares on the basis of one (1) post-consolidated Share for one-thousand (1,000) Shares and then split the Corporation's issued and outstanding Shares on the basis of one-thousand (1,000) post-split Shares for each one (1) post-consolidation Share;
5. a special resolution to reduce the capital stock of the Corporation by approximately \$25,577,421 or such lesser amount as may be determined by the board of directors; and
6. an ordinary resolution, approving a change of business of the Corporation from "Inactive" to an "Investment Issuer".

#### **Background to the Proposed Change of Business**

The Corporation is currently listed on the NEX board of the TSXV as it is inactive. After a thorough review of the Corporation's resources and strategic options, the Corporation determined to focus its business operations on the financial services industry. Accordingly, management of the Corporation is proposing a Change of Business pursuant to the policies of the TSXV. Following successful completion of the Proposed Change of Business, which requires shareholder approval and acceptance by the TSXV, the Corporation will be listed on the TSXV, Tier 2 board.

In connection with the Proposed Change of Business, the Corporation intends to adopt an investment policy, which is described in detail herein under the heading "Proposed Change of Business – Proposed Business of the Corporation – Investment Policy".

The Corporation will become a financial services company. The Corporation's principal business will be to provide financial services to middle-to-small market European and North American private and publicly listed companies. Its merchant banking activities will primarily be in the form of senior secured loans, mezzanine



debt or a combination of both and its private equity activities will focus on investing across the capital structure from debt to equity in undercapitalized companies with capital structure issues.

### **Summary of Insider Interests and Conflicts of Interest**

Other than as disclosed below and elsewhere in this Circular, no Insider, Promoter or Control Person of the Corporation and their respective Associates and Affiliates (before and after giving effect to the Proposed Change of Business) has any interest in the transactions contemplated by the Proposed Change of Business.

### **Available Funds and Principal Purposes**

The Corporation anticipates having available funds of approximately \$3,430,000 as of the completion of the Proposed Change of Business, which shall be used for the principal purposes set forth below:

<b>Principal Purpose</b>	<b>Approximate Amount</b>
Current Investments	\$1,800,000
Estimated 12 month General and Administrative Expenses	\$300,000
Unallocated Working Capital	\$1,200,000
Other Assets	\$130,000
<b>Total</b>	<b>\$3,430,000</b>

### **Market for Securities**

The Shares currently trade on the NEX board TSXV under the symbol "XCX.H". On August 28, 2014, the last trading day before the date of this Circular, the closing price for the Shares was \$0.55.

### **Sponsorship**

The Corporation has applied to the TSXV to waive the requirement for a Sponsor in respect of the Change of Business.

### **Risk Factors**

An investment in the Shares of the Corporation will involve a high degree of risk. Investors should carefully consider each of the risks described below and all of the information in this Circular before investing in Shares of the Corporation. The success of the Corporation will depend entirely on the expertise, ability, judgment, discretion, integrity and good faith of its management. In addition, there are certain risks that the Corporation will face in its normal course of business following completion of the Proposed Change of Business which include: the value of the Shares of the Corporation will fluctuate based on the value of the Corporation's investment portfolio and general market conditions. There can be no assurance that Shareholders will realize any gains from their investment in the Corporation and may lose their entire investment; the Corporation does not have any record of operating as an investment issuer or undertaking merchant banking operations; investments made by the Corporation may lack liquidity; there is no guarantee that the Corporation will be able to reduce its investment risk by diversifying its investment portfolio; the long-term viability for the Corporation will depend, in part, on its ability to raise additional investment capital; the Corporation faces competition from other capital providers and there can be no assurance that suitable investments will be found; the Corporation will be dependent on attracting key personnel; Shareholders will be required to rely on the Board to conduct the business of the Corporation and the services provided by the Board and management will not be exclusive to the Corporation and conflicts of interest may arise in the ordinary course of business; Shareholders may face dilution in the event of the issuance of additional securities; the Corporation is not required to pay dividends; the market price of securities of the Corporation may be volatile; the Proposed Change of Business is subject to a number of conditions precedent; the results of operations and financial condition of the Corporation will be

dependent upon the market value of the securities that will comprise the Corporation's investment portfolio; the volatility of stock price of the Shares; the trading price of the Shares relative to net asset value; and the Corporation's due diligence procedures.

Please see the heading "Proposed Change of Business - Risk Factors Related to the Change of Business" for additional information.

## GENERAL PROXY INFORMATION

This Circular is being furnished to Shareholders of the Corporation in connection with the solicitation of proxies by management of the Corporation for use at the Meeting of Shareholders to be held at 8:30 a.m. (Vancouver time) on September 29, 2014 at 416 – 375 Water Street, Vancouver, British Columbia, Canada, and any adjournment(s) or postponement(s) thereof, for the purposes set forth in the Notice of Meeting dated August 29, 2014.

It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by officers of the Corporation at nominal cost. The cost of this solicitation will be borne by the Corporation. The Notice of Meeting, this Circular and the Proxy will be mailed to beneficial owners of Shares commencing on or about August 29, 2014. In this Circular, except where otherwise indicated, all dollar amounts are expressed in Canadian currency.

The information contained in this Circular is given as at August 29, 2014, unless otherwise noted.

## RECORD DATE

The Board has set the close of business on August 29, 2014, as the Record Date for determining which Shareholders shall be entitled to receive notice of and to attend and vote at the Meeting. Only Shareholders of record as of the Record Date are entitled to receive notice of and to attend and vote at the Meeting. Persons who acquire Shares after the Record Date will not be entitled to vote such Shares at the Meeting.

## APPOINTMENT OF PROXYHOLDERS

The persons named in the accompanying Proxy as proxyholders are management's representatives. **A Shareholder has the right to appoint a person or company who need not be a Shareholder, other than the persons designated in the enclosed Proxy, to attend and act on behalf of the Shareholder at the Meeting.** A Shareholder wishing to exercise this right may do so either by striking out the printed names and inserting the desired person or company's name in the blank space provided in the Proxy or by completing another proper Proxy.

To be valid, the Proxy must be signed by the Shareholder or the Shareholder's attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney. The Proxy, to be acted upon, must be deposited with the Corporation, c/o its agent, Computershare Investor Services Inc., by delivery to: Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or any adjournment(s) or postponement(s) thereof. The chairman of the Meeting has the discretion to accept proxies received after that time. **Failure to properly complete or deposit a Proxy may result in its invalidation.**

## VOTING OF PROXIES

If the Proxy is completed, signed and delivered to the Corporation, the persons named as proxyholders therein shall vote the Shares in respect of which they are appointed as proxyholders at the Meeting in accordance with the instructions of the Shareholder appointing them, on any show of hands and/or on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the person(s) appointed as proxyholders shall vote accordingly. The Proxy confers discretionary authority upon the person(s) named therein with respect to: (a) each matter or group of matters identified therein for which a choice is not specified; (b) amendments or variations to the matters identified therein; and (c) transact such other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof. As of the date of this Circular, the Board knows of no such amendments, variations or other matters to come before the Meeting, other than the matters referred to in the Notice of Meeting. However, if other matters should

properly come before the Meeting, the Proxy will be voted on such matters in accordance with the best judgment of the person(s) voting the Proxy.

**If no choice is specified by a Shareholder with respect to any matter identified in the Proxy or any amendment or variation to such matter, it is intended that the persons designated by management in the Proxy will vote the Shares represented thereby in favour of such matter.**

### NON-REGISTERED HOLDERS

**Only registered Shareholders or duly appointed proxyholders are permitted to attend and vote at the Meeting. Most Shareholders are Non-Registered Holders because the Shares they own are not registered in their name but are instead registered in the name of the brokerage firm, bank or trust corporation through which they purchased their Shares.** More particularly, a person is not a registered Shareholder in respect of Shares which are held on behalf of that person but which are registered either: (a) in the name of an Intermediary that the Non-Registered Holder deals with in respect of the Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (b) in the name of a depository (such as CDS) of which the Intermediary is a participant. Non-Registered Holders who have not objected to their Intermediary disclosing certain ownership information about themselves to the Corporation are referred to as NOBOs. Non-Registered Holders who have objected to their Intermediary disclosing ownership information about themselves to the Corporation are referred to as OBOs. In accordance with the requirements of National Instrument 54-101 of the Canadian Securities Administrators, the Corporation has elected to distribute copies of the Meeting Materials to depositories and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Typically, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) receive a Proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. Because the Intermediary has already signed the Proxy, this Proxy is not required to be signed by the Non-Registered Holder when submitting the Proxy. In this case, the Non-Registered Holder who wishes to submit a Proxy should otherwise properly complete and deliver the Proxy; or
- (b) more typically, receive a proxy authorization form which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow.

In either case, the purpose of these procedures is to permit Non-Registered Holders to direct the voting of the Shares which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to attend and vote at the Meeting in person, the Non-Registered Holder should strike out the names of the management proxyholders and insert the Non-Registered Holder's name in the blank space provided, or in the case of a proxy authorization form, follow the corresponding instructions on the form. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the Proxy or proxy authorization form is to be delivered.**

### REVOCABILITY OF PROXY

Any Shareholder returning the enclosed Proxy may revoke the same at any time insofar as it has not been exercised. In addition to revocation in any other manner permitted by law, a Proxy may be revoked by

instrument in writing executed by the Shareholder or by his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either with Computershare Investor Services Inc. or at the registered office of the Corporation, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment(s) or postponement(s) thereof, or with the chairperson of the Meeting prior to the commencement of the Meeting. A revocation of a Proxy will not affect a matter on which a vote is taken before such revocation.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

The Corporation's authorized capital consists of an unlimited number of Shares and an unlimited number of preferred redeemable shares, issuable in series. The Shares are the only issued and outstanding voting securities of the Corporation, the holders thereof being entitled to one vote for each Share held. As at the date hereof, there were a total of 3,472,743 Shares issued and outstanding and no preferred redeemable shares issued and outstanding. A quorum for the transaction of business at the Meeting is Shareholders representing 5% of the issued shares entitled to vote at the Meeting being present in person or by proxy, irrespective of the number of persons actually present.

To the knowledge of the directors and executive officers of the Corporation, the only Person who beneficially owns, directly or indirectly, or controls or directs, Shares carrying 10% or more of the voting rights attached to the issued and outstanding Shares as at the date hereof is North Group Finance Limited, which owns 1,349,950 Shares (38.9% of the total issued Shares), through its wholly-owned subsidiary, 0719906 B.C. Ltd.

### **ELECTION OF DIRECTORS**

The Board is recommending four persons for election at the Meeting. Each of the four persons whose name appears below is proposed by the Board to be nominated for election as a director of the Corporation to serve until the next annual general meeting of the shareholders or until the director sooner ceases to hold office.

The following table (and notes thereto) states the name and province and country of residence of each director nominee, his principal occupation, the period of time for which he has been a director of the Corporation and the number of Shares beneficially owned by him, directly or indirectly, or over which he exercises control or direction, as at the date hereof:

<b>Name and Municipality of Residence</b>	<b>Director Since</b>	<b>Number of Shares</b>	<b>Principal Occupation Within the Preceding Five Years</b>
Tom Kusumoto Whistler, British Columbia, Canada	December 14, 2012	Nil	Managing Director of Mercury Partners & Company Inc.
Kenneth MacLeod West Vancouver, British Columbia, Canada	December 14, 2012	Nil	President and CEO of Sonoro Metals Corp. since March 2014 President and CEO of Pan Pacific Power Corp. October 2009 to March 2014 President and CEO of Western GeoPower Corp. December 2001 to September 2009

Name and Municipality of Residence	Director Since	Number of Shares	Principal Occupation Within the Preceding Five Years
Alex Blodgett Puntzi Lake, British Columbia, Canada	August 8, 2013	Nil	Managing Director of BK Capital
Gregory MacRae Surrey, British Columbia, Canada	August 8, 2013	Nil	President of CSI Capital Solutions Inc.

Set out below are profiles of our director nominees, including the principal occupations, businesses and employments within the five preceding years:

*Tom Kusumoto, Chairman, Chief Executive Officer, President and Director.* Mr. Kusumoto is the CEO, President and Director of the Corporation and of North Group Finance Limited, a TSXV listed company. Mr. Kusumoto has two decades of experience in corporate finance and financial analysis in Canada and Europe. Mr. Kusumoto graduated with a Bachelor of Arts degree in Economics and a Bachelor of Commerce degree in Finance and has acted as a director and officer of numerous public companies in Canada and the United States.

*Kenneth MacLeod, Director.* Mr. MacLeod is President and CEO of Sonoro Metals Corp., a TSXV listed company. Mr. MacLeod has over three decades of experience in developing resource assets in the United States, Canada, the Philippines and the Democratic Republic of Congo, mostly as a senior executive with Canadian-listed public companies. Previously, Mr. MacLeod was President and CEO of Pan Pacific Power Corp., a private renewable energy company with hydro-electric power and geothermal energy projects under development in Asia. From 2001 to 2009, Mr. MacLeod was President and CEO of Western GeoPower Corp, a Toronto Stock Exchange listed renewable energy company with geothermal assets in California and Canada. Western GeoPower Corp. was acquired by Ram Power Corp. in 2009.

*Gregory MacRae, Director.* Mr. MacRae is President of CSI Capital Solutions Inc. Mr. MacRae has over two and a half decades of experience with Canadian and US public companies as management and as a corporate board member. In addition, Mr. MacRae has over a decade of experience in the stock transfer and shareholder service industries.

*Alex Blodgett, Director.* Mr. Blodgett is a principal in the management consulting company, BK Capital. Mr. Blodgett has over three decades of corporate finance experience in Canada, the United States and Asia. Mr. Blodgett was formerly a partner with Gordon Capital Corporation in Toronto and Vancouver, a Canadian investment and merchant banking company. In addition, Mr. Blodgett was the President of Gordon Capital's real estate research and consulting firm, which provided services to North American and Asian companies. Prior to his tenure with Gordon Capital, Mr. Blodgett was Vice President of Corporate Finance with Bankers Trust Company in New York, Dallas and Los Angeles, with emphasis on large-scale project financing and management leveraged buyouts.

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

The Corporation ceased to have any employees following completion of the sale of its former business, on September 23, 2011. Concurrently with the sale of the former business, the Corporation entered into a services agreement with FTM Capital Inc., Fausto Levy, the Corporation's previous President & Chief Executive Officer, and Ross Corcoran, the Corporation's previous Vice President & Chief Financial Officer (for the purposes of the services agreement, Messrs. Levy and Corcoran are referred to as the "**Designated Executives**").

FTM Capital Inc. is a company controlled by Mr. Levy and is an affiliate of the acquirer of the Corporation's former business. The address of FTM Capital Inc. is 152 Notre-Dame East, Suite 500, Montreal, Quebec, H2Y 3P6. Both of the Designated Executives reside in the Province of Quebec.

Pursuant to the services agreement, FTM Capital Inc. provided, through the Designated Executives, the following management services to the Corporation:

- Monitored compliance with the Corporation's obligations under the July 14, 2010 asset and share purchase agreement with Wabtec Corporation and the escrow agreement entered into in connection therewith and co-ordinated with the Corporation's legal counsel.
- Prepared and filed with appropriate governmental authorities all tax returns required to be filed by the Corporation and its subsidiaries.
- Remitted all taxes required to be remitted by the Corporation in accordance with applicable statutes, all outstanding Canada Pension Plan contributions and employment insurance premiums, and assisted in obtaining clearance certificates from all governmental bodies, including Canada Revenue Agency.
- Prepared and (with the approval of the Board) caused to be filed with the appropriate governmental authority all financial statements and reports required to be filed by the Corporation.
- Maintained the continuous disclosure requirements applicable to the Corporation under all applicable securities laws.
- Maintained a listing for the Shares of the Corporation to the extent determined appropriate by the Board.
- Assisted in the liquidation and dissolution of the Corporation's subsidiaries.
- Reported to the Board in respect of the foregoing.

In consideration of the foregoing services, FTM Capital Inc. was paid a monthly fee from the Corporation in the amount of \$15,000 during the term of the services agreement. The Designated Executives were not entitled to any other compensation from the Corporation for serving as senior officers of the Corporation.

The Corporation agreed to indemnify FTM Capital Inc. and the Designated Executives from and against all liabilities arising from the services provided under the services agreement, other than liabilities arising as a result of their fraud, gross negligence or wilful misconduct. The Corporation is also required to maintain directors' and officers' insurance for the benefit of Designated Executives.

The services agreement was cancelled effective April 30, 2013 upon notice from the Corporation.

Since the change of management on December 14, 2012, the Board determines the executive compensation policy for the executives of the Corporation. The Board's objective is to ensure that executive compensation is market competitive, while at the same time reflecting the Corporation's current state of development and overall financial status. The Board also seeks to ensure that the Corporation's executive compensation policy is aligned with the near and long term interests of the shareholders of the Corporation. In determining compensation, the Board relies on discussions with the Corporation's management, and does not utilize any formal performance goals or benchmarks.

Due to its present stage of operations, the Corporation does not presently employ base compensation, equity participation or performance bonuses for any of its executive officers and does not plan to use its stock option plan.

### **Summary Compensation Table**

Pursuant to applicable securities legislation, the Corporation is required to provide a summary of all annual and long-term compensation for services in all capacities to the Corporation and its subsidiaries for the three most recently completed financial years in respect of each Named Executive Officer.

The following table states the name of each Named Executive Officer, his annual compensation, consisting of salary, bonus and other annual compensation, and long-term compensation, including stock options paid, for the three most recently completed financial years of the Corporation.

Name and Principal Position	Year Ended December 31,	Salary (\$)	Share-based Awards (\$)	Option-based Awards (\$)	Non-equity Incentive Plan Compensation		Pension Value (\$)	All Other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plan (\$)	Long-term Incentive Plan (\$)			
Tom Kusumoto <sup>(1)</sup> Chief Executive Officer	2013	Nil	N/A	N/A	N/A	N/A	N/A	Nil	Nil
	2012	Nil	N/A	N/A	N/A	N/A	N/A	Nil	Nil
	2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fausto Levy <sup>(2)</sup> Chief Executive Officer	2013	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2012	Nil	N/A	N/A	N/A	N/A	N/A	180,000 <sup>(3)</sup>	180,000
	2011	280,419	N/A	N/A	N/A	N/A	N/A	100,000	380,419
Christine McPhie Chief Financial Officer	2013	Nil	N/A	N/A	N/A	N/A	N/A	48,135 <sup>(4)</sup>	48,135
	2012	Nil	N/A	N/A	N/A	N/A	N/A	14,500 <sup>(4)</sup>	14,500
	2011	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Ross Corcoran <sup>(2)</sup> Chief Financial Officer	2013	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2012	Nil	N/A	N/A	N/A	N/A	N/A	Nil	Nil
	2011	148,373	N/A	N/A	N/A	N/A	N/A	15,000	163,373

(1) Commenced as a director on December 14, 2012.

(2) Resigned on December 14, 2012.

(3) \$15,000 paid per month under the management services agreement with FTM Capital Inc.

(4) Comprised of an annual retainer of \$10,000 and fees billed for accounting services.

### Employment Agreements – Termination Benefits

The Corporation terminated its services agreement with FTM Capital Inc. (pursuant to which Messrs. Levy and Corcoran provided management services to the Corporation) effective April 30, 2013. No termination fees were incurred by the Corporation in connection with this agreement. The Corporation currently has no employment agreements.

### Incentive Plan Awards

The Corporation has not awarded any stock options to its directors since 2008. None of the directors held any stock options as at December 31, 2013. No incentive plan awards vested or were earned during 2012 by the directors.

During the year ended December 31, 2013, neither the Corporation, nor any of its subsidiaries, had or currently has an employment contract with any Named Executive Officer, other than the services agreement with FTM Capital Inc. (pursuant to which Messrs. Levy and Corcoran provided management services to the Corporation), which was cancelled effective April 30, 2013 without incurring any termination fees. The Corporation has no compensatory plan or arrangement with respect to any Named Executive Officer to compensate such Named Executive Officer in the event of the resignation, retirement or any other termination of employment, a change in control of the Corporation or any of its subsidiaries or in the event of a change in responsibilities following a change in control.



### Pension Plan Benefits

The Corporation does not have any pension, retirement, defined benefit or actuarial plans.

### Director Compensation

Name	Fees Earned (\$)	Share-based Awards (\$)	Option-based Awards (\$)	Non-equity Incentive Plan Compensation (\$)	Pension Value (\$)	All Other Compensation (\$)	Total (\$)
Tom Kusumoto	Nil	N/A	N/A	N/A	N/A	Nil	Nil
Andrew Mah	11,500	N/A	N/A	N/A	N/A	Nil	11,500
Kenneth MacLeod	13,000	N/A	N/A	N/A	N/A	Nil	13,000
Michael Kuiack	11,500	N/A	N/A	N/A	N/A	Nil	11,500
Gregory MacRae	6,500	N/A	N/A	N/A	N/A	Nil	6,500
Alex Blodgett	6,500	N/A	N/A	N/A	N/A	Nil	6,500

During the fiscal year ended December 31, 2013, the Corporation paid \$49,000 in compensation to its independent directors. The Corporation paid its independent directors a retainer of \$10,000 per year and \$500 per Board meeting and \$500 per audit committee meeting participation. All of these fees are reflected in the director compensation table, above.

### SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Corporation's stock option plan is its only equity compensation plan. As shown in the table below, there are no stock options outstanding as of December 31, 2013. The company ceased issuing new stock options upon the commencement of its strategic review in 2009.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (#)	Weighted average exercise price of outstanding options, warrants and rights (\$)	Number of securities available for future issuance under equity compensation plans (excluding options, warrants and rights issued and outstanding) (#)
Equity compensation plans approved by security holders	Nil	Nil	Nil
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	Nil	Nil	Nil

## INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

To the knowledge of management of the Corporation, other than as described herein, no director or executive officer of the Corporation at any time since the beginning of the last completed financial year of the Corporation, and no associate or affiliate of any such director or officer has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

### AUDIT COMMITTEE

#### Composition of the Audit Committee

For the past year, the Audit Committee was currently of Tom Kusumoto, Gregory MacRae and Alex Blodgett. This year Kenneth MacLeod will replace Gregory MacRae.

Each current and proposed member of the Audit Committee is financially literate within the meaning of National Instrument 52-110 - *Audit Committees* ("**NI 52-110**"). Kenneth MacLeod and Alex Blodgett are independent members of the Audit Committee as that term is used in NI 52-110. Tom Kusumoto is an executive officer of the Corporation and therefore is not an independent member of the Audit Committee.

#### Relevant Education and Experience

*Tom Kusumoto.* Mr. Kusumoto has served as director, president and CEO of the Corporation since December 2012. Mr. Kusumoto has over two decades experience in corporate finance and financial analysis in Canada and Europe. Mr. Kusumoto graduated with a Bachelor of Arts degree in Economics and a Bachelor of Commerce degree in Finance and has acted as a director and officer of numerous public companies in Canada and the United States.

*Alex Blodgett.* Mr. Blodgett is a principal in the management consulting company, BK Capital. Mr. Blodgett has over three decades of corporate finance experience in Canada, the United States and Asia. Mr. Blodgett was formerly a partner with Gordon Capital Corporation in Toronto and Vancouver, a Canadian investment and merchant banking company. In addition, Mr. Blodgett was the President of Gordon Capital's real estate research and consulting firm, which provided services to North American and Asian companies. Prior to his tenure with Gordon Capital, Mr. Blodgett was Vice President of Corporate Finance with Bankers Trust Company in New York, Dallas and Los Angeles, with emphasis on large-scale project financing and management leveraged buyouts.

*Kenneth MacLeod.* Mr. MacLeod is President and CEO of Sonoro Metals Corp., a TSXV listed company. Mr. MacLeod has over three decades of experience in developing resource assets in the United States, Canada, the Philippines and the Democratic Republic of Congo, mostly as a senior executive with Canadian-listed public companies. Previously, Mr. MacLeod was President and CEO of Pan Pacific Power Corp., a private renewable energy company with hydro-electric power and geothermal energy projects under development in Asia. From 2001 to 2009, Mr. MacLeod was President and CEO of Western GeoPower Corp, a Toronto Stock Exchange listed renewable energy company with geothermal assets in California and Canada. Western GeoPower Corp. was acquired by Ram Power Corp. in 2009.

#### Audit Committee Oversight

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

### Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis* Non-audit Services) or an exemption from NI 52-110, in whole or in part, granted under Part 8.

### Pre-approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as set out in the Audit Committee's charter attached hereto as Schedule "A".

### External Auditor Service Fees (by category)

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years for audit fees are as follows:

Fiscal Year Ending	Audit Fees (\$)	Audit-Related Fees (\$)	Tax Fees (\$)	All Other Fees (\$)
2013	65,709	Nil	3,925	Nil
2012	94,660	Nil	18,900	Nil

### Exemption

The Corporation is relying on the exemption provided by Section 6.1 of NI 52-110 which exempts issuers from the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) of that instrument. As a result, the members of the Audit Committee are not required to be "independent" within the meaning of NI 52-110.

The text of the Audit Committee's charter is attached hereto as Schedule "A".

## CORPORATE GOVERNANCE

Effective June 30, 2005, the securities regulatory authorities in Canada adopted National Instrument 58-101 – *Disclosure of Corporate Governance Practices* and National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201"). NP 58-201 provides a series of guidelines for effective corporate governance. The guidelines deal with such matters as the constitution and independence of corporate boards, their functions, the effectiveness and education of board members and other items dealing with sound corporate governance.

The Board believes that sound corporate governance practices are essential to the effective, efficient and prudent operation of the Corporation and to the enhancement of shareholder value. The Board fulfils its mandate directly and through committees at regularly scheduled meetings or as required.

### Board of Directors

The directors of the Corporation are responsible for managing and supervising the management of the business and affairs of the Corporation. Each year, the Board must review the relationship that each director has with the Corporation in order to satisfy themselves that the relevant independence criteria have been met.

Prior to the change of management on December 14, 2012, all four directors were independent.

Tom Kusumoto is an executive officer of the Corporation and is therefore not independent.

Alex Blodgett, Kenneth MacLeod and Gregory MacRae are independent directors of the Corporation in that they are free from any interest which could reasonably interfere with their exercise of independent judgment as directors of the Corporation. Therefore, a majority of the Board is independent.

### **Directorships**

All of the other reporting issuers of which the Corporation's current directors and proposed directors are also directors are listed below.

Tom Kusumoto is currently a director of North Group Finance Limited, which is listed on the TSXV.

Kenneth MacLeod is currently a director of Sonoro Metals Corp. and of Zuri Capital Corp., both of which are listed on the TSXV.

### **Orientation and Continuing Education**

The Corporation does not have a formal process of orientation and education for new members of the Board. The Corporation does, however, provide continuing education for its directors as such need arises.

### **Ethical Business Conduct**

Each director, officer and employee in the exercise of his or her duties and responsibilities must act honestly and in good faith in the best interest of the Corporation and in compliance with applicable laws, rules and regulations.

In addition, the Board must comply with conflict of interest provisions in Canadian corporate law, including relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

### **Nomination of Directors**

The Corporation has not constituted a nominating committee to propose new Board nominees. Nomination and review of potential new directors is reviewed by the complete Board and senior management.

### **Compensation**

The Corporation has not constituted a compensation committee to discharge the Board's responsibilities relating to compensation of the Corporation's directors and officers. The Board periodically reviews compensation paid to its directors and officers.

### **Assessments**

The Board is responsible for keeping management informed of its evaluation of the performance of the Corporation and its senior officers in achieving and carrying out the Board's established goals and policies, and is also responsible for advising management of any remedial action or changes which it may consider necessary. Additionally, directors are expected to devote the time and attention to the Corporation's business and affairs as necessary to discharge their duties as directors effectively.

## APPOINTMENT OF AUDITORS

Management is proposing that the shareholders re-appoint the firm of Dale Matheson Carr-Hilton Labonte LLP as the auditors of the Corporation, to hold office until the next annual meeting of shareholders or until their successor is appointed, and authorize the directors to fix their remuneration. Dale Matheson Carr-Hilton Labonte LLP have been the auditors of the Corporation since January 2014, when they replaced the previous auditors, KPMG LLP.

Prior to the replacement of KPMG LLP, there were no reportable disagreements between the Corporation and KPMG LLP and no qualified opinions or denials of opinions by KPMG LLP for the purposes of National Instrument 51-102 – *Continuous Disclosure Obligations*. A copy of the Corporation's reporting package with respect to the replacement of KPMG LLP and appointment of Dale Matheson Carr-Hilton Labonte LLP as auditor of the Corporation (including the Notice of Change of Auditor, a letter from KPMG LLP and a letter from Dale Matheson Carr-Hilton Labonte LLP) is attached as Schedule "B" hereto.

**Management recommends, and the persons named in the accompanying Proxy intend to vote in favour of, the approval of the appointment of Dale Matheson Carr-Hilton Labonte LLP as the auditors for the ensuing year and to authorize the Board to fix their remuneration unless otherwise directed.**

## PROPOSED SHARE ALTERATION

The Corporation has a large number of shareholders holding small numbers of Shares. The Corporation currently has 3,472,473 Shares outstanding. Based on recent data from Canadian NOBOs, approximately 49,022 of approximately 1.2 million or 4% of the Shares held by Canadian NOBOs are held by an estimated 202 accounts held by Canadian NOBOs with current holdings of fewer than 1,000 Shares, representing an average of approximately 243 Shares per holder. Accordingly, the Corporation is proposing a share consolidation and subsequent share split (the "**Share Alteration**").

The benefits of the Share Alteration include the following:

### **Liquidity Event for Small Shareholders**

Many current shareholders hold small and odd-lot shareholdings in the Corporation. Due to infrequent and illiquid trading in the Corporation's Shares, such holders have had no cost effective option to dispose of their Shares. The Share Alteration provides a cost effective liquidity option for small Shareholders to sell their holdings and liquidate their investment without depressing the market price of the Shares, and without payment of brokerage fees that in many cases would represent all or a substantial portion of their sale proceeds.

### **Reduced Administrative Costs**

As a reporting issuer, the Corporation is required to disseminate to registered and beneficial Shareholders interim statements, annual statements and associated continuous disclosure materials. In the case of many small Shareholders, the administrative cost associated with providing such services represents a disproportionately large percentage of the total value of their investment. The Corporation spends a significant amount of money each year printing and mailing materials required by statute, such as annual reports and information circulars, to these small Shareholders and serving their accounts through the Corporation registrar and transfer agent. The effect of the proposed Share Alteration will be to reduce administrative costs associated with maintaining a large shareholder base of odd-lot and small shareholders, by significantly reducing the number of these Shareholders.

Accordingly, the Corporation proposes to undertake the steps outlined below in order to implement the Share Alteration and purchase these small holdings and recognize the benefits outlined above:

- (a) at the effective time (the "**Consolidation Effective Time**") on the date of the consolidation (the "**Consolidation Effective Date**") the Shares of the Corporation will be consolidated on the basis of one (1) post-consolidated Share for each one-thousand (1,000) pre-consolidated Share (the "**Consolidation**");
- (b) thereupon, any holder of less than one (1) post-consolidated Share will cease to hold Shares and will be entitled to be paid cash consideration equal to that number of pre-consolidation Shares held by the holder multiplied by an amount equal to the average weighted trading price of the Shares for the ten trading days preceding the Consolidation Effective Date, rounded to the nearest whole cent; and
- (c) immediately following the Consolidation Effective Time, the remaining Shares will be split on the basis of one-thousand (1,000) post-split Shares for each one (1) post-consolidated Share.

The result of these steps will be that holders of less than 1,000 Shares will cease to hold Shares and will be entitled to receive cash consideration for their Shares.

Any Shareholder holding less than 1,000 Shares of the Corporation may, at their sole option, elect to purchase such number of additional Shares, as applicable, in the market through the facilities of the TSXV to achieve a minimum number of 1,000 Shares required to continue to be a holder of Shares, as applicable. Shareholders holding less than 1,000 Shares should consult their own investment advisor in that regard.

**Example 1:** A shareholder owning 2,000 pre-consolidated Shares will divide such number of Shares by 1,000 to obtain two post-consolidated Shares. As this holder is holding more than one whole post-consolidated Share, the two post-consolidated Shares will then be split by multiplying such number of post-consolidated Shares by 1,000 to result in the holder being entitled to a total of 2,000 post-split Shares.

**Example 2:** A shareholder owning 400 pre-consolidated Shares will divide such number of Shares by 1,000 and as a result would hold only 0.4 of a post-consolidated Share. As holders of less than one Share on the Consolidation Effective Date shall not be entitled to receive a fractional Share, the Corporation will purchase such pre-consolidated Shares for cancellation. If the price at which such pre-consolidated Shares are to be purchased is, for example, \$0.50 per pre-consolidated Share, the holder will be entitled to be paid \$200.00 from the Corporation for such Shares.

Shareholders holding less than 1,000 Shares should consult their own tax advisors with respect to the tax consequences to them of the proposed consolidation. Following approval of the Share Alteration Resolution, Shareholders are required to take the specific actions set out below.

#### **Registered Shareholders holding less than 1,000 Shares**

In order to receive payment of the cash consideration specified in paragraph (b) above, registered Shareholders who held less than 1,000 Shares immediately prior to the Consolidation Effective Date must complete and sign the letter of transmittal to be sent to Shareholders shortly following the effective date of the Share Alteration and return it, together with the certificate(s) representing such Shares, as applicable, to Computershare Investor Services Inc. as Depositary. Any certificates representing less than 1,000 Shares immediately prior to the Consolidation Effective Time which have not been surrendered in accordance with the letter of transmittal on or prior to the sixth anniversary date of the Consolidation Effective Date will cease to represent a claim or interest of any kind or nature against the Corporation or Computershare Investor Services Inc. as depositary.

#### **Registered Shareholders holding more than 1,000 Shares**

In connection with the transaction to be affected by the Share Alteration, the Corporation is required to obtain a new CUSIP number to be assigned to the Shares. Accordingly, registered holders of 1,000 or more Shares immediately prior to the Consolidation Effective Date must complete and sign the letter of transmittal to be sent to shareholders shortly following the Consolidation Effective Date and return it, together with the

certificate(s) representing such Shares, as applicable, to Computershare Investor Services Inc. as depository. A new share certificate will then be sent to the registered shareholder reflecting the new CUSIP number and the share consolidation and split.

### **Beneficial Shareholders holding less than 1,000 Shares**

Only registered Shareholders or the persons they appoint as their proxies are required to complete, sign and submit the appropriate letter of transmittal as described above. Shareholders who own shares beneficially (a) through an intermediary (including, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered retirement savings plans, registered retirement income funds, registered education savings plans and similar plans), or (b) in the name of a clearing agency (such as CDS), are not required to submit a letter of transmittal. The intermediary or the clearing agency, as the case may be, will take the appropriate steps and arrange for payment of any cash consideration to such shareholders.

### **Beneficial Shareholders holding more than 1,000 Shares**

Only registered Shareholders or the persons they appoint as their proxies are required to complete, sign and submit the appropriate letter of transmittal as described above. Shareholders who own shares beneficially (a) through an intermediary (including, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered registered retirement savings plans, registered retirement income funds, registered education savings plans and similar plans), or (b) in the name of a clearing agency (such as CDS), are not required to submit a letter of transmittal. The Intermediary or the clearing agency, as the case may be, will take the appropriate steps to ensure that the holders' accounts are adjusted to reflect the new CUSIP number and the share consolidation.

Shareholders are being asked to consider, and if thought advisable, to approve the special resolution approving the Share Alteration. **Unless otherwise directed, it is the intention of management to vote proxies FOR of the special resolution to approve the Share Alteration.** In order to be effective, the special resolution must be approved by at least two-thirds of the votes cast on the resolution are in favour. Accordingly, Shareholders will be asked at the Meeting to pass a special resolution as set out in Schedule "C" to this Circular.

## **PROPOSED REDUCTION OF CAPITAL STOCK**

Shareholders of the Corporation will be asked to vote for a special resolution (in substantially the form set out in Schedule "D" to this Circular) to reduce the capital stock account of the Corporation. For the financial year ended December 31, 2013, the Corporation had a deficit of approximately \$25,521,047 and capital stock of approximately \$26,071,953. As a result of the deficit, the Board has deemed it prudent to reduce the capital stock account of the Corporation by approximately \$25,521,047 or such lesser amount as may be determined by the Board. The Board considers the foregoing to be necessary as the said reduction represents capital that is not represented by realizable assets.

Shareholders are being asked to consider, and if thought advisable, to approve the special resolution approving the foregoing reduction of capital stock. **Unless otherwise directed, it is the intention of management to vote proxies FOR of the special resolution to approve the reduction of capital stock.** In order to be effective, the proposed resolution must be passed by not less than two-thirds of the votes cast in respect thereof by the Shareholders who vote in respect of such resolution.

## **PROPOSED CHANGE OF BUSINESS**

At the Meeting, the shareholders of the Corporation will be asked to consider and, if thought fit, to pass, with or without variation, an ordinary resolution, substantially in the form of the resolution set forth at Schedule "E" to this Circular, approving the Proposed Change of Business. Pursuant to *Policy 5.2 - Changes of Business and Reverse Takeovers* of the TSXV, the Proposed Change of Business must be approved by a majority of the votes

cast by the Shareholders at the Meeting and must receive the approval of the TSXV. The following discussion considers the current business of the Corporation and outlines the proposed business of the Corporation assuming completion of the Proposed Change of Business.

## Corporate Structure

The Corporation's full corporate name is Chinook Tye Industry Limited. Its head office is located at the Landing Building at Suite 416, 375 Water Street, Vancouver, British Columbia and its registered office is located at 1000 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia. The Corporation is continued under the *Business Corporations Act* (British Columbia).

## Selected Consolidated Financial Information and Management's Discussion and Analysis

A summary of selected financial information for the six months ended June 30, 2014 and year ended December 31, 2013 is as follows:

	For the Six Months Ended June 30, 2014	For the Year Ended December 31, 2013
(In thousands, except per share amounts)		
Revenue .....	\$ 60	\$ 69
Foreign exchange gain (loss) .....	\$ (27)	\$ 40
Other items .....	\$ -	\$ 255
Foreign currency translation differences on foreign operations .....	\$ (12)	\$ (23)
Expenses		
Directors' fees .....	\$ 20	\$ 49
General and administrative costs .....	\$ 130	\$ 590
Interest .....	\$ -	\$ 3
Regulatory Fees and shareholder communication .....	\$ 3	\$ 41
Earnings (loss) attributable to owners .....	\$ (120)	\$ (338)
Earnings (loss) per share attributable to owners basic and diluted ..	\$ (0.03)	\$ (0.10)
Total assets .....	\$ 3,587	\$ 3,881

### *Financial Statements*

The audited financial statements for the Corporation's financial year ended December 31, 2013 and the unaudited financial statements for the Corporation's second quarter ended June 30, 2014, copies of which are filed on SEDAR, are incorporated into this Circular by reference.

### *Management's Discussion and Analysis*

The management discussion and analysis for the Corporation's financial year ended December 31, 2013 and second quarter ended June 30, 2014, copies of which are filed on SEDAR, are incorporated into this Circular by reference.

### **General Development of the Business**

The Corporation is listed on the NEX board of the TSXV as it does not currently have a business. Prior to the sale of its business on September 23, 2011, the Corporation's principal business was remanufacturing and repairing railway cars in Canada and the United States and was an industrial issuer on the Toronto Stock Exchange. On September 23, 2011, the Corporation sold its business and paid the majority of the net proceeds to its shareholders by way of dividend. As the Corporation no longer had any active business, the Corporation requested to be de-listed from the Toronto Stock Exchange. On November 4, 2011, the Shares of the Corporation began trading on the NEX board of the TSXV.



In December 2012, a new board of directors was appointed to the Corporation, who initiated a restructuring of the Corporation's management which included moving the Corporation's operations from Montreal to Vancouver. The current Board includes Messrs. Tom Kusumoto, Kenneth MacLeod, Gregory MacRae and Alex Blodgett, each of whom has submitted personal identification forms to the TSXV.

### **Proposed Business of the Corporation**

The Corporation intends to change its business from "Inactive" to an "Investment Issuer" under the classification of financial service holding company.

#### ***Financial Services***

The Corporation's principal business will be to provide financial services to middle-to-small market European and North American private and publicly listed companies. Financials services include merchant banking and private equity activities with a particular focus on corporate restructuring and distress asset investing.

The Corporation seeks to serve as a lead agent or investor in order to optimize due diligence and capital structure as well as enable active monitoring of the investment.

As of June 30, 2014, the Corporation had assets under management of approximately \$3 million. The Corporation's investment portfolio consisted of one portfolio company in a European small-market company backed by two different private equity sponsors. The Corporation's head office is in Vancouver, Canada and it has a representative office in Berlin, Germany.

#### ***Merchant Banking***

The Corporation's merchant banking activities will primarily be in the form of senior secured loans, mezzanine debt or a combination of both.

Structurally, senior secured loans generally are senior to all debt, except commercial bank debt, while mezzanine debt is subordinated to senior secured loans but ranks senior to preferred and common equity.

Mezzanine investments are typically unsecured subordinated loans that provide for relatively high fixed interest rates and usually have the opportunity to participate in the capital appreciation of the portfolio company through an equity interest. However, in some cases mezzanine debt will be secured by a subordinated lien on some or all of the assets of the portfolio company. Mezzanine debt may also be convertible into equity or additional debt. Mezzanine debt typically have interest-only payments or interest payable can be paid, in payment-in-kind, which increases the principal amount of the loan by the amount of interest due.

Mezzanine debt investments may include equity features, such as warrants or options to buy a minority interest in the portfolio company. The warrants the Corporation receives with its mezzanine debt investments may require only a nominal cost to exercise.

#### ***Private Equity***

The Corporation's private equity activities will focus on investing across the capital structure from debt to equity in undercapitalized companies with capital structure issues. The Corporation will be an active investor that takes an opportunistic approach to value investing. The Corporation intends to build an investment portfolio of investments from its merchant banking operations and private equity investments.

*Investment Policy*

<b>Objectives</b>	Seek a return on investments through returns from financial services, which includes investment gains, interest income and advisory services fees. The Corporation plans to reinvest the profits of its investments to further the growth and development of the Corporation's investment portfolio.
<b>Investment Sector</b>	Middle-to-small market European and North American private and publicly listed companies.
<b>Investment Types</b>	Equity and debt and any other investment structures or instruments that could be acquired or created.
<b>Investment Size</b>	Unlimited.
<b>Investment Timeline</b>	Not limited.
<b>Composition of Portfolio Holdings</b>	Subject to the availability of capital, the Corporation intends to create a diversified investment portfolio. The Corporation will aim to structure its investments in such a way as to not be deemed either an Investment Fund or Mutual Fund, as defined by applicable securities laws, thereby avoiding the requirement to register as a fund or investment advisor
<b>Monitoring of Portfolio Holdings</b>	The Corporation seeks to serve as a lead agent or investor in order to optimize due diligence and capital structure as well as enable active monitoring of the investment. The Corporation may provide assistance to certain of our portfolio companies which may involve, among other things, monitoring the operations of our portfolio companies, participating in board and management meetings, consulting with and advising officers of portfolio companies and providing other organizational and financial guidance. The Corporation generally will receive merchant banking fees for these services and have all of its costs reimbursed.
<b>Procedures and Implementation</b>	Prospective investments will be channelled through management. Management shall make an assessment of whether the proposal fits with the Investment Policy and then proceed with preliminary due diligence, leading to a decision to reject or move the proposal to the next stage of detailed due diligence. This process may involve the participation of outside consultants. If management determines that an investment opportunity should be pursued, the Corporation will engage in an intensive due diligence process and prepare a report for the Board. Approval of an investment for funding requires the approval of the majority of the Board. All investments shall be submitted to the Board for final approval. Management will select all investments for submission to the Board and monitor the investment portfolio on an ongoing basis, and will be subject to the direction of the Board.
<b>Conflicts of Interest</b>	The Corporation does not plan to invest in companies in which a Board member may already have a material direct investment in. Any potential investments where there is a material conflict of interest involving management or the Board may only proceed after receiving approval from disinterested directors of the Board. The Corporation is also subject to the "related party" transaction policies of the TSXV. All members of the Board shall be obligated to disclose any interest in the potential

	investment.
<b>Amendment of Investment Policy</b>	The Corporation's Investment Policy may be amended with approval from the Board.

### **Risk Factors Related to the Change of Business**

An investment in the Shares of the Corporation will involve a high degree of risk. Investors should carefully consider each of the risks described below and all of the information in this Circular before investing in shares in the Corporation. The success of the Corporation will depend entirely on the expertise, ability, judgment, discretion, integrity and good faith of its management.

The value of the Shares will fluctuate based on the value of the Corporation's investment portfolio and general market conditions. There can be no assurance that shareholders will realize any gains from their investment in the Corporation and may lose their entire investment.

There is no assurance that the investment objectives of the Corporation will actually be achieved. The value of the Shares will increase or decrease with the value of its investment portfolio and general economic conditions beyond the control of the Corporation's management, including the level of interest rates, corporate earnings, economic activity, the value of the Canadian dollar and other factors.

#### ***No Operating History as an Investment Issuer***

The Corporation does not have any record of operating as an investment issuer or undertaking merchant banking operations. As such, upon completion of the Proposed Change of Business, the Corporation will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that the Corporation will not achieve its financial objectives as estimated by management or at all. Furthermore, past successes of management do not guarantee future success.

#### ***Investments made by the Corporation will most likely lack liquidity.***

Due to market conditions beyond its control, including investor demand, resale restrictions, general market trends and regulatory restrictions, the Corporation will most likely not be able to liquidate investments when it would otherwise desire to do so in order to operate in accordance with its investment policy and strategy. Such lack of liquidity could have a material adverse effect on the value of the Corporation's investments and, consequently, the value of the shares of the Corporation.

#### ***There is no guarantee that the Corporation will be able to reduce its investment risk by diversifying its investment portfolio. Expenses incurred by the Corporation may exceed any gains realized by the Corporation on its investments.***

The Corporation intends to participate in a limited number of investments and, as a consequence, the aggregate returns realized by the Corporation may be substantially and adversely affected by the unfavourable performance of even a single investment. Accordingly, there can be no assurance that the Corporation will be able to reduce its investment risk by diversifying its portfolio. The resulting lack of diversification may adversely impact the ability of the Corporation to achieve its desired investment returns.

***The long-term viability for the Corporation will depend, in part, on its ability to raise additional investment capital.***

If the Corporation is unable to raise additional investment capital either through investment returns or new financing through securities offerings, then it will be limited in its ability to fulfill its investment objectives. This may adversely affect its long-term viability. The Corporation may require additional capital. To raise additional capital the Corporation may have to issue additional shares which may dilute the interests of existing shareholders.

***The Corporation faces competition from other capital providers and there can be no assurance that suitable investments will be found.***

The Corporation faces competition from other capital providers, all of which compete for investment opportunities. These competitors may limit the Corporation's opportunities to acquire interests in investments that are attractive to the Corporation. The Corporation may be required to invest otherwise than in accordance with its Investment Policy and strategy in order to meet its investment objectives. If the Corporation is required to invest other than in accordance with its Investment Policy and strategy, its ability to achieve its desired rates of return on its investments may be adversely affected.

***The Corporation will be Dependent on Attracting Key Personnel.***

The Corporation's success will depend on its ability to attract and retain its key personnel, including the President and Chief Executive Officer. The Corporation has not entered into any agreements with its directors, or management regarding their continued involvement with the Corporation. The inability of the Corporation to retain its management and directors as a result of volatility or lack of positive performance in the Corporation's stock price, may adversely affect the Corporation's ability to carry out its business.

Shareholders will be required to rely on the Board to conduct the business of the Corporation. The services provided by the Board and management will not be exclusive to the Corporation and conflicts of interest may arise in the ordinary course of business.

Shareholders will be required to rely on the business judgment, expertise and integrity of the directors and management of the Corporation. The Corporation must rely substantially upon the knowledge and expertise of its directors and management in entering into any investment agreement or investment arrangements, in determining the composition of the Corporation's investment portfolio, and in determining when and whether to dispose of securities owned by the Corporation. The death or disability of any of the Corporation's management and directors could adversely affect the ability of the Corporation to achieve its objectives.

The directors and management of the Corporation will not be devoting all of their time to the affairs of the Corporation, but will be devoting such time as may be required to effectively manage the Corporation. Certain of the directors and management are engaged and will continue to be engaged in the search for investments for themselves and on behalf of others, including other private and public corporations. Accordingly, conflicts of interest may arise from time to time. Any conflicts will be subject to the procedures and remedies under the *Business Corporations Act* (British Columbia).

***Shareholders may face dilution in the event of the issuance of additional securities.***

The Corporation will be authorized to issue an unlimited number of Shares. In order to fund further investments, the Corporation may have to issue additional securities including, but not limited to Shares, or some form of convertible security, the effect of which will result in a dilution of the equity interest of any existing shareholders.

***The Corporation is not required to pay dividends.***

To date, the Corporation has not paid dividends on any of its Shares and the Corporation does not intend, and is not required, to pay any dividends on its Shares in the foreseeable future. Any decision to pay dividends will be made on the basis of the Corporation's earnings, financial requirements and other conditions.

***The Market price of securities of the Corporation may be volatile.***

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many junior companies have experienced wide fluctuations in price. The market price of the Shares may be volatile and could be subject to wide fluctuations due to a number of factors. Broad market fluctuations, as well as economic conditions generally and in the technology industry specifically, may adversely affect the market price of the Shares.

***The Change of Business is Subject to a Number of Conditions Precedent.***

The Proposed Change of Business remains subject to a number of conditions precedent, including approval of the TSXV and the Corporation's Shareholders. There is no assurance that the Proposed Change of Business will receive TSXV or shareholder approval, that all other conditions precedent will be satisfied or waived, or that the Proposed Change of Business will be completed.

***Investment Portfolio Risks***

Given the nature of the Corporation's proposed investment activities, the results of operations and financial condition of the Corporation will be dependent upon the market value of the securities that will comprise the Corporation's investment portfolio. Market value can be reflective of the actual or anticipated operating results of companies in the portfolio and/or the general market conditions that affect the resource sector. Various factors affecting the financial sector could have a negative impact on Corporation's portfolio of investments and thereby have an adverse effect on its business. Additionally, the Corporation may invest in small-cap businesses that may never mature or generate adequate returns or may require a number of years to do so. This may create an irregular pattern in the Corporation's investment gains and revenues (if any).

Macro factors such as global political and economic conditions could also negatively affect the Corporation's portfolio of investments. The Corporation may be adversely affected by the falling share prices of the securities of investee companies; as such, share prices may directly and negatively affect the estimated value of the Corporation's portfolio of investments. Moreover, company-specific risks could have an adverse effect on one or more of the investments that may comprise the portfolio at any point in time.

Corporation-specific and industry-specific risks that may materially adversely affect the Corporation's investment portfolio may have a materially adverse impact on operating results. The factors affecting current macro-economic conditions are beyond the control of the Corporation.

Furthermore, the occurrence of unforeseen or catastrophic events, including the emergence of a pandemic or other widespread health emergency (or concerns over the possibility of such an emergency), terrorist attacks or natural disasters, could create economic and financial disruptions and could lead to operational difficulties that could impair the Corporation's ability to manage its business.

***Volatility of Stock Price***

The market price of the Shares have been and may continue to be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency

fluctuations, may adversely affect the market price of the Shares, even if the Corporation is successful in maintaining revenues, cash flows or earnings. The purchase of the Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Securities of the Corporation should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Corporation should not constitute a major portion of an investor's portfolio.

### ***Trading Price of the Shares Relative to Net Asset Value***

Assuming completion of the Proposed Change of Business, the Corporation will neither be a mutual fund nor an investment fund and, due to the nature of its business and investment strategy and the composition of its investment portfolio, the market price of the Shares, at any time, may vary significantly from the Corporation's net asset value per Share. This risk is separate and distinct from the risk that the market price of the Shares may decrease.

### ***Due Diligence***

The due diligence process undertaken by the Corporation in connection with investments may not reveal all facts that may be relevant in connection with an investment. Before making investments, the Corporation will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, the Corporation may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment. Nevertheless, when conducting due diligence and making an assessment regarding an investment, the Corporation will rely on resources available, including information provided by the target of the investment and, in some circumstances, third-party investigations. The due diligence investigation that is carried out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

### **Available Funds and Principal Purposes**

The Company anticipates having available funds of approximately \$3,430,000 as of the completion of the Proposed Change of Business, which shall be used for the principal purposes set forth below:

<b>Principal Purpose</b>	<b>Approximate Amount</b>
Current Investments	\$1,800,000
Estimated 12 month General and Administrative Expenses	\$300,000
Unallocated Working Capital	\$1,200,000
Other Assets	\$130,000
<b>Total</b>	<b>\$3,430,000</b>

### ***Description of Current Investments***

In September 2012, the Corporation purchased 54% of the shares of BTBL. For further information on this acquisition, see the heading "Proposed Change of Business – Non-Arm's Length Transaction". The other 46% of the shares of BTBL are held by an arm's-length third party.

In accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, for reporting purposes the Corporation 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. Thus, the assets and liabilities of, among others, the following

subsidiaries of the Corporation are included in the Corporation's financial statements: Chinook Tye (Switzerland) GmbH (a wholly-owned subsidiary of the Corporation); BTBL (a 54% owned subsidiary of the Corporation); and BTBE (a wholly-owned subsidiary of BTBL).

The "Current Investments" (approximately \$1,800,000) described in the table above includes investments made by the Corporation's subsidiaries, as follows (all amounts are taken from the Corporation's unaudited interim financial statements for the period ended June 30, 2014):

1. a loan from Chinook Tye (Switzerland) GmbH to DYVA in the amount of \$991,221. DYVA is a holding company that holds 55% of the shares of Xanthus, which is an investment company listed on the Frankfurt stock exchange. The chief assets of Xanthus include investment and loans to a real estate development in Dusseldorf, Germany and shareholdings in Incity Immobilien AG, a listed German real estate developer and United Digital Group, a large private internet advertising company based in Germany;
2. a loan from BTBE to Asiamerica AG in the amount of \$742,687. Asiamerica AG is a holding company that is held 50% by BTBE and 50% by an arm's-length third party. Its assets include 50% of the shares of DYVA; and
3. a loan from BTBE to Xanthus Spec 1 in the amount of \$69,673. Xanthus Spec 1 is subsidiary of Xanthus and holds investment assets. 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.

For further information on these investments please refer to the Corporation's interim financial statements for the period ended June 30, 2014. When initially made, these investments represented less than 50% of the Corporation's available funds (they were valued in the approximate amount of \$1,395,000 in the Corporation's audited financial statements as at December 31, 2013); however, in accordance with they have appreciated since that time, as reported in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### *Description of Further Investments*

Upon shareholder and TSXV approval of the Proposed Change of Business, the Corporation expects to invest such further amounts as are necessary to ensure that at least 50% of available funds are invested, as required by TSXV listing requirements. These investments will be made in accordance with the Corporation's investment policy, described under the heading "Proposed Change of Business – Proposed Business of the Corporation – Investment Policy".

### **Dividends**

The Corporation is not restricted from paying dividends. At this time, the Corporation does not anticipate paying dividends for the foreseeable future. Upon completing a sale of an investment or upon receipt of dividends on an investment, the Corporation anticipates that it will reinvest the proceeds in further investments in accordance with its Investment Policy.

### **Stock Option Plan**

The Corporation has a stock option plan; however the Corporation does not currently use it. See "Executive Compensation – Incentive Plan Awards". Under the plan, if a participant ceases employment or being a director, executive officer or service provider, the participant may exercise his or her options within 90 days of the date of termination of employment, directorship or contract. If the participant's employment has been terminated for cause, the options expire immediately. In the event of death, the options may be exercised on the earlier of the option's expiry time or one year from the date of death. In the event of retirement or permanent

disability, the options may be exercised on the earlier of the option's expiry time or one year from the date retirement or permanent disability, subject to such shorter period as may be otherwise specified in a stock option agreement.

The plan restricts the maximum percentage of issued and outstanding Shares of the Corporation reserved for issuance to all insiders, including securities issued under other security compensation plans, to 10% of the issued and outstanding Shares; it also restricts the maximum percentage of Shares issued pursuant to options to insiders within a one year period, including securities issued under other security compensation plans, to 10% of the issued and outstanding Shares. The plan also restricts the maximum percentage within a one year period to any one insider and the insider's associates to 2% of the outstanding Shares of the Corporation at the date of the grant, including securities issued under other security compensation plans; the maximum percentage of Shares that can be granted to any one participant, including securities issued under other security compensation plans, is restricted to 5% of the issued and outstanding Shares of the Corporation at the date of the grant.

### **Prior Sales**

No securities of the Corporation have been issued within the 12 months before the date hereof.

### **Securities Subject to Escrow or Resale Restrictions**

To the knowledge of management of the Corporation, no securities of the Corporation are currently held in escrow.

In connection with the Change of Business, securities held by the Corporation's "Principals" may be required to be held in escrow. The only Principal of the Corporation which holds securities of the Corporation is North Group Finance Limited, which holds more than 20% of the Corporation's issued Shares. The Corporation has applied to the TSXV for an exemption from the escrow requirements. However, North Group Finance Limited's Shares may be subject to escrow requirements upon completion of the Change of Business.

### **Legal Proceedings**

Management knows of no legal proceedings, contemplated or actual, involving the Corporation, which could materially affect the Corporation.

### **Auditor, Transfer Agent and Registrar**

The Corporation's auditor is of Dale Matheson Carr-Hilton Labonte LLP, 1500-1140 West Pender Street, Vancouver, British Columbia.

The Corporation's transfer agent and registrar is Computershare Investor Services Inc. in Calgary, Alberta.

### **Material Contracts**

The Corporation has no material contracts.

### **Management**

The Board and management of the Corporation upon completion of the Change of Business will be the current Board and management of the Corporation. Tom Kusumoto is a director of the Corporation and also serves as its Chairman, President, CEO. Kenneth MacLeod, Gregory MacRae and Alex Blodgett are the Corporation's other directors and Christine McPhie is the Corporation's Corporate Secretary and CFO.

The following table highlights the public company experience of management:



Name and Age	Positions at other Public Companies
Tom Kusumoto, 45	<p><b>Chinook Tye Industry Limited</b> (TSXV); Chairman, President, CEO and Director; December 2012 – present</p> <p><b>North Group Finance Limited</b> (TSXV); President, Corporate Secretary and Director; June 2001 – present</p> <p><b>Pacific Northwest Partners Limited</b> (TSXV); President and Director; Oct 2003 – July 2006</p> <p>Wavefire.com (TSXV); Director 2002 – August 2005</p> <p><b>Black Mountain Capital Corporation</b> (TSXV &amp; OTC.BB); President and Director August 1998 – July 2006</p>
Alex Blodgett, 56	<p><b>Chinook Tye Industry Limited</b> (TSXV); Director; August 2013 – present</p> <p><b>North Group Finance Limited</b> (TSXV); Director; June 2001 – August 2013</p> <p><b>Enablence Technologies Inc.</b> (TSXV); Director; July 2003 – February 2007</p> <p><b>Winchester Minerals and Gold Exploration Ltd.</b> (TSXV) ; Director; December 1999 – October 2010</p>
Gregory MacRae, 61	<p><b>Chinook Tye Industry Limited</b> (TSXV); Secretary &amp; Director; August 2013 – present</p> <p><b>North Group Finance Limited</b> (TSX-V); Director; June 2002 – August 2013</p> <p><b>Guyana Frontier Mining Corp.</b> (TSXV); Director; September 2007 – March 2010</p> <p><b>LML Payment Systems Inc.</b> (NASDAQ); Director; February 1998 – January 2013</p> <p><b>Pacific Northwest Partners Limited</b> (TSXV ); Director; October 2003- July 2004</p> <p><b>Starfire Minerals Inc.</b> (TSXV); Director; April 2005 – November 2012</p> <p><b>Golden Dawn Minerals Inc.</b> (BC); Director; August 2005 – April 2006</p>
Kenneth MacLeod, 63	<p><b>Chinook Tye Industry Limited</b> (TSXV); Director; December 2012 – present</p> <p><b>Sonoro Metals Corp.</b> (TSXV); President, CEO and Director; April 2014 – present</p> <p><b>Zuri Capital Corp.</b> (TSXV); Director; May 2011 – present</p> <p><b>Taku Gold Corp.</b> (TSXV); Director; August 2010 – August 2012</p> <p><b>Western GeoPower Corp.</b> (TSXV) President, CEO and Director; December 2001 – September 2009</p> <p><b>Kakanda Development Corp.</b> (TSXV); Director; December 2001 – February 2008</p>

Name and Age	Positions at other Public Companies
Christine McPhie, 52	<p><b>Chinook Tye Industry Limited</b> (TSXV); Corporate Secretary and CFO; December 2012 – present</p> <p><b>North Group Finance Limited</b> (TSXV); CFO; March 2010 – present</p>

The following biographies highlight the experience and education of management.

*Tom Kusumoto, Chairman, Chief Executive Officer, President and Director.* Mr. Kusumoto has been the managing director of Mercury Partners & Company Inc. ("Mercury Partners"), a private investment and holding company, since 1994. Mr. Kusumoto has over two decades of experience in corporate finance and financial analysis with private and public companies in Canada, the United States and Northern European Union countries. Mr. Kusumoto was a director and involved in the venture capital financing and listing of Coastal Contacts Inc. on the Toronto Stock Exchange in 2004. Coastal Contacts, which was founded and based in Vancouver, British Columbia was acquired by Essilor International SA of France for \$435-million in cash during fiscal 2014. Through Mercury Partners, Mr. Kusumoto participated in the financing and listing of Enablance Technologies Inc, an Ottawa-based technology company, on the TSXV in 2006. Mr. Kusumoto was managing director (Geschäftsführer) of a project finance group, which included the renewable energy division of Israel Corporation Ltd., in the development of multi-feed stock biodiesel production facilities in port cities of Rostock, Germany and Rotterdam, Netherlands. Mr. Kusumoto has graduated with the following degrees: Bachelor of Arts degree in Economics from the University of Calgary and a Bachelor of Commerce degree in Finance from the University of Calgary. Mr. Kusumoto has acted as a director and officer of numerous public companies in Canada and the United States and is currently the CEO, President and a director of North Group Finance Limited, a TSXV listed company as well as the Chairman, CEO, President and a director of the Corporation.

*Kenneth MacLeod, Director.* Mr. MacLeod is President and CEO of Sonoro Metals Corp., a TSXV listed company. Mr. MacLeod has over three decades of experience in developing resource assets in the United States of America, Canada, the Philippines and the Democratic Republic of Congo, mostly as a senior executive with Canadian-listed public companies. Previously, Mr. MacLeod was CEO of Pan Pacific Power Corp., a private renewable energy company with hydro-electric power and geothermal energy projects under development in Asia. From 2001 to 2009, Mr. MacLeod was President and CEO of Western GeoPower Corp, a Toronto Stock Exchange listed renewable energy company with geothermal assets in California and Canada. Western GeoPower Corp. was acquired by Ram Power Corp. in 2009.

*Gregory MacRae, Director.* Mr. MacRae is President of CSI Capital Solutions Inc. Mr. MacRae has over two and a half decades of experience with public companies in Canada and the United States of America as senior management and as a corporate board member. Mr. MacRae was a director of NASDAQ listed, LML Payment Systems Inc., which was founded in 1974 in Vancouver, British Columbia, until it was acquired by NASDAQ listed, Digital River Inc., for US\$100-million in 2013. In addition, Mr. MacRae has over a decade of executive and management experience in the stock transfer and shareholder service industries.

*Alex Blodgett, Director.* Mr. Blodgett is a principal in the management consulting company, BK Capital. Mr. Blodgett has over three decades of corporate finance experience in Canada, the United States and Asia. Mr. Blodgett was formerly a partner with Gordon Capital Corporation in Toronto and Vancouver, a Canadian investment and merchant banking company. In addition, Mr. Blodgett was the President of Gordon Capital's real estate research and consulting firm, which provided services to North American and Asian companies. Prior to his tenure with Gordon Capital, Mr. Blodgett was Vice President of Corporate Finance with Bankers Trust Company in New York, Dallas and Los Angeles, with emphasis on large-scale project financing and management leveraged buyouts.

*Christine McPhie, Corporate Secretary and CFO.* Mrs. McPhie is a Certified Management Accountant with over 30 years of banking and accounting experience. Mrs. McPhie's principal occupation for the past five years has been providing accounting, managerial and administrative services to public and private companies in Canada through her consulting company. Mrs. McPhie has served as the Corporate Secretary and CFO of the Corporation since December 18, 2012. She is resident in West Vancouver, British Columbia, Canada and as at the date hereof does not beneficially own, directly or indirectly, nor exercise control or direction over any Shares of the Corporation.

For further information on the directors, see the heading "Election of Directors".

### **Non-Arm's Length Transaction**

On September 18, 2013 the Corporation acquired from North Group Finance Limited, an Insider of the Corporation, 54% of the issued and outstanding shares and debt of BTBL at a price of \$529,000. BTBL is a private Canadian holding company. This acquisition was exempted from the valuation and minority approval requirements of the TSXV and of securities laws by operation of sections 5.5 and 5.7 of *Multilateral Instrument 61-101 – Protection of Minority Security Holder in Special Transactions* because the fair market value of the transactions was less than 25% of market capitalization.

On October 18, 2013, the Corporation's wholly-owned subsidiary entered into a loan agreement with DYVA, a subsidiary of BTBE. Pursuant to this loan agreement, the Corporation will make available to DYVA a revolving credit facility in the aggregate principal amount of up to €700,000. Any funds drawn will bear interest at a rate of 8.5% per annum, calculated quarterly. As security for the credit facility, DYVA has assigned 10,940,242 common shares in the capital of Xanthus, which represents approximately 55% of the issued and outstanding common shares of Xanthus. Xanthus is an investment company listed on the Frankfurt stock exchange. Its chief assets include investment and loans to a real estate development in Dusseldorf, Germany and shareholdings in Incity Immobilien AG, a listed German real estate developer and United Digital Group, a large private internet advertising company based in Germany.

### **Recommendation and Approval**

Shareholders are being asked to consider, and if thought advisable, to approve the ordinary resolution approving the Proposed Change of Business. **Unless otherwise directed, it is the intention of management to vote proxies FOR of the ordinary resolution to approve the Proposed Change of Business.** In order to be effective, the proposed resolution must be passed by the majority of the votes cast in respect thereof by the Shareholders who vote in respect of such resolution.

**THE BOARD, AFTER CAREFUL CONSIDERATION OF A NUMBER OF FACTORS, HAS DETERMINED UNANIMOUSLY THAT THE PROPOSED CHANGE OF BUSINESS IS IN THE BEST INTEREST OF THE CORPORATION AND ITS SHAREHOLDERS. THE BOARD HAS UNANIMOUSLY DETERMINED TO RECOMMEND TO SHAREHOLDERS OF THE CORPORATION THAT THEY VOTE IN FAVOUR OF THE PROPOSED CHANGE OF BUSINESS.**

### **OTHER BUSINESS**

Management of the Corporation knows of no other matters to come before the Meeting other than as referred to in the Notice of Meeting. However, if any other matters which are not known to management of the Corporation shall properly come before the Meeting, the Proxy given pursuant to the solicitation by management of the Corporation will be voted on such matters in accordance with the best judgment of the persons voting the Proxy.

**ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Corporation to request copies of the Corporation's financial statements and MD&A by sending a written request to Suite 416 – 375 Water Street, Vancouver, B.C. V6B 5C6, Attention: Secretary. Financial information is provided in the Corporation's comparative financial statements for the financial year ended December 31, 2013 and related MD&A which are also available on SEDAR at [www.sedar.com](http://www.sedar.com).

**APPROVAL OF INFORMATION CIRCULAR**

The undersigned hereby certifies that the contents and the sending of this Circular have been approved by the directors of the Corporation.

DATED at Vancouver, British Columbia, this 29th day of August, 2014.

**BY ORDER OF THE BOARD OF DIRECTORS  
OF CHINOOK TYEE INDUSTRY LIMITED**

*/s/ Tom Kusumoto* \_\_\_\_\_

Tom Kusumoto

Chairman, Chief Executive Officer, President and  
Director

## **SCHEDULE "A"**

### **AUDIT COMMITTEE CHARTER**

The Audit Committee is appointed by the Corporation's Board to assist the Board in monitoring: (1) the integrity of the financial statements of the Corporation; (2) the compliance by the Corporation with legal and regulatory requirements; and (3) the independence and performance of the Corporation's external auditors, which external auditors shall report directly to the Audit Committee.

The members of the Audit Committee shall meet the independence and experience requirements of applicable securities laws and any exchange or quotation system upon which the Corporation's securities are listed or quoted. The members of the Audit Committee shall be appointed by the Board.

The Audit Committee shall have the authority to retain independent legal, accounting or other consultants to advise the Committee as the Audit Committee determines necessary to carry out its duties and the Audit Committee shall have the authority to set and pay the compensation for any such advisors. The Audit Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

The Audit Committee shall make regular reports to the Board.

The Audit Committee shall:

1. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
2. Review the annual audited financial statements, the interim financial statements, management's discussion and analysis with management and annual and interim earnings press releases, including major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect the Corporation's financial statements. Such review must occur prior to the Corporation publicly disclosing any such information.
3. Ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements.
4. Review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including an analysis of the effect of alternative GAAP methods on the Corporation's financial statements.
5. Review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements.
6. Meet with management to review the Corporation's major financial risk exposures and the Corporation's internal controls.
7. Review major changes to the Corporation's internal controls and accounting principles and practices as suggested by the independent auditor, internal accounting or financial personnel or management.

8. Recommend to the Board the nomination and appointment of the independent auditor for the purposes of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, which independent auditor is ultimately accountable to the Audit Committee and the Board.
9. Review the experience and qualifications of the senior members of the independent auditor team, the audit procedures of the independent auditor and the rotation of the lead partner and reviewing partner of the independent auditor.
10. Approve the compensation to be paid to the independent auditor for audit services.
11. Pre-approve the retention of the independent auditor for all audit and any non-audit services, including tax services, and the fees for such non-audit services which are provided to the Corporation or its subsidiary entities.
12. Receive periodic reports from the independent auditor regarding the auditor's independence, discuss such reports with the auditor, consider whether the provision of non-audit services is compatible with maintaining the auditor's independence and, if so determined by the Audit Committee, recommend that the Board take appropriate action to satisfy itself of the independence of the auditor.
13. Evaluate together with the Board the performance of the independent auditor. If so determined by the Audit Committee, recommend that the Board replace the independent auditor.
14. Recommend to the Board guidelines for the Corporation's hiring of partners, employees and former partners and employees of the present and former independent auditor who were engaged on the Corporation's account.
15. Review the significant reports to management pertaining to the presentation and significant accounting policies of the Corporation's financial statements.
16. Obtain reports from management, the Corporation's senior accounting and financial personnel and the independent auditor that the Corporation and its subsidiaries are in conformity with applicable legal requirements, including disclosures of insider and affiliated party transactions.
17. Review with management and the independent auditor any correspondence with regulators or governmental agencies and any employee or anonymous complaints or published reports which raise material issues regarding the Corporation's financial statements or accounting policies.
18. Review with the independent auditor any problems or difficulties the auditor may have encountered and any disagreements between the independent auditor and management of the Corporation and any management letter provided by the auditor and the Corporation's response to that letter. Such review should include:
  - (a) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information, and any disagreements with management;
  - (b) The internal accounting and financial responsibilities; and
  - (c) The investigation and implementation of the resolution of any disagreement between the independent auditor and the management of the Corporation.

19. Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations.
20. Meet at least quarterly with the Chief Financial Officer and the independent auditor in separate executive sessions.
21. Establish a procedure for:
  - (a) The receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - (b) The confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with Canadian generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations.

## **SCHEDULE "B"**

[See attached Change of Auditor Reporting Package]



# CHINOOK TYEE INDUSTRY LIMITED

## NOTICE OF CHANGE OF AUDITOR

Chinook Tyee Industry Limited (the “**Company**”) hereby gives notice pursuant to the requirements of section 4.11 of National Instrument No. 51-102 as follows:

1. The Company has requested and has accepted the resignation of its auditor, KPMG LLP, Chartered Accountants (the “**Auditor**”), effective January 27, 2014, and Dale Matheson Carr-Hilton Labonte LLP, Chartered Accountants, have been appointed as the Company’s auditor to hold office until the next annual general meeting of the Company.
2. There have been no reportable events between the Auditor and the Company, nor have there been any reservations or any adverse or qualified opinion or denial of opinion contained in the Auditor’s reports on the annual financial statements for the two fiscal years preceding the date of this Notice.
3. In the opinion of the Company there have been no reportable events (as defined in National Instrument No 51-102) that have occurred in connection with the audits conducted for the two most recently completed fiscal years or in the subsequent period preceding the date of this Notice.
4. The Company’s Audit Committee and Board of Directors considered and approved the change of auditors for the Company and have also approved the appointment of Dale Matheson Carr-Hilton Labonte LLP, Chartered Accountants, as the successor Auditor. The Audit Committee and Board of Directors have reviewed and approved this Notice.

Dated effective January 27, 2014.

## CHINOOK TYEE INDUSTRY LIMITED

*/s/ Tom Kusumoto*

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Tom Kusumoto  
President and Director

cc: KPMG LLP  
cc: Dale Matheson Carr-Hilton Labonte LLP



**DALE MATHESON CARR-HILTON LABONTE LLP**  
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

**VANCOUVER**  
1500 – 1140 W. Pender Street  
Vancouver, BC V6E 4G1  
TEL 604.687.4747 | FAX 604.689.2778

**TRI-CITIES**  
700 – 2755 Lougheed Hwy.  
Port Coquitlam, BC V3B 5Y9  
TEL 604.941.8266 | FAX 604.941.0971

**WHITE ROCK**  
301 – 1656 Martin Drive  
White Rock, BC V4A 6E7  
TEL 604.531.1154 | FAX 604.538.2613

[WWW.DMCL.CA](http://WWW.DMCL.CA)

January 28, 2014

**British Columbia Securities Commission**

P.O. Box 10142, Pacific Centre  
9<sup>TH</sup> Floor – 701 West Georgia Street  
Vancouver, B.C. V7Y 1L2

**TSX Venture Exchange**

P.O. Box 11633  
Suite 2700 – 650 West Georgia Street  
Vancouver, B.C. V6B 4N9

**Alberta Securities Commission**

Suite 600, 250 – 5<sup>th</sup> Street S.W.  
Calgary, Alberta T2P 0R4

Dear Sirs:

**Re: Chinook Tye Industry Limited**  
**Notice Pursuant to National Instrument 51-102 - Change of Auditor**

As required by the National Instrument 51-102 and in connection with our proposed engagement as auditor of the Company, we have reviewed the information contained in the Company's Notice of Change of Auditor, dated January 27, 2014, and agree with the information contained therein, based upon our knowledge of the information relating to the said notice and of the Company at this time.

Yours very truly,

**DALE MATHESON CARR-HILTON LABONTE LLP**  
CHARTERED ACCOUNTANTS & BUSINESS ADVISORS

**PARTNERSHIP OF:**

**VANCOUVER** Robert J. Burkart, Inc. James F. Carr-Hilton Ltd. Kenneth P. Chong Inc. Alvin F. Dale Ltd. David J. Goertz, Inc. Barry S. Hartley, Inc. Reginald J. LaBonte Ltd. Robert J. Matheson, Inc. Rakesh I. Patel Inc. Brad A. Robin Inc. F.M. Yada FCA Inc. **WHITE ROCK** Michael K. Braun Inc. Peter J. Donaldson, Inc. Harjit S. Sandhu, Inc. **TRI-CITIES** G.D. Lee Inc. Fraser G. Ross, Ltd. Brian A. Shaw Inc.



**KPMG LLP**  
140 Fullarton Street Suite 1400  
PO Box 2305  
London ON N6A 5P2  
Canada

Telephone (519) 672-4880  
Fax (519) 672 5684  
Internet [www.kpmg.ca](http://www.kpmg.ca)

British Columbia Securities Commission  
Alberta Securities Commission  
TSX Venture Exchange

Dear Sirs:

**Re: Chinook Tye Industry Limited**  
**Notice Pursuant to NI 51-102 - Change of Auditor**

We have read the Notice of Change of Auditor of Chinook Tye Industry Limited dated January 24, 2014 and we agree with the statements contained in such Notice.

Yours very truly

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants  
January 27, 2014  
London, Ontario

## SCHEDULE "C"

### SHARE ALTERATION RESOLUTION

#### "BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the Corporation be and is hereby authorized to consolidate all of its issued Class A Voting Shares without par value ("**Shares**") on the basis of one-thousand (1,000) pre-consolidation Shares being consolidated into one (1) Share;
2. following such consolidation, holders of less than one Share shall not be entitled to receive a fractional Share, but in lieu of any such fractional share shall be entitled to receive a cash payment equal to that number of pre-consolidation Shares which would otherwise result in the fractional share multiplied by an amount equal to the average weighted trading price of the Shares for the ten trading days preceding the effective date of the consolidation. Such payment is to be made on presentation and surrender to the Corporation for cancellation of the certificate or certificates representing the issued and outstanding Shares, as applicable;
3. any certificate representing less than 1,000 Shares prior to the consolidation, which has not been surrendered, with all other required documentation, on or prior to the sixth anniversary of the Consolidation Effective Date, will cease to represent a claim or interest of any kind or nature against the Corporation or the Corporation's registrar and transfer agent, Computershare Investor Services Inc.;
4. immediately following the consolidation, the issued shares of the Corporation be altered by subdividing all of the Shares, so that each of the issued and outstanding Shares (excluding any fractional shares, which will be cancelled pursuant to paragraph 3 above) shall be changed into one-thousand (1,000) Shares;
5. any director or officer of the Corporation be and is hereby authorized and directed on behalf of the Corporation to sign and deliver all documents and to do all things necessary and advisable in connection with the foregoing; and
6. notwithstanding the approval of the proposal this Special Resolution, the directors of the Corporation be and they are hereby authorized without further approval of the Shareholders to not proceed with the consolidation or to revoke the resolution consolidating the issued share capital of the Corporation before it is acted upon if the directors deem it would be in the best interests of the Corporation."

## **SCHEDULE "D"**

### **CAPITAL STOCK REDUCTION RESOLUTION**

**“BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. the capital stock account of the Corporation be reduced by approximately \$25,521,047 or such lesser amount as may be determined by the board of directors to reflect the capital that is lost or unrepresented by available assets;
2. any director or officer of the Corporation be and is hereby authorized and directed on behalf of the Corporation to sign and deliver all documents and to do all things necessary and advisable in connection with the foregoing; and
3. notwithstanding the approval of this Special Resolution, the Corporation be authorized to revoke this special resolution and abandon or terminate the alteration of the Articles if the Board deems it appropriate and in the best interests of the Corporation to do so without further confirmation, ratification or approval of the shareholders.”

## **SCHEDULE "E"**

### **CHANGE OF BUSINESS RESOLUTION**

**“BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:**

1. the Corporation complete a change of business in order to gain a listing on the TSX Venture Exchange as an "investment issuer";
2. any director or officer of the Corporation be and is hereby authorized and directed on behalf of the Corporation to sign and deliver all documents and to do all things necessary and advisable in connection with the foregoing; and
3. notwithstanding the approval of this Ordinary Resolution, the Corporation be authorized to revoke this special resolution and abandon or terminate the alteration of the Articles if the Board deems it appropriate and in the best interests of the Corporation to do so without further confirmation, ratification or approval of the shareholders.”