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

September 24, 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 24th day of September, 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 Industy 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-Registerd 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 benefical 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

MANAGEMENT INFORMATION CIRCULAR

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:

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

Market for Securities

The Shares currently trade on the NEX board TSXV under the symbol "XCX.H". On September 23, 2014, the last trading day before the date of this Circular as amended, the closing price for the Shares was $0.405.

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 were 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, as amended, is given as at September 24, 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 3,472,745 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:

Name and Municipality of Residence	Director Since	Number of Shares	Principal Occupation Within the Preceding Five Years
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.
- 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 ($)	Non-equity Incentive Plan Compensation: Annual Incentive Plan ($)	Non-equity Incentive Plan Compensation: Long-term Incentive Plan ($)	Pension Value ($)	All Other Compensation ($)	Total Compensation ($)
Tom Kusumoto[(1)] Chief Executive Officer	2013 2012 2011	Nil Nil N/A	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	Nil Nil N/A	Nil Nil N/A
Fausto Levy[(2)] Chief Executive Officer	2013 2012 2011	N/A Nil 280,419	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	N/A 180,000[(3)] 100,000	N/A 180,000 380,419
Christine McPhie Chief Financial Officer	2013 2012 2011	Nil Nil N/A	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	48,135[(4)] 14,500[(4)] N/A	48,135 14,500 N/A
Ross Corcoran[(2)] Chief Financial Officer	2013 2012 2011	N/A Nil 148,373	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	N/A N/A N/A	N/A Nil 15,000	N/A Nil 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 (S)	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 3,472,745 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 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 depositary. 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 Tyee 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 years ended December 31, 2013, December 31, 2012 and December 31, 2011 and the unaudited financial statements for the Corporation's second quarter ended June 30, 2014 and June 30, 2013 are included at Schedule "F" to this circular.

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. Financial 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

Objectives	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.
Investment Sector	Middle-to-small market European and North American private and publicly listed companies.
Investment Types	Equity and debt and any other investment structures or instruments that could be acquired or created.
Investment Size	Unlimited.
Investment Timeline	Not limited.
Composition of Portfolio Holdings	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
Monitoring of Portfolio Holdings	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.
Procedures and Implementation	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.
Conflicts of Interest	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.
Amendment of Investment Policy	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:

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

Description of Current Investments

In September 2013, 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 Tyee (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 Tyee (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, they have appreciated since that time, due to an increase in the amount of the funds advanced, accrued interest and foreign exchange fluctuations, 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	**Chinook Tyee Industry Limited** (TSXV); Chairman, President, CEO and Director; December 2012 – present **North Group Finance Limited** (TSXV); President, Corporate Secretary and Director; June 2001 – present **Pacific Northwest Partners Limited** (TSXV); President and Director; Oct 2003 – July 2006 Wavefire.com (TSXV); Director 2002 – August 2005 **Black Mountain Capital Corporation** (TSXV & OTC.BB); President and Director August 1998 – July 2006
Alex Blodgett, 56	**Chinook Tyee Industry Limited** (TSXV); Director; August 2013 – present **North Group Finance Limited** (TSXV); Director; June 2001 – August 2013 **Enablence Technologies Inc.** (TSXV); Director; July 2003 – February 2007 **Winchester Minerals and Gold Exploration Ltd.** (TSXV) ; Director; December 1999 – October 2010
Gregory MacRae, 61	**Chinook Tyee Industry Limited** (TSXV); Secretary & Director; August 2013 – present **North Group Finance Limited** (TSX-V); Director; June 2002 – August 2013 **Guyana Frontier Mining Corp.** (TSXV); Director; September 2007 – March 2010 **LML Payment Systems Inc.** (NASDAQ); Director; February 1998 – January 2013 **Pacific Northwest Partners Limited** (TSXV); Director; October 2003- July 2004 **Starfire Minerals Inc.** (TSXV); Director; April 2005 – November 2012 **Golden Dawn Minerals Inc.** (BC); Director; August 2005 – April 2006
Kenneth MacLeod, 63	**Chinook Tyee Industry Limited** (TSXV); Director; December 2012 – present **Sonoro Metals Corp.** (TSXV); President, CEO and Director; April 2014 – present **Zuri Capital Corp.** (TSXV); Director; May 2011 – present **Taku Gold Corp.** (TSXV); Director; August 2010 – August 2012 **Western GeoPower Corp.** (TSXV) President, CEO and Director; December 2001 – September 2009 **Kakanda Development Corp.** (TSXV); Director; December 2001 – February 2008

Name and Age	Positions at other Public Companies
Christine McPhie, 52	**Chinook Tyee Industry Limited** (TSXV); Corporate Secretary and CFO; December 2012 – present **North Group Finance Limited** (TSXV); CFO; March 2010 – present

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 Amercia 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. 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.

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 24th day of September, 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

Tom Kusumoto
President and Director

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

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

DMCL

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

January 28, 2014

British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
9TH 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 – 5th Street S.W.
Calgary, Alberta T2P 0R4

Dear Sirs:

Re: Chinook Tyee 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,

DMCL

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

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

British Columbia Securities Commission
Alberta Securities Commission
TSX Venture Exchange

Dear Sirs:

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

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

Yours very truly

KPMG LLP

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.”

SCHEDULE "F"

[See attached:
Audited Financial Statements for the years ended December 31, 2013, December 31, 2012 and December 31, 2011;
and
Unaudited Interim Financial Statements for the six month periods ended June 30, 2014 and 2013]

CHINOOK TYEE INDUSTRY LIMITED
(formerly Global Railway Industries Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013

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1500 – 1140 W. Pender Street
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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
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WWW.DMCL.CA

DMCL

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

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Chinook Tyee Industry Ltd.

We have audited the accompanying consolidated financial statements of Chinook Tyee Industry Ltd. (formerly Global Railway Industries Ltd.), which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statement of comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Chinook Tyee Industry Ltd. as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter
The consolidated financial statements of Chinook Tyee Industry Ltd. for the year ended December 31, 2012, were audited by another auditor who expressed an unmodified opinion on those statements on March 11, 2013.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 29, 2014

CHINOOK TYEE INDUSTRY LIMITED
(formerly Global Railway Industries Ltd.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013
(Expressed in Canadian Dollars)

	Notes	2013	2012
ASSETS			
Current assets			
Cash		$ 396,931	$ 650,969
Short-term deposits		2,003,390	3,527,048
Accounts receivable and prepaid expenses	5	24,101	41,559
Loans receivable	6	650,619	
		3,075,041	4,219,576
Prepaid expenses	5	61,463	-
Loans receivable	6	744,069	-
Total assets		$ 3,880,573	$ 4,219,576
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	8	$ 241,811	$ 72,026
Loan payable	9	226,866	-
Provision payable	12	-	254,985
Total liabilities		468,677	327,011
Equity			
Share capital	10	26,071,953	26,387,766
Share based payment reserve		2,744,438	2,744,438
Foreign currency reserves		(8,486)	-
Deficit		(25,577,421)	(25,239,639)
Equity attributable to owners		3,230,484	3,892,565
Non-controlling interest		181,412	-
Total equity		3,411,896	3,892,565
Total liabilities and equity		$ 3,880,573	$ 4,219,576

On behalf of the Board:

/s/ Tom Kusumoto Director /s/ Kenneth MacLeod Director

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

CHINOOK TYEE INDUSTRY LIMITED
(formerly Global Railway Industries Ltd.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31,
(Expressed in Canadian Dollars)

	Notes	2013	2012
Revenue			
Interest		$ 52,956	$ 74,458
Consulting		16,046	-
		69,002	74,458
EXPENSES			
Directors' fees		49,000	73,894
General and administrative costs	11	590,472	460,407
Interest		2,858	-
Regulatory fees and shareholder communication		40,853	67,552
		683,183	601,853
Loss before other items and income taxes		(614,181)	(527,395)
Foreign exchange gain		39,915	-
Other items	12	254,985	(200,000)
Loss before income taxes		(319,281)	(727,395)
Income tax recovery	16	-	20,939
Loss for the year		(319,281)	(706,456)
Other comprehensive loss			
Foreign currency translation differences on foreign operations		(22,679)	-
Comprehensive loss for the year		$ (341,960)	$ (706,456)
Loss for the year attributable to :			
Owners		$ (337,782)	$ (706,456)
Non-controlling interest		18,501	-
Loss for the year		$ (319,281)	$ (706,456)
Comprehensive loss for the year attributable to:			
Owners		$ (346,267)	$ (706,456)
Non-controlling interest		4,307	-
Comprehensive loss for the year attributable to:		$ (341,960)	$ (706,456)
Weighted average number of common shares outstanding		3,526,348	3,816,016
Loss per common share attributable to owners, basic and diluted		$ (0.10)	$ (0.19)

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

CHINOOK TYEE INDUSTRY LIMITED
(formerly Global Railway Industries Ltd.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31,
(Expressed in Canadian Dollars)

	Equity attributable to owners							
	Number of common shares issued	Share capital	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total equity atrributable to owners	Non-controlling interest	Total equity
Balance, January 1, 2012	3,816,016	$ 26,387,766	$ 2,744,438	$ -	$ (18,427,557)	$ 10,704,647	$ -	$ 10,704,647
Loss for the year	-	-	-	-	(706,456)	(706,456)	-	(706,456)
Dividends paid (note 10)	-	-	-	-	(6,105,626)	(6,105,626)	-	(6,105,626)
Balance, December 31, 2012	3,816,016	26,387,766	2,744,438	-	(25,239,639)	3,892,565	-	3,892,565
Loss for the year	-	-	-	-	(337,782)	(337,782)	18,501	(319,281)
Share repurchase (note 10)	(343,275)	(315,813)	-	-	-	(315,813)	-	(315,813)
Foreign currency translation	-	-	-	(8,486)	-	(8,486)	(14,193)	(22,679)
Foreign currency translation re:	-	-	-	-	-	-	(18,683)	(18,683)
non-controlling interest on acquisition								
of subsidiary				-				
Purchase of subsidiary (note 4)	-	-	-	-	-	-	195,787	195,787
Balance, December 31, 2013	3,472,741	$ 26,071,953	$ 2,744,438	$ (8,486)	$ (25,577,421)	$ 3,230,484	$ 181,412	$ 3,411,896

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

CHINOOK TYEE INDUSTRY LIMITED
(formerly Global Railway Industries Ltd.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,
(Expressed in Canadian Dollars)

	Notes		2013		2012
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Loss for the year		$	(319,281)	$	(706,456)
Items not affecting cash:					
Income tax recovery			-		(20,939)
Foreign exchange			(39,915)		-
Accrued interest on short-term deposits			(21,837)		(74,458)
Interest capitalized to loans			17,711		-
			(363,322)		(801,853)
Changes in non-cash working capital items					
Receivables and prepaids			(44,005)		180,383
Escrow receivables			-		4,167,084
Accounts payable and accrued liabilities			169,785		(151,543)
Provisions	12		(254,985)		(252,389)
			(492,527)		3,141,682
INVESTING ACTIVITIES					
Interest received			31,119		76,588
Proceeds from sale of short-term investments			5,311,935		4,282,905
Purchase of short-term investments			(3,800,000)		(5,029,882)
Purchase of equity accounted investments			(529,000)		-
Cash acquired on purchase of subsidiary			28,606		-
Loans receivable			(451,084)		-
			591,576		(670,389)
FINANCING ACTIVITIES					
Dividends paid			-		(6,105,626)
Repurchase and cancellation of share capital	10		(315,813)		-
			(315,813)		(6,105,626)
Effect of foreign exchange on cash			(37,274)		-
Change in cash during the year			(254,038)		(3,634,333)
Cash, beginning of the year			650,969		4,285,302
Cash, end of the year		$	396,931	$	650,969
Supplemental disclosure with respect to cash flows:					
Cash received during the year for interest		$	31,119	$	74,458
Cash paid during the year for interest		$	2,858	$	-

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

1. NATURE OF OPERATIONS

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

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

On January 31, 2013, at a special meeting of the Company's shareholders, the shareholders passed special resolutions to revoke the Certificate of Intent to Dissolve issued to the Company by the Registrar of Corporations of Alberta on October 14, 2011 and to continue the Company from the jurisdiction of Alberta to the jurisdiction of British Columbia. The Company was continued to the jurisdiction of British Columbia on April 16, 2014.

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

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared on an accrual basis in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and with the accounting policies and selected annual disclosures disclosed in note 3.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The Company consolidates subsidiaries over which it has control, where control is the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for investments in associates and jointly controlled entities that are accounted for using the equity method and certain financial instruments and investments which are measured at fair value.

Foreign currency translation

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

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

Basis of preparation

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

<u>Transactions and balances:</u>

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income in the statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

<u>Foreign operations:</u>

The financial results of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at the reporting date;
- equity is translated at historical rates; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of the financial statements of foreign operations from the functional currency to the presentation currency are adjusted directly to the Company's foreign currency translation reserve in the statement of comprehensive loss. These differences are recognized in the profit or loss and reversed from the foreign currency translation reserve in the period in which the operation is disposed of.

Use of estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period and contingent assets and liabilities. Significant estimates include the fair value measurements and assumptions relating to financial instruments, cost and purchase allocations to projects and investments, determining components of cost and changes in equity accounted investments, foreign exchange, accruals, related party and non-monetary transactions, current and deferred income taxes and the recoverability of receivables and loans receivable.

The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Actual results could significantly differ from those estimates.

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

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include the assessment of the Company's influence in associates, determination of the nature of joint arrangements, and determination of functional currency.

Cash

Cash consists of cash on hand.

Short-term deposits

Short-term deposits consist of highly liquid, interest bearing investments with maturities at purchase date of greater than three months.

Financial Instruments

Financial assets and liabilities are classified into one of six categories: designated as fair value through profit and loss ("FVTPL"), held-to-maturity, loans and receivables, available-for-sale ("AFS") financial assets or financial liabilities at amortized cost. All financial instruments, including derivatives, are measured at the statement of financial position date at fair value except for loans and receivables, held-to-maturity investments and financial liabilities, which are measured at amortized cost.

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

Cash and short-term investments are classified as held-for-trading and measured at face value, representing fair value. Accounts receivable are classified as receivables and measured at amortized cost. Trade and other payables, which are measured at amortized cost are classified as other financial liabilities.

Equity accounted investments

Equity accounted investments are those entities in which the Company has significant influence, but does not have legal or other rights to exercise control over the financial and operating policies of the investees. Significant influence is presumed to exist when the company holds between 20 percent and 50 percent of the voting power of another entity. Jointly controlled entities are those over which the company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions.

Investments in associates and jointly controlled entities are accounted for by the equity method, whereby the original cost of the investment is adjusted for the Company's share of earnings or losses less dividends since significant influence was acquired. When net accumulated losses from an equity accounted investment exceed its carrying amount, the investment balance is reduced to $nil and additional losses are not provided for unless the Company is committed to provide other financial support to the investee. The Company resumes accounting for its portion of income (loss) of the investment when the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended.

The Company determines at each reporting date whether there is objective evidence that the investments in associates are impaired. The financial statements of associates are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies of associates in line with those of the Company.

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

Revenue recognition

Income or loss from equity accounted investments is reflected in the statements of comprehensive income (loss) each reporting period. Dividend income is recorded on the dividend date in the statements of comprehensive income (loss). Dividends received from equity accounted investments are recorded as a reduction of the carrying value of the equity accounted investment. Interest income and other income are recorded on an accrual basis.

Fees for services are recognized when the service is performed providing there is reasonable expectation of collection.

Income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax is recognized in profit and loss except to the extent that it relates to items recognized directly in equity or in reserves as part of shareholders' equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the asset can be realized.

Deferred income tax assets and deferred income tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing net income (loss) attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the reporting period.

Diluted earnings (loss) per share is determined by dividing the net income (loss) attributable to the equity owners of the Company by the weighted average number of common shares outstanding, adjusted for the dilutive effect of all potential common shares issuances upon exercise of options, warrants and similar instruments. For the periods presented the Company had no dilutive instruments.

New standards and interpretations

IFRS 10 – *Consolidated Financial Statements* - replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial Statements, and Standing Interpretations Committee (SIC)-12, Consolidation - Special Purpose Entities. IFRS 10 defines the principle of control, establishes control as the basis for determining when entities are to be consolidated and provides guidance on how to apply the principle of control to identify whether an investor controls an investee. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The Company adopted IFRS 10 effective January 1, 2013, assessed its consolidation conclusions and determined that the adoption of IFRS 10 did not result in any change in the current consolidation of subsidiaries.

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

New standards and interpretations (cont'd…)

IFRS 11 - ***Joint Arrangements*** – supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-monetary Contributions by Venturers. IFRS 11 establishes principles for financial reporting by parties to a joint arrangement and requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting, whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. The Company adopted IFRS 11 effective January 1, 2013, assessed its consolidation conclusions and determined that the adoption of IFRS 11 did not result in any change in the prior disclosures for the Company.

IFRS 12 - *Disclosure of Interests in Other Entities* - establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard carries forward existing disclosures and introduces significant additional disclosure that address the nature of, and risks associated with, an entity's interests in other entities. The Company adopted IFRS 12 effective January 1, 2013. The Company assessed its disclosure on January 1, 2013 and determined that the adoption of IFRS 12 did not result in any change in the disclosures for the Company.

IFRS 13 - *Fair Value Measurement* - provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

IAS 1 - ***Presentation of Items of Other Comprehensive Income*** **-** The Company has adopted the amendments to IAS 1 effective January 1, 2013. These amendments required the Company to group other comprehensive loss items by those that will be reclassified subsequently to net loss and those that will not be reclassified. These changes did not result in any adjustments to other comprehensive loss or comprehensive loss. All items in other comprehensive income are expected to reverse through income when the item is realized or disposed of.

Accounting standards issued or amended, but not yet effective

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") issued the following standards that have not been applied in preparing these consolidated financial statements as their effective dates fall within annual periods beginning subsequent to the current reporting period.

The Company is currently assessing the impact that the new and amended standards will have on its consolidated financial statements.

IFRIC 21 – *Levies* – provides guidance on accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to paying a levy and when a liability should be recognized. IFRIC 21 is effective for annual periods commencing January 1, 2014.

IFRS 9 - *Financial instruments: classification and measurement* – this is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value with changes in fair value through profit and loss. In addition, this new standard has been updated to include guidance on financial liabilities and de-recognition of financial instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

(Expressed in Canadian Dollars)

4. ACQUISITION OF 54% OWNED SUBSIDIARY

On September 18, 2013, the Company acquired 54% of the issued and outstanding shares of BTBL from North Group Finance Limited ("North Group"). The acquisition is considered to be an investment in a subsidiary and not a business combination as BTBL is a holding company whose only investment is participation in loans and investments through related entities including a jointly controlled entity, ultimately in a German publicly traded Company, Xanthus PLC, whose shares trade on the Frankfurt Exchange.

Through a series of entities and security instruments, the investment is held and secured directly and/or indirectly by shares of Xanthus PLC and pledges of third party loan assets of Xanthus PLC (note 7).

The acquisition has been recorded as follows:

Cash purchase price	$	529,000
Less: intercompany advance receivable		(243,432)
Net assets acquired	$	285,568
Fair value of net assets acquired	$	481,355
Less: non-controlling interest		(195,787)
Net value assigned to the purchased equity	$	285,568

BTBL's earnings (losses) have been included from the acquisition date.

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

		2013		2012
Canadian sales tax receivable	$	-	$	28,059
VAT receivable		180		-
Interest receivable		3,812		-
Prepaid expenses		81,572		13,500
		85,564		41,559
Less non-current prepaid expenses		(61,463)		-
Current accounts receivable and prepaid expenses	$	24,101	$	41,559

6. LOANS RECEIVABLE

		2013		2012
(a) Xanthus Spec 1 Limited (EUR 48,650)	$	71,623	$	-
(b) DYVA (EUR 393,286)		578,996		
(c) Asiamerica (EUR 505,413)		744,069		-
		1,394,688		-
Less: current loans receivable		(650,619)		-
Total loans receivable	$	744,069	$	-

(Expressed in Canadian Dollars)

6. LOANS RECEIVABLE (cont'd…)

(a) During the year ended December 31, 2013, BTBE provided a loan to Xanthus Spec 1 Limited (note 7) for EUR 150,000. The loan bears interest at 8% capitalized quarterly, principal due January 14, 2014 and is secured by a pledge of 44,000 shares of UDG United Digital Group GmbH. Subsequent to year end, the maturity date of the loan was extended to January 14, 2016.

(b) Chinook Swiss provided a loan in the form of a revolving credit line to DYVA (note 7) to a maximum amount of EUR 700,000. The loan has been granted for an unlimited period, but the lender can terminate with three months notice. The loan bears interest at 8.5% capitalized quarterly and is secured by an assignment of 10,940,242 shares of Xanthus PLC (Frankfurt Stock Exchange Symbol: XNH).

(c) BTBE provided an unsecured loan to Asiamerica (note 7) bearing interest at 2% per annum capitalized quarterly and due December 1, 2017.

7. EQUITY ACCOUNTED INVESTMENTS HELD BY SUBSIDIARY

Xanthus Group

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

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

BTBL, through its 100% owned subsidiary, BTBE, owns 50% of jointly controlled Asiamerica, Asiamerica holds a 50% interest in DYVA and DYVA owns 55% of Xanthus PLC. The Company has recorded an equity income of $nil for the year ended December 31, 2013, as the attributable losses to date exceed the carrying amount of the investment in Asiamerica.

The non-controlling shareholder in BTBL holds an equal shareholding in Asiamerica and participated equally in the mezzanine loan financing of the jointly-controlled investee company (note 6).

8. TRADE AND OTHER PAYABLES

	2013	2012
Trade payables (note 13)	$ 174,220	$ 6,869
Accrued liabilities	67,591	65,157
	$ 241,811	$ 72,026

9. LOAN PAYABLE

	2013	2012
BTBL loan from BTBL's non-controlling shareholder, unsecured and bearing no interest, 154,100 Euro	$ 226,866	$ -

(Expressed in Canadian Dollars)

10. CAPITAL AND OTHER COMPONENTS OF EQUITY

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

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

On August 8, 2013, at an annual general and special meeting of the Company's shareholders, the shareholders passed a resolution to consolidate all of the Company's issued Class A Voting Common Shares on the basis of four (4) pre-consolidation Common Shares being consolidated into one (1) Common Share. For presentation purposes comparative share amounts have been restated retrospectively.

Share Options

There were no share options outstanding as at December 31, 2013 and December 31, 2012.

Share-based payment reserve

Share-based payment reserve is increased by the compensation expense recorded for share options granted to key management of the Company and is reduced for options exercised by the related compensation expense previously recognized.

Dividends

On May 14, 2012, the Company paid a dividend of $0.40 per qualifying common share for a total of $6,105,626.

11. GENERAL AND ADMINISTRATIVE COSTS

		2013		2012
Office and supplies	$	81,591	$	31,749
Professional fees		384,468		357,383
Rent and insurance		61,493		71,275
Salaries and benefits		62,920		-
	$	590,472	$	460,407

(Expressed in Canadian Dollars)

12. OTHER ITEMS

	2013	2012
Provisions (reversal)	$ (254,985)	$ 200,000

The Company made a provision of $254,985 for a tax refund payment received by a former subsidiary in a prior year. During the year ended December 31, 2013, the provision was reversed as the liability obligation and an indemnity agreement related to the provision had expired.

On October 30, 2012, the Company signed a settlement and release agreement relating to the 2011 sale of a subsidiary to release $450,000 held in escrow to the buyer and the remaining escrow balance, including any earned interest, to the Company. The buyer has released the Company from all claims and any further claims of any nature against the Company under the share purchase agreement. Charges to the provision of $200,000 in 2012 were recorded to other items in the consolidated statements of comprehensive loss.

13. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2013 and December 31, 2012, the Company entered into the following related party transactions:

(a) Paid or accrued directors fees of $49,000 (2012 - $73,894) to non-executive directors of the Company.

(b) Paid or accrued consulting fees of $48,135 (2012 – $Nil) to the Chief Financial Officer of the Company.

(c) Paid $60,750 (2012 - $180,000) for management services provided by a company owned by the Company's former acting President and former Chief Executive Officer. The management service contract was cancelled during the year.

(d) Purchased a controlling interest in BTBL through the acquisition of equity and debt for $529,000 from North Group (note 4).

(e) As of December 31, 2013, North Group and its subsidiary owned 1,349,950 common shares of the Company representing approximately 39% of the shares issued and outstanding.

(f) Included in accounts payable at December 31, 2013 is $144,447 payable to North Group. The payable was repaid in January 2014.

14. CAPITAL MANAGEMENT

The Company’s capital is comprised of shareholders’ equity less reserves and liabilities. Cash, short-term investments, loans receivable and equity-accounted investments are managed for liquidity and operational requirements in conjunction with budgeted or expected capital needs. The Company’s objective when managing capital is to maintain its ability to retain sufficient liquidity to make investments as opportunities arise and to continue to meet ongoing expenditure and operational needs.

(Expressed in Canadian Dollars)

14. CAPITAL MANAGEMENT (cont'd…)

The Company manages the capital structure and makes adjustments to its capital management strategies when economic conditions or risk characteristics of its capital change. To maintain or adjust the capital structure, the Company may consider the issuance of shares, acquire or dispose of assets or adjust the amount of cash or short-term investments held.

Currently, the Company's strategy is to monitor economic conditions and capital markets and to allocate operating capital for investment opportunities arising from market conditions.

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

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

15. FINANCIAL INSTRUMENTS

Fair value

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

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

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

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

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

The Company's financial assets are measured at fair value by level within the fair value hierarchy as of December 31, 2013 as follows:

	Balance	Level 1	Level 2	Level 3
Cash	$ 396,931	$ 396,931	$ -	$ -
Short-term deposits	$ 2,003,390	$ 2,003,390	$ -	$ -
Receivables and prepaids	$ 85,564	$ -	$ -	$ 85,564
Loans receivable	$ 1,394,688	$ -	$ -	$ 1,394,688
Trade and other payables	$ 241,811	$ -	$ -	$ 241,811
Loan payable	$ 226,866	$ -	$ -	$ 226,866

The Company is exposed in varying degrees to financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of investment policies, counterparty credit limits and liquidity concerns. The more significant risk exposure and the way in which such exposure is managed are provided below.

15. FINANCIAL INSTRUMENTS (cont'd…)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and short-term deposits held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

Currency risk

The Company holds cash in Canadian, Euro, Swiss Francs and US currencies and makes investments in foreign companies, equities and financial instruments. Accordingly, there is risk of losses from volatility in foreign currency fluctuations.

The Company's 54% interest in BTBL is subject to foreign currency risk, which may adversely affect the Company's financial position, results of operations and cash flows. The following table summarizes the geographical distribution of the Company's financial instruments in Canadian dollars at December 31, 2013:

	US Dollar	Euro	Swiss Franc	CDN Dollar
Cash, short-term deposits and accounts receivable	0%	8%	0%	92%
Loans receivable	0%	100%	0%	0%
Trade and other payables	0%	60%	3%	37%
Loan payable	0%	100%	0%	0%

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of its investment in money market funds included in cash is limited as the money market funds may be redeemed at any time without penalty. The Company's loans receivable have fixed interest rates and are not affected by changes in interest rates and the Company's loan payable bears no interest and is not affected by changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet financial obligations as they fall due. The Company manages liquidity risk through management of its capital structure as outlined in note 14.

(Expressed in Canadian Dollars)

16. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying a combined federal and provincial income tax rate of 25.75% (2012 – 26.5%) to income before taxes as follows:

	2013	2012
Loss before income taxes	$ (319,281)	$ (727,395)
Expected income tax recovery	$ (82,215)	$ (192,760)
Impact of acquisition of subsidiaries	(332,825)	-
Change in valuation allowance	414,901	215,105
Impact of tax rate changes and differences	18,277	10,909
Impact of foreign exchange rates	(18,639)	-
Other items	501	(54,193)
	$ -	$ (20,939)

The significant components of the Company's deferred income tax assets and liabilities are as follows:

	2013	2012
Capital loss carry-forwards	$ 1,207,690	$ 1,161,240
Non-capital loss carry-forwards	938,207	596,334
Marketable securities and long-term investments	20,908	-
Other	9,499	3,829
Net deferred tax assets	2,176,304	1,761,403
Less: valuation allowance	(2,176,304)	(1,761,403)
	$ -	$ -

The Company has non-capital tax losses carried forward approximating $2,200,000 in Canada, expiring from 2026 through 2033 and indefinite life non-capital losses carried forward in Germany approximating EUR 734,000 that can potentially be used to reduce future taxable income.

The Company has gross capital losses approximating $9,300,000 available for deduction against future capital gains that if not utilized will carry forward indefinitely.

Deferred tax assets have not been recognized because management believes it is not sufficiently probable that future taxable profits will be available against which the Company can utilize the benefits.

(Expressed in Canadian Dollars)

17. SEGMENTED INFORMATION

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

2013	Canada	Germany	Switzerland	Total
Interest revenue	$ 39,318	$ 5,978	$ 7,660	$ 52,956
Consulting	-	16,046	-	16,046
	$ 39,318	$ 22,024	$ 7,660	$ 69,002
Segmented loss before other items and income taxes	$ (597,666)	$ (16,125)	$ (390)	$ (614,181)
Foreign exchange gain	39,915	-	-	39,915
Provision recovery	254,985	-	-	254,985
Net loss for the year	$ (302,766)	$ (16,125)	$ (390)	$ (319,281)
Net loss for the year attributable to:				
Owners	$ (302,766)	$ -	$ (390)	$ (303,156)
Non-controlling interest	(8,707)	(7,418)	-	(16,125)
Net loss for the year	$ (311,473)	$ (7,418)	$ (390)	$ (319,281)
Total assets	$ 2,439,190	$ 834,436	$ 606,947	$ 3,880,573
Total liabilities	$ 440,331	$ 19,987	$ 8,359	$ 468,677

GLOBAL RAILWAY INDUSTRIES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012 and 2011

KPMG LLP
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Suite 1400
London, ON
N6A 5P2

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Global Railway Industries Ltd.

We have audited the accompanying consolidated financial statements of Global Railway Industries Ltd., which comprise the consolidated statements of financial position as at December 31, 2012, and December 31, 2011, the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Global Railway Industries Ltd. as at as at December 31, 2012 and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards**.**

KPMG LLP

Chartered Accountants, Licensed Public Accountants

March 11, 2013
London, Canada

GLOBAL RAILWAY INDUSTRIES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND DECEMBER 31, 2011
(Expressed in Canadian Dollars)

	Notes	2012	2011
ASSETS			
Current assets			
Cash		$ 650,969	$ 4,285,302
Short-term investments		3,527,048	2,782,201
Receivables	4	28,059	208,442
Escrow receivables	5	-	4,167,084
Prepaid expenses		13,500	13,500
		$ 4,219,576	$ 11,456,529
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	6	$ 72,026	$ 223,569
Income taxes payable		254,985	278,313
Provisions	7	-	250,000
		327,011	751,882
Equity			
Share capital	8	26,387,766	26,387,766
Contributed surplus		2,744,438	2,744,438
Deficit		(25,239,639)	(18,427,557)
		3,892,565	10,704,647
		$ 4,219,576	$ 11,456,529

Subsequent events (Note 18)

On behalf of the Board:

"Tom Kusumoto" Director *"Ken MacLeod"* Director

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

GLOBAL RAILWAY INDUSTRIES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011
(Expressed in Canadian Dollars)

	Notes	2012	2011
Sales	9	$ -	$ 30,907,423
Cost of goods sold	7	200,000	28,469,236
Gross profit (loss)		(200,000)	2,438,187
Operating Expenses			
General and administrative expenses	10	598,795	4,072,893
Selling expenses	10	-	462,412
		598,795	4,535,305
Loss before sale of subsidiary		(798,795)	(2,097,118)
Loss on sale of subsidiary	5	-	(12,141,113)
Loss from operating activities		(798,795)	(14,238,231)
Finance income	11	74,458	287,329
Finance costs	11	(3,058)	(237,556)
		71,400	49,773
Loss before income taxes		(727,395)	(14,188,458)
Income tax expense (recovery)	15		
Current		(20,939)	4,328
Deferred		-	125,068
		(20,939)	129,396
Loss and comprehensive loss for the year		$ (706,456)	$ (14,317,854)
Loss per common share, basic and diluted		$ (0.05)	$ (0.94)
Weighted average number of common shares outstanding		15,264,065	15,253,371

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

GLOBAL RAILWAY INDUSTRIES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011
(Expressed in Canadian Dollars)

	Number of Common Shares Issued	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance at January 1, 2011	15,252,399	$ 26,374,781	$ 2,746,742	$ 11,154,362	$ 40,275,885
Loss for the year	-	-	-	(14,317,854)	(14,317,854)
Share-based payment	-	-	2,281	-	2,281
Options exercised	11,666	12,985	(4,585)	-	8,400
Dividend paid (Note 8)	-	-	-	(15,264,065)	(15,264,065)
Balance at December 31, 2011	15,264,065	$ 26,387,766	$ 2,744,438	$ (18,427,557)	$ 10,704,647
Balance at January 1, 2012	15,264,065	$ 26,387,766	$ 2,744,438	$ (18,427,557)	$ 10,704,647
Loss for the year	-	-	-	(706,456)	(706,456)
Dividends paid (Note 8)	-	-	-	(6,105,626)	(6,105,626)
Balance at December 31, 2012	15,264,065	$ 26,387,766	$ 2,744,438	$ (25,239,639)	$ 3,892,565

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

GLOBAL RAILWAY INDUSTRIES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011
(Expressed in Canadian Dollars)

	Notes	2012	2011
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Loss for the year		$ (706,456)	$ (14,317,854)
Items not affecting cash:			
Loss on sale of subsidiary	5	-	12,141,113
Income tax expense (recovery)		(20,939)	129,396
Share-based payment		-	2,281
Depreciation of plant and equipment		-	288,273
Variation of depreciation included in inventories		-	26,363
Net finance income	11	(71,400)	(49,773)
		(798,795)	(1,780,201)
Changes in non-cash working capital items			
Trade and other receivables		180,383	500,715
Escrow receivables		4,167,084	3,653,916
Inventories		-	362,031
Costs and estimated earnings on uncompleted contracts in excess of billing		-	(719,238)
Billings on uncompleted contracts in excess of costs and estimated earnings		-	336,665
Prepaid expenses		-	(155,732)
Trade and other payables		(151,543)	(1,479,524)
Provisions		(250,000)	(428,337)
Customer deposits		-	(783,515)
Interest paid		-	(44,644)
Income taxes paid		(2,389)	-
Net finance income		(91)	(1,628)
		3,144,649	(539,492)
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		-	(218,513)
Net proceeds from sale of subsidiaires		-	11,509,376
Proceeds from sale of short-term investments		4,282,905	16,500,000
Purchase of short-term investments		(5,029,882)	(13,000,000)
Interest received	11	76,588	210,571
		(670,389)	15,001,434
FINANCING ACTIVITIES			
Repayment of customer deposits		-	(283,016)
Proceeds from exercise of share options		-	8,400
Payment of bank fees	11	(2,967)	(31,248)
Dividends paid	8	(6,105,626)	(15,264,065)
		(6,108,593)	(15,569,929)
Change in cash during the year		(3,634,333)	(1,107,987)
Disposition of bank indebtedeness from sale of subsidiaries		-	35,547
Cash, beginning of the year		4,285,302	5,357,742
Cash, end of the year		$ 650,969	$ 4,285,302

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

1. NATURE OF OPERATIONS

Global Railway Industries Ltd. ("the Company") is a company domiciled in British Columbia, Canada, with its Registered Office located at 1000 - 925 West Georgia Street, Vancouver, BC V6C 3L2.

The Company designed, manufactured, remanufactured and marketed railway products, equipment, locomotives, and services to the railway industry prior to the sale of its last operating subsidiary, CAD Railway Industries Ltd. ("CADRI"), on September 23, 2011.

The Company was incorporated in the Province of Alberta and was listed under the symbol "GBI" on the Toronto Stock Exchange ("TSX") until its voluntary delisting from the TSX on November 3, 2011. The delisting from the TSX was made following the initial distribution to shareholders on November 2, 2011. The Company is now listed on the NEX, a separate board of the TSX Venture Exchange, under the ticker symbol "GBI.H" since November 4, 2011. The Company was no longer able to meet the TSX's listing requirements following the sale of CADRI.

On October 14, 2011, the Company filed a Certificate of Intent to Dissolve Global Railway Industries Ltd., under the *Alberta Business Corporations Act*, with the Alberta Registrar of Corporations.

On October 14, 2011, the Company filed a Certificate of Dissolution for a Nevada Profit Corporation for GBI Industries Inc., with the Corporation Service Company ("CSC").

On January 31, 2013, at a special meeting of the Company’s shareholders, the shareholders passed special resolutions to revoke the Certificate of Intent to Dissolve issued to the Company by the Registrar of Corporations of Alberta and to continue the Company from the jurisdiction of Alberta to the jurisdiction of British Columbia.

The Consolidated Financial Statements of the Company for the year ended December 31, 2012, which were prepared under International Financial Reporting Standards ("IFRS") are available on SEDAR.

2. BASIS OF PREPARATION

Statement of compliance

These Consolidated Financial Statements have been prepared in accordance with IFRS and with the accounting policies and selected annual disclosures disclosed in notes 2 and 3.

Presentation of the Consolidated Statements of Financial Position differentiates between current and non-current assets and liabilities. The Consolidated Statements of Comprehensive Loss are presented using the functional classification for expenses.

These Consolidated Financial Statements were approved by the Company's Board of Directors on March 11, 2013.

Basis of consolidation

The Consolidated Financial Statements include the accounts of Global Railway Industries Ltd. and its wholly-owned subsidiaries, CADRI and its wholly-owned subsidiary, CAD Railway Properties Inc. ("CRP"), which were sold on September 23, 2011 to 2290693 Ontario Inc. (“2290693”), GBI Industries, Inc., which was wound up on October 14, 2011 and 1703558 Ontario Inc. ("1703558"), which was wound up on September 21, 2011.

2. BASIS OF PREPARATION (cont'd…)

Basis of consolidation (cont'd…)

Control over a subsidiary exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

All intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the Consolidated Financial Statements.

Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis.

Functional and presentation currency

These Consolidated Financial Statements are presented in Canadian dollars, which is the Company's functional currency.

Use of estimates and judgments

The preparation of the Consolidated Financial Statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Judgment is used mainly in determining whether a balance or transaction should be recognized in the Consolidated Financial Statements. Management makes judgments that affect the application of accounting policies and interpretations of accounting standards. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. However, judgment and estimates are often interrelated.

The key judgments and estimates made in applying accounting policies that have the most significant effect on the amounts recognized in these Consolidated Financial Statements are as follows:

Provision for claims

Judgment is exercised in deciding whether a claim meets the criteria for an obligation and in assessing the probability of the outflow of economic resources. Provisions are made for warranty expenses based on past experience and Management's estimate of the timing of future payments and an appropriate discount rate.

Provision against receivables for claims

Management exercises judgment to determine if there are factors indicating an asset impairment. The Company makes estimates on the recoverability of receivable balances based on specific facts and circumstances, as well as past experience of write-offs. Changes in the economic conditions in which customers operate and their underlying financial stability impact Management's estimates in provisions against receivable balances.

Tax assets

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that in Management's judgment it is no longer considered probable that the related tax benefit will be realized.

3. SIGNIFICANT ACCOUNTING POLICIES

Short-term investments

Short-term investments consist of interest-bearing securities with maturities at purchase date of more than three months, but less than one year.

Employee benefits

Share-based option plan

The Company uses the fair value method for calculating share-based payment expense. Under this method, compensation expense attributable to share options granted to employees are measured at fair value at the grant date and expensed over the vesting period with a corresponding increase to contributed surplus. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met. Upon the exercise of the option, consideration received, together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

Termination benefits

Termination benefits are recognized as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more that twelve months after the reporting date then they are discounted to their present value.

Short-term employee benefits

Short-term employee benefits include wages, salaries, compensated absences and bonuses. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Revenue recognition

The Company ships goods to customers who have been identified as worthy of receiving credit and have provided the Company with a legally enforceable purchase commitment at a specific price as agreed to by the Company. Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. The Company recognizes revenue when persuasive evidence exists, usually in the form on an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing Management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably then the discount is recognized as a reduction of revenue as the sales are recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Revenues for engineering service contracts, production contracts and long-term remanufacturing contracts are recognized under the percentage of completion ("POC") method. Under the POC method, revenue is recognized based on the costs incurred to date as a percentage of the total estimated costs for each unit of production. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion then revisions to the estimates are made. These revisions may result in increases or decreases in estimated revenues or costs and such revisions are reflected in income in the period in which the circumstances that give rise to the revision become known to Management.

The Company charges any anticipated losses on contracts to earnings as soon as they are identified. The Company also provides for the estimated cost of product warranties at the time of revenue recognition.

Rental revenue is recognized in profit or loss on a straight-line basis over the term of the lease.

Income taxes

Income tax expense comprises current and deferred tax, which is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantially enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for goodwill as it is not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable income (loss); and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date to account for changes in tax rates.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Loss per common share

Basic loss per common share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per common share is computed similar to basic loss per common share except that losses attributable to shareholders and the weighted average shares outstanding are adjusted for the effects of all dilutive potential shares, which comprise any outstanding share options granted.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign currency

Transactions originating in foreign currencies are translated into Canadian dollars at the foreign exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated to Canadian dollars at the foreign exchange rate at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates at the dates the fair value was determined. Foreign exchange gains and losses arising from such transactions are recognized in profit or loss within net finance costs.

Financial assets and financial liabilities

Financial instruments are classified into one of the following five categories: financial assets or liabilities at fair value through profit and loss, held-to-maturity financial assets, loans and receivables, available-for-sale financial assets and other liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other liabilities, which are measured at amortized cost. Subsequent measurement of changes in fair value depend on the initial classification, as follows: financial assets and liabilities at fair value through profit and loss are measured at fair value and changes in fair value are recognized in profit or loss; available-for-sale assets are measured at fair value with changes in fair value recorded in other comprehensive income (loss) until the investment is derecognized or impaired at which time the amounts would be recorded in profit or loss.

Loans and receivables

Loans and receivables are defined as financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables include cash, short-term investments and receivables, which are recognized on the date that the receivables originated.

All financial assets are classified as loans and receivables, which are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method less any impairment losses.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction which substantially transfers all the risks and rewards of ownership of the financial asset.

Other liabilities

Trade and other payables are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument and are classified as other liabilities, which are measured at amortized cost.

Financial assets and liabilities are offset and the net amount presented in the Consolidated Statements of Financial Position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment of financial assets

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred, but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of default, the timing of recoveries and the amount of losses incurred, adjusted for Management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease the decrease in impairment loss is reversed through profit or loss.

Government assistance and investment tax credits

Research and development costs are reduced by related government assistance. Investment tax credits are accounted for using the cost reduction method, whereby the benefit is recognized as a reduction in the cost of the related asset or in direct costs when there is reasonable assurance the tax credits will be received and that they will be utilized to reduce taxes payable. An unconditional government grant is recognized in net earnings or loss as a reduction in the related expense when the grant becomes receivable.

Finance income and finance costs

Finance income comprises interest income on funds invested, changes in fair value of financial assets at fair value through profit and loss and net foreign exchange gains. Interest income is recognized in profit or loss as it accrues using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and net foreign exchange losses. The interest expense component of finance lease payments is recognized in profit or loss using the effective interest rate method.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Accounting standards issued or amended, but not yet effective

In October 2010, the IASB amended IFRS 7, Financial Instruments: Disclosures ("IFRS 7"). This amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of and risks associated with an entity's continuing involvement in derecognized financial assets. This amendment is effective for the Company's annual consolidated financial statements commencing January 1, 2012. The Company has completed its assessment of this amendment and there was no impact on its Consolidated Financial Statements.

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") issued the following standards that have not been applied in preparing these Consolidated Financial Statements as their effective dates fall within annual periods beginning subsequent to the current reporting period.

The Company has not assessed the impact that the new and amended standards will have on its Consolidated Financial Statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Accounting standards issued or amended, but not yet effective (cont'd…)

IFRS 9 - *Financial instruments: classification and measurement* – this is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value with changes in fair value through profit and loss. In addition, this new standard has been updated to include guidance on financial liabilities and de-recognition of financial instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2015.

IFRS 10 - ***Consolidation*** - requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 11 - ***Joint arrangements*** - requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities Non-monetary Contributions by Venturers. This Standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 12 - ***Disclosure of interests in other entities*** - establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 - ***Fair value measurement -*** is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRSs. The new standard clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

4. RECEIVABLES

The Company had no trade receivables and other receivables due from related parties as at December 31, 2012 and December 31, 2011. All of the Company's receivables are for goods and services tax refunds.

The Company's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 13.

(Expressed in Canadian Dollars)

5. SALE OF SUBSIDIARY

On September 23, 2011, the Company sold the shares of its only remaining operating subsidiary, CADRI and its wholly-owned subsidiary, CRP, to 2290693 (the "Buyer"), a company controlled by the Company's former acting President and CEO, a financial partner and members of the CADRI management team. The purchase price of CADRI was $12,834,000 including the assumption of debt outstanding of $434,000 for a gross purchase price of $12,400,000. The net cash proceeds received from the sale were $10,509,000 after the Company incurred transaction costs of $616,000 and $1,000,000 was held in escrow for potential indemnification claims.

During the year ended December 31, 2012, escrow proceeds of $3,715,275, net of $13,221 interest, was received of which $3,165,275 was related to the 2010 sale of 1703558. The remaining $550,000, net of $10,656 interest, received was related to the sale of CADRI. On October 30, 2012, the Company signed a settlement and release agreement to release $450,000 held in escrow to the Buyer and the remaining escrow balance, including any earned interest, to the Company. The Buyer has released the Company from all claims and any further claims of any nature against the Company under the CADRI Share Purchase Agreement.

The book value of the net assets sold, as well as the accounting loss on the sale of CADRI are as follows:

Assets		
Trade and other receivables	$	3,727,650
Inventories		5,976,360
Prepaid expenses		592,771
Costs and estimated earnings on uncompleted contracts in excess of billings		6,073,235
Property, plant and equipment, net		8,849,331
Deferred tax assets		4,799,570
		30,018,917
Liabilities		
Bank indebtedness		35,547
Trade and other payables		4,374,485
Billings on uncompleted contracts in excess of costs and estimated earnings		336,665
Customer deposits		433,960
Provisions		1,176,425
Deferred tax liabilities		11,346
		6,368,428
Book value of net assets sold	$	23,650,489
Consideration received or receivable		
Cash	$	11,125,837
Transaction costs		(616,461)
		10,509,376
Held in escrow		1,000,000
Total consideration		11,509,376
Loss on sale of subsidiary	$	(12,141,113)

(Expressed in Canadian Dollars)

6. TRADE AND OTHER PAYABLES

	2012	2011
Trade and other payables due to related parties (Note 12 (c))	$ 6,869	$ 3,869
Non-trade payables and accrued expenses	65,157	219,700
	$ 72,026	$ 223,569

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 13.

7. PROVISIONS

	Management Restructuring [1]	Environmental Remediation [2]	Warranties [3]	Total
Balance at January 1, 2011	$ 285,000	$ 884,169	$ 523,929	$ 1,693,098
Charges	-	-	372,637	372,637
Utilization	(280,500)	-	(515,975)	(796,475)
Accretion	-	102,787	58,878	161,665
Translation and other	(4,500)	-	-	(4,500)
Sale of CADRI subsidiary (Note 5)	-	(986,956)	(189,469)	(1,176,425)
Balance at December 31, 2011	-	-	250,000	250,000
Less: short-term provisions	-	-	(250,000)	(250,000)
Long-term provisions	$ -	$ -	$ -	$ -
Balance at January 1, 2012	$ -	$ -	$ 250,000	$ 250,000
Charges	-	-	200,000	200,000
Utilization	-	-	(450,000)	(450,000)
Balance at December 31, 2012	$ -	$ -	$ -	$ -

(1) During the year ended December 31, 2011, severance payments totaling US $285,000 were paid to the President of CADRI, the Company's former Acting President and former Chief Executive Officer for the sale in 2010 of two subsidiaries, GBI USA Holdings, Inc. and 1703558.

(2) In connection with the acquisition of land and building in prior years, the Company identified an environmental contamination related to CADRI. The provision to sustain costs related to environmental assessment and remediation was calculated using a discount rate of 15.5%.

(Expressed in Canadian Dollars)

7. PROVISIONS (cont'd…)

(3) Under the CADRI Share Purchase Agreement (Note 5), the Company was responsible for 50%, to a maximum of $1,000,000, of any warranty liability, late fees or penalties paid or accrued by CADRI, for one year from the closing date, relating to items sold or services rendered prior to the closing of the CADRI sale transaction. The Company had recorded a provision of $250,000 as at December 31, 2011. On September 20, 2012, the Company received notice from the Buyer of claims for indemnification in respect of warranties or guaranties given by CADRI. On October 30, 2012 the Company signed an Agreement with the Buyer for $450,000 which was settled by the release of escrow funds to the Buyer.

Charges to the provision of $200,000 (December 31, 2011 - $372,637) were recorded to cost of goods sold in the Consolidated Statements of Comprehensive Loss.

8. CAPITAL AND OTHER COMPONENTS OF EQUITY

Share Capital

	Number of Shares	Amount
Authorized		
Unlimited number of voting common shares, no par value		
Unlimited number of preferred shares, issuable in one or more series, designations, rights, privileges, restrictions and conditions determined by Board of Directors		
Issued		
Preferred shares, balance December 31, 2012 and December 31 2011	-	$ -
Issued		
Common shares		
Balance, January 1, 2011	15,252,399	$ 26,374,781
Exercise of share options during the year ended December 31, 2011	11,666	12,985
Balance, December 31, 2012 and December 31, 2011	15,264,065	$ 26,387,766

During the year ended December 31, 2011, 11,666 common shares were issued to a former executive officer on the exercise of share options at an average price of $0.72 per option. All issued shares were fully paid.

Share Options

There were no share options outstanding as at December 31, 2012 (December 31, 2011 - $Nil).

Contributed surplus

Contributed surplus is increased by the compensation expense recorded for share options granted to key management of the Company and is reduced for options exercised by the related compensation expense previously recognized.

(Expressed in Canadian Dollars)

8. CAPITAL AND OTHER COMPONENTS OF EQUITY (cont'd…)

Dividends

On May 14, 2012, the Company paid a dividend of $0.40 per qualifying common share for a total of $6,105,626.

On November 2, 2011, the Company paid a dividend of $1.00 per qualifying common share for a total of $15,264,065.

9. REVENUE

		December 31, 2012		December 31, 2011
Contract Revenue	$	-	$	26,245,846
Sale of goods		-		3,179,703
Rendering of services		-		1,443,941
Rental revenue		-		37,933
	$	-	$	30,907,423

The Company had no revenue subsequent to the sale of CADRI on September 23, 2011 (Note 5).

10. SUPPLEMENTAL EXPENSE INFORMATION

Wages and salaries expense is classified on the Consolidated Statements of Comprehensive Loss based on the related service performed. The following table details wages and salaries and where they have been classified on the Consolidated Statements of Comprehensive Loss.

		December 31, 2012		December 31, 2011
Wages and salaries	$	-	$	9,099,642
Employee benefit expenses		-		2,150,495
Share-based payment		-		2,281
	$	-	$	11,252,418
Presented on the Consolidated Statements of Comprehensive Loss				
Cost of goods sold	$	-	$	9,987,806
Administrative expenses		-		993,160
Selling expenses		-		271,452
	$	-	$	11,252,418

The Company's key management personnel compensation has been disclosed in Note 12.

(Expressed in Canadian Dollars)

10. SUPPLEMENTAL EXPENSE INFORMATION (cont'd…)

For the year ended December 31, 2012, the Company presented the depreciation from property, plant and equipment of $Nil (December 31, 2011 - $288,273) as cost of goods sold.

11. FINANCE INCOME AND FINANCE COSTS

		December 31, 2012		December 31, 2011
Finance Income				
Interest income on short-term deposits	$	74,458	$	205,248
Interest income, other		-		5,323
Net foreign exchange gains		-		76,758
		74,458		287,329
Finance Costs				
Interest expense, other		-		44,644
Net foreign exchange loss		91		-
Accretion expenses		-		161,664
Bank fees		2,967		31,248
		3,058		237,556
Net finance income recognized in loss for the year	$	71,400	$	49,773

12. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2012 and December 31, 2011, the Company entered into the following related party transactions:

(a) Paid or accrued fees of $73,894 (2011 - $100,000) to directors of the Company.

(b) Paid a bonus of $Nil (2011 - $25,000) to a director of the Company.

(c) Trade and other payables due to related parties total $6,869; $3,000 payable to a company that has significant influence over the Company and $3,869 payable to CADRI (2011 - $3,869; payable to CADRI).

(d) During the year ended December 31, 2012, the Company expensed $180,000 (December 31, 2011 - $742,919) of short-term benefits for key management personnel, of which $180,000 (December 31, 2011 - $280,000) was paid for management services provided by a company owned by the Company's former acting President and former Chief Executive Officer. As at December 31, 2012, there were no unpaid fees for management services.

12. RELATED PARTY TRANSACTIONS (cont'd…)

(e) During the year ended December 31, 2012, a bonus of $Nil (2011 - $100,000) was paid for the successful sale of CADRI to a company owned by the Company's former acting President and former Chief Executive Officer.

(f) During the year ended December 31, 2012, wages of $Nil were paid to the President and Chief Financial Officer. During the year ended December 31, 2011, wages of $362,500 were paid to the former Chief Financial Officer and former executive officers.

(g) During the year ended December 31, 2012, severance payments of $Nil (2011 - $165,798) were paid to a former executive officer and severance payments of $Nil (2011 - $280,500) were paid to the former President and former CEO of the Company.

(h) As of December 31, 2012 and December 31, 2011 there were no loans made to executive officers or directors and there were no non-cash benefits paid to them. Prior to the sale of CADRI, executive officers participated in the Company's share option program.

(i) As of December 31, 2011, directors and executive officers of the Company controlled 26.2% of the voting shares of the Company, of which 3,929,399 (25.7%) was controlled by one director and his associates. On November 20, 2012, the director and his associates sold the 3,929,300 shares of the Company to a subsidiary of North Group Finance Ltd. ("North Group"). The President and Chief Executive Officer controls 25.06% of the voting shares of North Group.

(j) For the years ended December 31, 2012 and December 31, 2011, there were no transactions relating to key management personnel and entities over which they have control or significant influence.

(k) During the year ended December 31, 2011, in the normal course of business, CADRI purchased inventory from a company owned by the Company's former acting President and former Chief Executive Officer totaling approximately U.S. $2,303,000. These purchases were made under terms and conditions comparable to those of CADRI's other inventory purchases.

(l) During the year ended December 31, 2011, the Company signed a Share Purchase Agreement (Note 5) to sell the shares of CADRI and its wholly-owned subsidiary, CRP, to 2290693, a company controlled by the Company's former acting President and former CEO. On September 23, 2011, the Company completed the sale transaction. The purchase price of CADRI was $12,834,000 including the assumption of debt outstanding of $434,000 for a gross cash purchase price of $12,400,000 before transaction costs and purchase price adjustments.

During the year ended December 31, 2012, $450,000 was released from the Company's escrow receivable to 2290693 (Note 5).

Key management personnel of the Company includes the new and former President and Chief Executive Officer, the new and former Chief Financial Officer, Presidents and executive officers of subsidiaries and new and former members of the Board of Directors.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS (cont'd…)

Key management personnel and director compensation:

		2012		2011
Short-term employee benefits	$	180,000	$	742,919
Severance payments		-		446,298
Board of directors payments		73,894		125,000
Share-based payments		-		2,281
	$	253,894	$	1,316,498

13. FINANCIAL INSTRUMENTS

Credit risk

The carrying amount of financial assets represents maximum credit exposure.

Carrying amount		2012		2011
Cash	$	650,969	$	4,285,302
Short-term investments		3,527,048		2,782,201
Receivables		28,059		208,442
Escrow receivables		-		4,167,084
	$	4,206,076	$	11,443,029

The Company's credit risk associated with cash and short-term investments is minimized by ensuring these financial assets are invested with highly rated financial institutions.

The Company also has credit risk attributable to its receivables. The amounts disclosed in the Consolidated Statement of Financial Position are net of allowances for impairment, estimated based on prior experience.

All counterparties are governments located domestically for receivables as at December 31, 2012 and December 31, 2011.

There was no impairment of receivables as at December 31, 2012 or December 31, 2011.

Liquidity risk

As of December 31, 2012 and 2011, the Company did not have any derivative financial liabilities. The only non-derivative financial liabilities of the Company relate to the trade and other payables.

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS (cont'd…)

Liquidity risk (cont'd…)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

		Carrying amount	Contractual cash flows	6 months or less	6-12 months
2012	Trade and other payables	$ 72,026	$ (72,026)	$ (72,026)	-
2011	Trade and other payables	$ 223,569	$ (223,569)	$ (223,569)	-

Currency risk

The Company is exposed to foreign exchange risks arising from fluctuation in exchange rates on its U.S. dollar denominated monetary assets, liabilities and expenses. As at December 31, 2012, the Company's exposure to foreign currency risk was cash of $25 (December 31, 2011 - $2,869).

Interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments was:

	2012	2011
Fixed rate instruments	$ -	$ 1,631,888
Variable rate instruments	3,527,048	5,317,397
	$ 3,527,048	$ 6,949,285

The Company's variable rate financial assets are comprised of short-term investments for the year ended December 31, 2012.

For the year ended December 31, 2011, escrow receivables and certain short-term investments composed the Company's fixed rate financial assets while other short-term investments composed the Company's variable rate financial assets.

The Company had no interest bearing financial liabilities at December 31, 2012 or 2011.

The Company does not account for any fixed rate financial assets at fair value through profit or loss.

A change of 100 basis points in interest rates would have increased or decreased the loss for the year with a corresponding change in equity by $52,330 for the year ended December 31, 2012 (December 31, 2011 - $51,843).

13. FINANCIAL INSTRUMENTS (cont'd…)

Fair Values

The Company's financial instruments consist of cash, short-term investments, receivables, escrow receivables and trade and other payables. As at December 31, 2012 and December 3, 2011, the fair value of these financial instruments approximates their carrying value due to the relatively short periods to maturity of the instruments.

14. FINANCIAL RISK MANAGEMENT

The Company has exposure to credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of these risks, the Company's objectives, policies and processes for measuring management risk and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Company's primary risk management objective is to protect earnings and cash flow and, ultimately, shareholder value. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. Risk management strategies, as discussed below, are designed and implemented to ensure the Company's risks and the related exposure is consistent with the business objectives and risk tolerance.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations or if there is a concentration of transactions carried out with the same counterparty.

For the year 2012, the Company's credit risk is related to the carrying value of its cash, short-term investments and receivables. The Company did not establish an allowance for impairment as at December 31, 2012, as all receivables relate to goods and services tax refunds from the Federal and Provincial governments. Refunds from governmental authorities have in the past been received as filed and there is no indication that this should change.

The Company's credit risk, before the sale of its last operating subsidiary in 2011 was also due to its trade receivables. Prior to the sale, the Company established an allowance for impairment that represented its estimate of losses to be incurred in respect of trade receivables.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company manages liquidity risk by continuously monitoring cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due.

The Company does not have a line of credit or similar facility. The Company expects to have sufficient liquidity from its cash and short-term investments to settle future liabilities and obligations. The Company is considering strategic alternatives and value enhancing opportunities for the shareholders. This review may result in the Company undertaking an active plan to resume business activities with the objective of seeking to maximize shareholder value.

14. FINANCIAL RISK MANAGEMENT (cont'd…)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

The Company is exposed to financial risk that arises from interest rate fluctuations for certain cash and short-term investments.

Prior to the sale of CADRI, the Company was exposed to currency risks relating to sales and purchases that were denominated in U.S. dollars and was exposed to risk with respect to fluctuations in exchange rates between the Canadian and U.S. dollar. The Company did not use derivative instruments to reduce its exposure to foreign currency.

Capital management

The Company's objectives in managing capital are to ensure sufficient liquidity to support its business requirements. The Company defines capital that it manages as the aggregate of its equity, which is comprised of issued share capital, contributed surplus and deficit.

The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may incur long-term debt or issue shares or undertake other activities as deemed appropriate under the specific circumstances. The Board of Directors reviews and approves any material transactions out of the ordinary course of business, including proposals on acquisitions or other major investments or divestitures, as well as capital and operating budgets.

15. INCOME TAXES

	2012	2011
Current tax expense (recovery):		
Current period	$ (20,939)	$ 19,328
Adjustment for prior periods	-	(15,000)
	(20,939)	4,328
Deferred tax expense (recovery):		
Origination and reversal of temporary differences	(192,744)	(1,688,864)
Change in tax rate	10,909	319,640
Current year losses for which no deferred tax asset was recognized	183,123	1,333,967
Change in unrecognized temporary differences	31,982	219,017
Other	(33,270)	(58,692)
	-	125,068
Total income tax expense (recovery)	$ (20,939)	$ 129,396

(Expressed in Canadian Dollars)

15. INCOME TAXES (cont'd…)

Reconciliation of effective tax rate

The income tax expense (recovery) differs from the amount which would result from applying the expected income

			2012			2011
Loss for the year		$	(706,456)		$	(14,317,854)
Total income tax expense (recovery)			(20,939)			129,396
Loss before income taxes			(727,395)			(14,188,458)
Computed income tax recovery at exepcted rate	26.5%		(192,760)	28.4%		(4,029,522)
Difference resulting from:						
Non-deductible items			-			2,184,369
Change in tax rate			10,909			319,640
Current year losses for which no deferred tax asset was recognized			183,123			1,333,967
Change in unrecognized temporary differences			31,982			219,017
Other			(54,193)			101,925
			171,821			4,158,918
Total income tax expense (recovery)		$	(20,939)		$	129,396

The expected income tax rate reflects the combined Federal and Provincial income tax rates for a non-manufacturing company. The corporate tax rate has decreased largely as a result of a 1.5% Federal tax rate reduction.

16. DEFERRED TAX ASSETS AND LIABILITES

Unrecognized deferred tax assets

		2012		2011
Deductible temporary differences	$	3,829	$	3,867
Tax losses		1,757,574		1,542,018
	$	1,761,403	$	1,545,885

The unrecognized non-capital losses expire as follows:

		2012		2011
2026	$	98,407	$	98,407
2027		704,561		704,561
2031		849,875		861,630
2032		732,492		
	$	2,385,335	$	1,664,598

(Expressed in Canadian Dollars)

16. DEFERRED TAX ASSETS AND LIABILITES (cont'd…)

Net capital losses of $4,503,000 carry forward indefinitely and expire on acquisition of control. The other deductible temporary differences do not expire under current income tax legislation.

Deferred tax assets have not been recognized because Management believes it is not probable that future taxable profit will be available against which the Company can utilize the benefits.

17. SEGMENTED INFORMATION

Prior to the sale of CADRI in 2011, the Company's operations were conducted through one reportable business segment, which primarily remanufactured and repaired locomotives and railcars. The following is a summary of the Company's sales operations by the geographic location of the customers:

	International	United States	Canada	Total
Sales for the year ended December 31, 2011	$ 597,341	$ 2,967,255	$ 27,342,827	$ 30,907,423

18. SUBSEQUENT EVENTS

On January 31, 2013, at a special meeting of the Company's shareholders, the shareholders passed special resolutions to revoke the Certificate of Intent to Dissolve issued to the Company by the Registrar of Corporations of Alberta and to continue the Company from the jurisdiction of Alberta to the jurisdiction of British Columbia.

On February 19, 2013, the Company received confirmation from the Alberta Registrar of Corporations of receipt of its revocation of intent to dissolve.

On January 30, 2013, the Company received a valid notice of dissent to the continuation for 1,373,100 common shares of the Company. In order to proceed with the continuation, the Company purchased for cancellation the dissenting shareholders' shares for cash consideration of $315,813, based on the fair value per share of $0.23 as of the close of business on January 30, 2013. After cancellation the Company has 13,890,965 common shares issued and outstanding.

CHINOOK TYEE INDUSTRY LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

JUNE 30, 2014

(Unaudited – Prepared by Management)

CHINOOK TYEE INDUSTRY LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND DECEMBER 31, 2013
(Expressed in Canadian Dollars)

	Notes	June 30, 2014	December 31, 2013
ASSETS			
Current assets			
Cash		$ 62,555	$ 396,931
Short-term deposits		1,628,916	2,003,390
Accounts receivable and prepaid expenses	4	37,861	24,101
Loans receivable	5	991,221	650,619
		2,720,553	3,075,041
Prepaid expenses	4	53,616	61,463
Loans receivable	5	812,360	744,069
Total assets		$ 3,586,529	$ 3,880,573
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	$ 82,157	$ 241,811
Loan payable	8	224,185	226,866
Total liabilities		306,342	468,677
Equity			
Share capital	9	26,071,953	26,071,953
Share based payment reserve		2,744,438	2,744,438
Foreign currency reserves		(26,124)	(8,486)
Deficit		(25,681,455)	(25,577,421)
Equity attributable to owners		3,108,812	3,230,484
Non-controlling interest		171,375	181,412
Total equity		3,280,187	3,411,896
Total liabilities and equity		$ 3,586,529	$ 3,880,573

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

CHINOOK TYEE INDUSTRY LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(Expressed in Canadian Dollars)

	Notes	Six Months ended Jun 30, 2014	Six Months ended Jun 30, 2013	Three Months ended Jun 30, 2014	Three Months ended Jun 30, 2013
Revenue					
Interest		$ 53,823	$ 23,172	$ 28,458	$ 11,574
Consulting		5,761	-	1,634	-
		59,584	23,172	30,092	11,574
EXPENSES					
Directors' fees		19,500	19,500	12,000	10,500
General and administrative costs	10	130,251	270,194	68,809	132,364
Interest		134	1,084	45	1,042
Regulatory fees and shareholder communication		3,104	21,627	2,002	4,926
		152,989	312,405	82,856	148,832
Loss before other items and income taxes		(93,405)	(289,233)	(52,764)	(137,258)
Foreign exchange loss		(26,782)	-	(76,684)	-
Loss for the period		(120,187)	(289,233)	(129,448)	(137,258)
Other comprehensive loss					
Foreign currency translation differences on foreign operations		(11,522)	-	6,011	-
Comprehensive loss for the period		$ (131,709)	$ (289,233)	$ (123,437)	$ (137,258)
Loss for the period attributable to :					
Owners		$ (104,034)	$ (289,233)	$ (94,068)	$ (137,258)
Non-controlling interest		(16,153)	-	(35,380)	-
Loss for the period		$ (120,187)	$ (289,233)	$ (129,448)	$ (137,258)
Comprehensive loss for the period attributable to:					
Owners		$ (121,672)	$ (289,233)	$ (110,914)	$ (137,258)
Non-controlling interest		(10,037)	-	(12,523)	-
Comprehensive loss for the period		$ (131,709)	$ (289,233)	$ (123,437)	$ (137,258)
Weighted average number of common shares outstanding		3,472,741	3,580,844	3,472,741	3,580,844
Loss per common share attributable to owners, basic and diluted		$ (0.03)	$ (0.08)	$ (0.03)	$ (0.04)

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

CHINOOK TYEE INDUSTRY LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
SIX MONTHS ENDED JUNE 30, 2014 AND 2013
(Expressed in Canadian Dollars)

	Equity attributable to owners							
	Number of common shares issued	Share capital	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total equity atrributable to owners	Non-controlling interest	Total equity
Balance, January 1, 2013	3,816,016	$ 26,387,766	$ 2,744,438	$ -	$ (25,239,639)	$ 3,892,565	$ -	$ 3,892,565
Loss for the period	-	-	-	-	(289,233)	(289,233)	-	(289,233)
Share repurchase	(343,275)	(315,813)	-	-	-	(315,813)	-	(315,813)
Balance, June 30, 2013	3,472,741	26,071,953	2,744,438	-	(25,528,872)	3,287,519	-	3,287,519
Income (loss) for the period	-	-	-	-	(48,549)	(48,549)	18,501	(30,048)
Foreign currency translation	-	-	-	(8,486)	-	(8,486)	(14,193)	(22,679)
Foreign currency translation re: non-controlling interest on acquisition of subsidiary	-	-	-	- -	-	-	(18,683)	(18,683)
Purchase of subsidiary (note 4)	-	-	-	-	-	-	195,787	195,787
Balance, December 31, 2013	3,472,741	26,071,953	2,744,438	(8,486)	(25,577,421)	3,230,484	181,412	3,411,896
Income (loss) for the period	-	-	-	-	(104,034)	(104,034)	(16,153)	(120,187)
Foreign currency translation	-	-	-	(17,638)	-	(17,638)	6,116	(11,522)
Balance, June 30, 2014	3,472,741	$ 26,071,953	$ 2,744,438	$ (26,124)	$ (25,681,455)	$ 3,108,812	$ 171,375	$ 3,280,187

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

CHINOOK TYEE INDUSTRY LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2014 AND 2013

(Expressed in Canadian Dollars)

	Notes	Six Months ended Jun 30, 2014	Six Months ended Jun 30, 2013	Three Months ended Jun 30, 2014	Three Months ended Jun 30, 2013
CASH PROVIDED BY (USED IN):					
OPERATING ACTIVITIES					
Loss for the period		$ (120,187)	$ (289,233)	$ (129,448)	$ (137,258)
Items not affecting cash:					
Foreign exchange		(2,681)	-	(10,155)	-
Accrued interest		(11,603)	(23,172)	(35,396)	(11,574)
Interest capiltalized to loans		(35,396)	-	14,568	-
		(169,867)	(312,405)	(160,431)	(148,832)
Changes in non-cash working capital items					
Receivables and prepaids		(5,912)	(120,494)	16,380	16,547
Accounts payable and accrued liabilities		(159,653)	(25,320)	(10,889)	(11,604)
		(335,432)	(458,219)	(154,940)	(143,889)
INVESTING ACTIVITIES					
Proceeds from sale of short-term deposits		1,750,000	2,500,000	1,750,000	2,500,000
Purchase of short-term deposits		(1,370,000)	-	(1,370,000)	-
Interest received		6,077	30,986	5,512	30,986
Loans receivable		(415,349)	-	(335,324)	-
		(29,272)	2,530,986	50,188	2,530,986
FINANCING ACTIVITIES					
Repurchase and cancellation of share capital	9	-	(315,813)	-	-
		-	(315,813)	-	-
Effect of foreign exchange on cash		30,328	-	93,702	-
Change in cash		(334,376)	1,756,954	(11,050)	2,387,097
Cash, beginning of the period		396,931	650,969	73,605	20,826
Cash, end of the period		$ 62,555	$ 2,407,923	$ 62,555	$ 2,407,923

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

1. NATURE OF OPERATIONS

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

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

On January 31, 2013, at a special meeting of the Company's shareholders, the shareholders passed special resolutions to revoke the Certificate of Intent to Dissolve issued to the Company by the Registrar of Corporations of Alberta on October 14, 2011 and to continue the Company from the jurisdiction of Alberta to the jurisdiction of British Columbia. The Company was continued to the jurisdiction of British Columbia on April 16, 2014.

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

2. BASIS OF PRESENTATION

These consolidated interim financial statements are unaudited and have been prepared in accordance with International Accounting Standards ("IAS") 34, "Interim Financial Reporting". These consolidated interim financial statements do not include all of the information required for annual financial statements.

These consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements of the Company for the year ended December 31, 2013. The disclosures provided below are incremental to those included with the annual consolidated financial statements and certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. These consolidated interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's annual consolidated financial statements for the year ended December 31, 2013.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The Company consolidates subsidiaries over which it has control, where control is the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Basis of consolidation (cont'd…)

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

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

These consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for investments in associates and jointly controlled entities that are accounted for using the equity method and certain financial instruments and investments which are measured at fair value.

Functional and presentation currency

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

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

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	June 30, 2014	December 31, 2013
VAT receivable	$ 671	$ 180
Interest receivable	-	3,812
Other receivable	6,498	-
Prepaid expenses	84,308	81,572
	91,477	85,564
Less: non-current prepaid expenses	(53,616)	(61,463)
Current accounts receivable and prepaid expenses	$ 37,861	$ 24,101

(Expressed in Canadian Dollars)

5. LOANS RECEIVABLE

	June 30, 2014	December 31, 2013
(a) Xanthus Spec 1 Limited (EUR 47,892)	$ 69,673	$ 71,623
(b) DYVA (EUR 681,345)	991,221	578,996
(c) Asiamerica (EUR 510,508)	742,687	744,069
	1,803,581	1,394,688
Less: current loans receivable	(991,221)	(650,619)
Long-term loans receivable	$ 812,360	$ 744,069

(a) BTBE loan to Xanthus Spec 1 Limited for EUR 150,000. The loan bears interest at 8% capitalized quarterly, principal due January 14, 2016 and is secured by a pledge of 44,000 shares of UDG United Digital Group GmbH.

(b) Chinook Swiss loan, in the form of a revolving credit line, to DYVA to a maximum amount of EUR 700,000. The loan has been granted for an unlimited period, but the lender can terminate with three months' notice. The loan bears interest at 8.5% capitalized quarterly and is secured by an assignment of 10,940,242 shares of Xanthus PLC (Frankfurt Stock Exchange Symbol: XNH).

(c) BTBE unsecured loan to Asiamerica bearing interest at 2% per annum capitalized quarterly and due December 1, 2017.

6. EQUITY ACCOUNTED INVESTMENTS HELD BY SUBSIDIARY

Xanthus Group

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

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

BTBL, through its 100% owned subsidiary, BTBE, owns 50% of jointly controlled Asiamerica, Asiamerica holds a 50% interest in DYVA and DYVA owns 55% of Xanthus PLC. The Company has recorded an equity income of $nil for the period ended June 30, 2014, as the attributable losses to date exceed the carrying amount of the investment in Asiamerica.

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

(Expressed in Canadian Dollars)

7. TRADE AND OTHER PAYABLES

		June 30, 2014		December 31, 2013
Trade payables	$	22,037	$	174,220
Accrued liabilities		60,120		67,591
	$	82,157	$	241,811

8. LOAN PAYABLE

		June 30, 2014		December 31, 2013
BTBL loan from BTBL's non-controlling shareholder, unsecured and bearing no interest (EUR 154,100)	$	224,185	$	226,866

9. CAPITAL AND OTHER COMPONENTS OF EQUITY

	Shares		Amount
Authorized			
Unlimited number of voting common shares, no par value			
Unlimited number of preferred shares, issuable in one or more series, designations, rights, privileges restrictions and conditions determined by Board of Directors			
Issued			
Common shares			
Balance December 31, 2012 and January 1, 2012	3,816,016	$	26,387,766
Repurchase and cancellation of shares	(343,275)		(315,813)
Balance, June 30, 2014 and December 31, 2013	3,472,741	$	26,071,953

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

Share Options

There were no share options outstanding as at June 30, 2014 and December 31, 2013.

(Expressed in Canadian Dollars)

10. GENERAL AND ADMINISTRATIVE COSTS

	Six Months ended Jun 30, 2014	Six Months ended Jun 30, 2013	Three Months ended Jun 30, 2014	Three Months ended Jun 30, 2013
Office and supplies	$ 44,393	$ 17,505	$ 22,136	$ 6,448
Professional fees	37,790	192,534	22,706	96,970
Rent and insurance	22,846	30,646	11,423	15,423
Salaries and benefits	25,222	29,509	12,544	13,533
	$ 130,251	$ 270,194	$ 68,809	$ 132,374

11. RELATED PARTY TRANSACTIONS

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

During the six months ended June 30, 2014, the Company entered into the following related party transactions:

(a) Paid or accrued directors fees of $19,500 (2013 - $19,500) to non-executive directors of the Company.

(b) Paid or accrued consulting fees of $18,220 (2013 - $16,785) to the Chief Financial Officer of the Company.

(c) Paid $Nil (2013 - $60,750) for management services provided by a company owned by the Company's former acting President and former Chief Executive Officer. The management service contract was cancelled during the year ended December 31, 2013.

12. CAPITAL MANAGEMENT

The Company’s capital is comprised of shareholders’ equity less reserves and liabilities. Cash, short-term investments, loans receivable and equity-accounted investments are managed for liquidity and operational requirements in conjunction with budgeted or expected capital needs. The Company’s objective when managing capital is to maintain its ability to retain sufficient liquidity to make investments as opportunities arise and to continue to meet ongoing expenditure and operational needs.

The Company manages the capital structure and makes adjustments to its capital management strategies when economic conditions or risk characteristics of its capital change. To maintain or adjust the capital structure, the Company may consider the issuance of shares, acquire or dispose of assets or adjust the amount of cash or short-term investments held.

Currently, the Company’s strategy is to monitor economic conditions and capital markets and to allocate operating capital for investment opportunities arising from market conditions.

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

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

13. FINANCIAL INSTRUMENTS

Fair value

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

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

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

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

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

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

	Balance	Level 1	Level 2	Level 3
Cash	$ 62,555	$ 62,555	$ -	$ -
Short-term deposits	$ 1,628,916	$ 1,628,916	$ -	$ -
Receivables and prepaids	$ 91,477	$ -	$ -	$ 91,477
Loans receivable	$ 1,803,581	$ -	$ -	$ 1,803,581
Trade and other payables	$ 82,157	$ -	$ -	$ 82,157

The Company is exposed in varying degrees to financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of investment policies, counterparty credit limits and liquidity concerns. The more significant risk exposure and the way in which such exposure is managed are provided below.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company’s primary exposure to credit risk is on its cash and short-term deposits held in bank accounts. The majority of cash is deposited in bank accounts held with major banks in Canada. As most of the Company’s cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

The Company holds cash in Canadian, Euro, Swiss Francs and US currencies and makes investments in foreign companies, equities and financial instruments. Accordingly, there is risk of losses from volatility in foreign currency fluctuations.

The Company’s 54% interest in BTBL is subject to foreign currency risk, which may adversely affect the Company’s financial position, results of operations and cash flows. The following table summarizes the geographical distribution of the Company’s financial instruments in Canadian dollars at June 30, 2014:

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS (cont'd…)

Credit risk (cont'd…)

	US Dollar	Euro	Swiss Franc	CDN Dollar
Cash, short-term deposits, accounts receivable and prepaids	0%	2%	1%	97%
Loans receivable	0%	100%	0%	0%
Trade and other payables	0%	0%	10%	90%
Loan payable	0%	100%	0%	0%

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows from a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of its investment in money market funds included in cash is limited as the money market funds may be redeemed at any time without penalty. The Company's loans receivable have fixed interest rates and are not affected by changes in interest rates and the Company's loan payable bears no interest and is not affected by changes in interest rates.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet financial obligations as they fall due. The Company manages liquidity risk through management of its capital structure as outlined in note 12.

14. SEGMENTED INFORMATION

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

2014	Canada	Germany	Switzerland	Total
Interest revenue	$ 12,684	$ 10,564	$ 30,575	$ 53,823
Consulting	-	5,761	-	5,761
	$ 12,684	$ 16,325	$ 30,575	$ 59,584
Segmented income (loss) before other items	$ (115,405)	$ (8,094)	$ 30,094	$ (93,405)
Foreign exchange gain	(26,782)	-	-	(26,782)
Net income (loss) for the period	$ (142,187)	$ (8,094)	$ 30,094	$ (120,187)
Net income (loss) for the period attributable to:				
Owners	$ (142,187)	$ (4,371)	$ 30,094	$ (116,464)
Non-controlling interest	-	(3,723)	-	(3,723)
Net income (loss) for the period	$ (142,187)	$ (8,094)	$ 30,094	$ (120,187)
Total assets	$ 1,751,226	$ 816,738	$ 1,018,565	$ 3,586,529
Total liabilities	$ 298,082	$ -	$ 8,260	$ 306,342

15. SUBSEQUENT EVENT

At a special meeting of the Company's shareholders to be held on September 29, 2014, the following resolutions will be presented for approval by the Company's shareholders:

(a) 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;

(b) 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

(c) an ordinary resolution, approving a change of business of the Corporation from "Inactive" to an "Investment Issuer".