CHINOOK TYEE INDUSTRY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014

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

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Chinook Tyee Industry Limited:

We have audited the accompanying consolidated financial statements of Chinook Tyee Industry Limited, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years 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 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 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 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 financial position of Chinook Tyee Industry Limited as at December 31, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DMCL"
DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
April 30, 2015

CHINOOK TYEE INDUSTRY LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014
(Expressed in Canadian Dollars)

	Notes	2014	2013
ASSETS			
Current assets			
Cash		$ 98,219	$ 396,931
Short-term deposits		882,608	2,003,390
Accounts receivable and prepaid expenses	4	58,459	24,101
Investment loans receivable	5	-	650,619
		1,039,286	3,075,041
Prepaid expenses	4	15,693	61,463
Investment loans receivable	5	2,570,209	744,069
Total assets		$ 3,625,188	$ 3,880,573
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	$ 62,074	$ 241,811
Loan payable	8	-	226,866
Total liabilities		62,074	468,677
Equity			
Share capital	9	895,401	26,071,953
Share based payment reserve		2,744,438	2,744,438
Foreign currency reserves		(57,334)	(8,486)
Deficit		(19,391)	(25,577,421)
Equity attributable to owners		3,563,114	3,230,484
Non-controlling interest		-	181,412
Total equity		3,563,114	3,411,896
Total liabilities and equity		$ 3,625,188	$ 3,880,573

On behalf of the Board:

/s/ Tom Kusumoto Director *_/s/ Greg MacRae_* Director

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

CHINOOK TYEE INDUSTRY LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
YEARS ENDED DECEMBER 31,
(Expressed in Canadian Dollars)

	Notes	2014	2013
Income			
Interest income		$ 120,090	$ 52,956
Merchant banking income		82,900	16,046
		202,990	69,002
Expenses			
Corporate governance expenses	12	39,000	49,000
General and administration expenses	10	405,328	590,472
Interest		135	2,858
Public company expenses		43,367	40,853
		487,830	683,183
Loss before other items		(284,840)	(614,181)
Gain on sale of subsidiary	5	706,312	-
Foreign exchange gain (loss)		(32,342)	39,915
Other item	11	-	254,985
Income (loss) for the year		389,130	(319,281)
Other comprehensive income (loss)			
Foreign currency translation differences on foreign operations		(65,510)	(22,679)
Comprehensive income (loss) for the year		$ 323,620	$ (341,960)
Income (loss) for the year attributable to:			
Owners		$ 408,871	$ (337,782)
Non-controlling interest		(19,741)	18,501
Income (loss) for the year		$ 389,130	$ (319,281)
Comprehensive income (loss) for the year attributable to:			
Owners		$ 343,361	$ (346,267)
Non-controlling interest		(19,741)	4,307
Comprehensive income (loss) for the year		$ 323,620	$ (341,960)
Weighted average number of common shares outstanding		3,459,928	3,526,348
Income (loss) per common share attributable to owners, basic and diluted		$ 0.12	$ (0.10)

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

CHINOOK TYEE INDUSTRY LIMITED
CONSOLIDATED STATEMENT 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, 2013	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 9)	(343,275)	(315,813)	-	-	-	(315,813)	-	(315,813)
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 6)	-	-	-	-	-	-	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
Loss for the year	-	-	-	-	408,871	408,871	(19,741)	389,130
Share repurchase (note 9)	(66,809)	(27,393)	-	-	-	(27,393)	-	(27,393)
Reduction of deficit against share capital	-	(25,149,159)	-	-	25,149,159	-	-	-
Foreign currency translation	-	-	-	(48,848)	-	(48,848)	-	(48,848)
Elimination of non-controlling interest on sale of subsidiary	-	-	-	-	-	-	(161,671)	(161,671)
Balance, December 31, 2014	3,405,932	$ 895,401	$ 2,744,438	$ (57,334)	$ (19,391)	$ 3,563,114	$ -	$ 3,563,114

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

CHINOOK TYEE INDUSTRY LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,
(Expressed in Canadian Dollars)

		2014		2013
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Income (loss) for the year	$	389,130	$	(319,281)
Items not affecting cash:				
Gain on sale of subsidiary		(706,312)		-
Non-cash loan fee		(73,320)		-
Foreign exchange		-		(39,915)
Accrued interest on short-term deposits		(1,718)		(21,837)
Interest capitalized to loans		(99,236)		17,711
		(491,456)		(363,322)
Changes in non-cash working capital items				
Receivables and prepaids		11,412		(44,005)
Accounts payable and accrued liabilities		(179,737)		169,785
Provisions		-		(254,985)
		(659,781)		(492,527)
INVESTING ACTIVITIES				
Interest received		-		31,119
Proceeds from sale of short-term investments		3,000,000		5,311,935
Purchase of short-term investments		(1,877,500)		(3,800,000)
Purchase of equity accounted investments		(850)		(529,000)
Cash acquired on purchase of subsidiary		-		28,606
Advances to equity accounted investee		(727,742)		
Loans receivable		-		(451,084)
		393,908		591,576
FINANCING ACTIVITIES				
Repurchase and cancellation of share capital		(27,393)		(315,813)
Effect of foreign exchange on cash		(5,446)		(37,274)
Change in cash during the year		(298,712)		(254,038)
Cash, beginning of the year		396,931		650,969
Cash, end of the year	$	98,219	$	396,931
Supplemental disclosure with respect to cash flows:				
Cash received during the year for interest	$	19,137	$	31,119
Cash paid during the year for interest	$	135	$	2,858

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

1. NATURE OF OPERATIONS

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

On January 31, 2013, the Company revoked the Certificate of Intent to Dissolve issued to the Company by the Registrar of Corporations of Alberta on October 14, 2011. The Company was continued from the jurisdiction of Alberta to the jurisdiction of British Columbia on April 16, 2014.

The reporting currency of Chinook’s consolidated financial statements is the Canadian dollar (“$”).

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 30, 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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.

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.

For the year ended December 31, 2014, these consolidated financial statements include the accounts of Chinook and its wholly-owned subsidiary Chinook Tyee (Switzerland) GmbH (“Chinook Swiss”), its 99% owned subsidiary Mercury Partners & Company plc (“MPC”) (collectively referred to as “Chinook”) and its 54% owned subsidiary Boreal Taiga Biofuels Limited (“BTBL”) and BTBL’s wholly-owned subsidiary, BT Biofuels Europe GmbH (“BTBE”) up to the date of disposal (note 5).

For the year ended December 31, 2013, these consolidated financial statements included the accounts of Chinook, its wholly-owned subsidiaries Chinook Swiss and 0979307 B.C. Ltd. (“0979307”), which was inactive, its 54% owned subsidiary BTBL and BTBL’s wholly-owned subsidiary, BTBE. BTBE held 50% of jointly controlled Asiamerica AG (“AA-AG”).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

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.

Basis of preparation

The functional currency of the Company, BTBL and 0979307 (consolidated in 2013) is the Canadian dollar ("$"). The functional currency of the Company's 100% owned subsidiary Chinook Swiss, 99% owned subsidiary MPC, 50% owned AA-L and AA-L's wholly-owned subsidiaries BTBE and AA-AG is the Euro ("€"). The functional currency of AA-L's equity accounted investment DYVA Holdings AG ("DYVA") and DYVA's 55% controlled investment in Xanthus Holding plc ("Xanthus") is the €.

<u>Transactions and balances</u>

Foreign currency transactions are translated into the 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 (loss) 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 income (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 income (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, changes in equity accounted investments, foreign exchange, accruals, related party transactions, current and deferred income taxes and the recoverability of receivables and loans receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Use of estimates and assumptions (cont'd…)

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.

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 on associates, determination of the nature of joint arrangements and determination of functional currency.

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 five categories: fair value through profit and loss, held-to-maturity, loans and receivables, available-for-sale 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, equity-accounted investments, investment loans receivable and trade and other payables.

Cash, accounts receivable and investment loans 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 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. Joint arrangement entities are those over which the Company has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. Joint ventures are joint arrangements, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Equity accounted investments (cont'd…)

Profits or losses resulting from transactions between the Company and its associates are eliminated to the extent of the interest in the associate. 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.

Revenue recognition

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.

Reserves

Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of the financial statements of subsidiaries and equity accounted investments of the Company that have a functional currency other than the Canadian dollar.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New accounting standards, amendments and interpretations

New accounting standards adopted

The following standards, amendments and interpretations were adopted by the Company as of January 1, 2014. There was no impact on the financial statements as a result of the adoption of these standards, amendments and interpretations:

(a) Amendment to IAS 32 *Financial Instruments: Presentation;* and
(b) New interpretation IFRIC 21 "Levies".

Issued but not yet effective

The following standards, amendments and interpretations plan to be adopted in the future. The Company has not yet assessed the impact these standards might have:

(a) IFRS 7: (Amendment): Standard amended to clarify requirements for mandatory effective dates and transition disclosures, effective for annual periods beginning on or after January 1, 2016; and
(b) IFRS 9: New standard that replaced IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2018.

Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	2014	2013
Other receivables	$ 5,972	$ -
Interest receivable	-	3,812
VAT receivable	48	180
Prepaid expenses	68,132	81,572
	74,152	85,564
Less non-current prepaid expenses	(15,693)	(61,463)
Current accounts receivable and prepaid expenses	$ 58,459	$ 24,101

(Expressed in Canadian Dollars)

5. INVESTMENT LOANS RECEIVABLE

		2014		2013
(a) MPC (€1,818,716)	$	2,570,209	$	-
(b) Xanthus (€48,650)		-		71,623
(c) DYVA (€393,286)		-		578,996
(d) AA-AG (€505,413)		-		744,069
		2,570,209		1,394,688
Less: current loans receivable		-		(650,619)
Total loans receivable	$	2,570,209	$	744,069

Chinook Reorganization

During fiscal 2014, Chinook incorporated MPC. MPC and its European joint investment partner (“EJIP”) are equal partners and incorporated Asiamerica Limited (“AA-L”). MPC and EJIP both own 50% of the share capital of AA-L. MPC and AA-L are registered in Malta. AA-L is accounted for using the equity method. On reorganization, no value was attributed to the equity accounted investment and consequently its carrying value is $nil.

During fiscal 2014, Chinook reorganized how it held its European investments, resulting in Chinook owning 99% of MPC and MPC and EJIP equally owning AA-L.

The primary assets of AA-L include collateralized, interest-bearing loans secured with first collateral claims on a controlling shareholding in Xanthus and a minority shareholding in Incity Immobilien AG both of which are listed on the Entry Standard of the Frankfurt Stock Exchange and on Xetra in Germany. AA-L also owns 50% of DYVA.

The reorganization involved Chinook selling its associated loans and shareholdings of AA-AG, BTBL, BTBE, and Chinook Swiss to MPC for a €1,818,716 loan receivable. EJIP’s investments were organized in the same manner resulting in a loan receivable under the same terms and conditions as Chinook’s structure. The reorganization did not involve the payment of cash, but did result in an accounting gain of $706,312 being the excess of the estimated fair value of the assets received or retained over the carrying value of the subsidiary disposed of.

During the year ended December 31, 2013, Chinook purchased 54% of BTBL through the acquisition of shares and debt totalling $529,000 from North Group Finance Limited (“NGL”). BTBL, through its wholly-owned subsidiary, BTBE, equally owned AA-AG along with EJIP. AA-AG held a 50% interest in DYVA and DYVA owns 55% of Xanthus.

It is anticipated that BTBL, BTBE, Chinook Swiss and AA-AG will be dissolved in the future.

The aforementioned is herein referred to as, the “Chinook Reorganization”

All inter-company transactions and balances have been eliminated upon consolidation.

(Expressed in Canadian Dollars)

5. INVESTMENT LOANS RECEIVABLE (cont'd…)

(a) Chinook has an unsecured demand loan from MPC for €1,818,716, which is non-interest bearing.

(b) During the year ended December 31, 2013, BTBE provided a secured loan to a wholly-owned subsidiary of Xanthus for €150,000, which bears interest at 8% capitalized quarterly, principal due January 14, 2016 and is secured by a pledge of 44,000 shares of United Digital Group GmbH. During the year ended December 31, 2014, the loan was sold to AA-L as part of the Chinook Reorganization.

(c) During the year ended December 31, 2013, Chinook Swiss provided a secured loan to DYVA. The loan bears interest at 8.5% capitalized quarterly and is secured by an assignment of 10,940,242 shares of Xanthus and can be terminated with three months' notice by the lender. During the year ended December 31, 2014, the loan was sold to AA-L as part of the Chinook Reorganization.

(d) During the year ended December 1, 2013, BTBE provided an unsecured loan to AA-AG that bears interest at 2% per annum capitalized quarterly and is due December 1, 2017. During the year ended December 31, 2014, the loan was sold to AA-L as part of the Chinook Reorganization.

6. ACQUISITION OF 54% OWNED SUBSIDIARY

During fiscal 2013, the Company acquired 54% of the issued and outstanding shares of BTBL and recorded the transaction as an investment in a subsidiary. The acquisition was 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 up to the date of sale to AA-L (note 5).

7. TRADE AND OTHER PAYABLES

		2014		2013
Trade payables	$	12,529	$	174,220
Accrued liabilities		49,545		67,591
	$	62,074	$	241,811

(Expressed in Canadian Dollars)

8. LOAN PAYABLE

	2014	2013
BTBL loan from BTBL's non-controlling shareholder, unsecured and bearing no interest, €154,100	$ -	$ 226,866

During the year ended December 31, 2014, this loan was assigned to AA-L (note 5).

9. CAPITAL AND OTHER COMPONENTS OF EQUITY

As of December 31, 2014, the Company had 3,405,932 Class A Voting Common Shares ("common shares") issued and outstanding, which trade on TSX Venture Exchange in Canada under the trading symbol "XCX". The Company has not granted or issued or have outstanding any stock options, warrants or any other dilutive security.

On October 23, 2014, the Company repurchased and cancelled from odd-lot shareholders, 66,809 common shares for $27,393.

On September 29, 2014, the Company reduced the share capital account by $25,149,159 as an offset against the deficit.

During 2013, the Company repurchased and cancelled from shareholders, 343,275 common shares for $315,813 and consolidated its 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-based payment reserve

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

10. GENERAL AND ADMINISTRATION EXPENSES

	Notes	2014	2013
Office and supplies		$ 111,355	$ 81,591
Professional fees	12	180,850	384,468
Rent and insurance		44,893	61,493
Salaries and benefits		68,230	62,920
		$ 405,328	$ 590,472

11. OTHER ITEM

During the year ended December 31, 2013, the Company reversed a provision for a tax refund payment received by a former subsidiary as the liability obligation and an indemnity agreement related to the provision had expired.

12. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2014, the Company paid board meeting and service fees of $39,000 (2013 - $49,000) to independent directors of the Company.

During the year ended December 31, 2014, the Company paid or accrued accounting fees of $44,875 (2013 - $48,135) to its Chief Financial Officer's consulting company.

During fiscal 2013, the Company acquired a controlling interest in BTBL from NGL for $529,000 (note 6). NGL is a related party due to its shareholdings in the Company.

During fiscal 2013, the Company paid $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 in 2013.

13. 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 2015 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.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, short-term deposits, accounts receivable, loans receivable, accounts payable and loans payable.

As at December 31, 2014, the Company did not have any financial assets recognized at fair value.

14. FINANCIAL INSTRUMENTS (cont'd…)

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 is described 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.

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 investments are 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, 2014:

	Euro	Swiss Franc	CDN Dollar	Total
Cash, short-term deposits and accounts receivable	7%	1%	92%	100%
Loans receivable	100%	0%	0%	100%
Trade and other payables	0%	1%	99%	100%

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 13.

(Expressed in Canadian Dollars)

15. INCOME TAXES

Income tax expense varies from the amount that would be computed by applying a combined federal and provincial income tax rate of 26% (2013 – 26%) to income before taxes as follows:

	2014	2013
Income (loss) before income taxes	$ 389,130	$ (319,281)
Expected income tax recovery	$ 80,605	$ (82,215)
Impact of acquisition of subsidiaries	-	(332,825)
Change in valuation allowance	5,092	414,901
Impact of tax rate changes and differences	73,768	18,277
Impact of foreign exchange rates	35,844	(18,639)
Non-taxable items	(170)	
True-up of tax pools	(195,139)	
Other items	-	501
	$ -	$ -

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

	2014	2013
Capital loss carry-forwards	$ 1,320,998	$ 1,207,690
Non-capital loss carry-forwards	843,520	938,207
Marketable securities and long-term investments	298	20,908
Other	16,580	9,499
Net deferred tax assets	2,181,396	2,176,304
Less: valuation allowance	(2,181,396)	(2,176,304)
	$ -	$ -

The Company has non-capital tax losses carried forward approximating $3,201,707 in Canada, expiring from 2026 through 2034.

The Company has gross capital losses approximating $10,161,521 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.