

CHINOOK TYEE INDUSTRY LIMITED

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2015

(Unaudited – Prepared by Management)

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

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

CHINOOK TYEE INDUSTRY LIMITED
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
 March 31, 2015 AND DECEMBER 31, 2014
 (Expressed in Canadian Dollars)

	Notes	March 31, 2015	December 31, 2014
ASSETS			
Current assets			
Cash		\$ 750,097	\$ 98,219
Short-term deposits		-	882,608
Accounts receivable and prepaid expenses	4	20,836	28,382
		<u>770,933</u>	<u>1,009,209</u>
Prepaid expenses	4	66,788	45,770
Equity accounted investment	5	17,434	-
Investment loan receivable	6	2,600,795	2,570,209
Total assets		<u>\$ 3,455,950</u>	<u>\$ 3,625,188</u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	\$ 71,830	\$ 62,074
Equity			
Share capital	8	895,401	895,401
Share based payment reserve		2,744,438	2,744,438
Deficit		(118,840)	(19,391)
Foreign currency reserves		(136,879)	(57,334)
Total equity		<u>3,384,120</u>	<u>3,563,114</u>
Total liabilities and equity		<u>\$ 3,455,950</u>	<u>\$ 3,625,188</u>

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

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

	Notes	Three Months ended March 31, 2015	Three Months ended March 31, 2014
Income			
Interest income		\$ 1,135	\$ 25,365
Merchant banking income		-	4,127
		<u>1,135</u>	<u>29,492</u>
Expenses			
Corporate governance expenses	10	12,143	7,500
General and administration expenses	9	97,330	61,442
Interest		99	89
Public company expenses		8,781	1,102
		<u>118,353</u>	<u>70,133</u>
Loss before other items		(117,218)	(40,641)
Equity income	5	17,745	-
Foreign exchange gain		24	49,902
Income (loss) for the period		<u>(99,449)</u>	<u>9,261</u>
Other comprehensive loss			
Foreign currency translation differences on foreign operations		(79,545)	(17,533)
Comprehensive loss for the period		<u>\$ (178,994)</u>	<u>\$ (8,272)</u>
Income (loss) for the period attributable to:			
Owners		\$ (99,449)	\$ (9,966)
Non-controlling interest		-	19,227
Income (loss) for the period		<u>\$ (99,449)</u>	<u>\$ 9,261</u>
Comprehensive income (loss) for the period attributable to:			
Owners		\$ (178,994)	\$ (10,758)
Non-controlling interest		-	2,486
Comprehensive loss for the period		<u>\$ (178,994)</u>	<u>\$ (8,272)</u>
Weighted average number of common shares outstanding		3,405,932	3,472,741
Income (loss) per common share attributable to owners, basic and diluted		<u>\$ (0.03)</u>	<u>\$ (0.00)</u>

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

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

	Equity attributable to owners								
	Number of common shares issued	Share capital	Share-based payment reserve	Foreign currency translation reserve	Deficit	Total equity attributable to owners	Non-controlling interest	Total equity	
Balance, January 1, 2014	3,472,741	\$ 26,071,953	\$ 2,744,438	\$ (8,486)	\$ (25,577,421)	\$ 3,230,484	\$ 181,412	\$ 3,411,896	
Income (loss) for the period	-	-	-	-	(9,966)	(9,966)	2,486	(7,480)	
Foreign currency translation	-	-	-	(792)	-	(792)	-	(792)	
Balance, March 31, 2014	3,472,741	26,071,953	2,744,438	(9,278)	(25,587,387)	3,219,726	183,898	3,403,624	
Income (loss) for the period	-	-	-	-	418,837	418,837	(22,227)	396,610	
Share repurchase (note 8)	(66,809)	(27,393)	-	-	-	(27,393)	-	(27,393)	
Reduction of deficit against share capital	-	(25,149,159)	-	-	25,149,159	-	-	-	
Elimination of non-controlling interest on sale of subsidiary	-	-	-	-	-	-	(161,671)	(161,671)	
Foreign currency translation	-	-	-	(48,056)	-	(48,056)	-	(48,056)	
Balance, December 31, 2014	3,405,932	895,401	2,744,438	(57,334)	(19,391)	3,563,114	-	3,563,114	
Loss for the period	-	-	-	-	(99,449)	(99,449)	-	(99,449)	
Foreign currency translation	-	-	-	(79,545)	-	(79,545)	-	(79,545)	
Balance, March 31, 2015	3,405,932	\$ 895,401	\$ 2,744,438	\$ (136,879)	\$ (118,840)	\$ 3,384,120	\$ -	\$ 3,384,120	

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

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

	Three Months ended March 31, 2015	Three Months ended March 31, 2014
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Income (loss) for the period	\$ (99,449)	\$ 9,261
Items not affecting cash:		
Equity income	(17,745)	-
Foreign exchange	-	7,474
Accrued interest on short-term deposits	-	(25,606)
	(117,194)	(8,871)
Changes in non-cash working capital items		
Receivables and prepaids	(13,472)	(22,292)
Accounts payable and accrued liabilities	9,756	(148,764)
	(120,910)	(179,927)
INVESTING ACTIVITIES		
Proceeds from sale of short-term deposits	882,608	-
Investment loans receivable	(106,243)	(80,025)
	776,365	(80,025)
Effect of foreign exchange on cash	(3,577)	(63,374)
Change in cash during the period	651,878	(323,326)
Cash, beginning of the year	98,219	396,931
Cash, end of the period	\$ 750,097	\$ 73,605

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

CHINOOK TYEE INDUSTRY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2015

(Expressed in Canadian Dollars)

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.

The reporting currency of Chinook's consolidated financial statements is the Canadian dollar ("\$").

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, 2014. 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, 2014.

The consolidated financial statements were authorized for issue by the Board of Directors on May 21, 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 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.

These consolidated financial statements include the accounts of Chinook, its wholly-owned subsidiary Chinook Tyee (Switzerland) GmbH ("Chinook Swiss"), its 99% owned subsidiary Mercury Partners & Company plc ("MPC") and MPC's 50% owned subsidiary, Asiamerica Limited ("AA-L"), which is equity accounted.

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.

The functional currency of the Company is the Canadian dollar ("\$"). The functional currency of the Company's subsidiaries is the EURO ("€").

CHINOOK TYEE INDUSTRY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2015

(Expressed in Canadian Dollars)

4. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

	March 31, 2015	December 31, 2014
Other receivables	\$ 5,096	\$ 5,972
Interest receivable	-	-
VAT receivable	48	48
Prepaid expenses	82,480	68,132
	<u>87,624</u>	<u>74,152</u>
Less non-current prepaid expenses	(66,788)	(45,770)
Current accounts receivable and prepaid expenses	<u>\$ 20,836</u>	<u>\$ 28,382</u>

5. EQUITY ACCOUNTED INVESTMENT

MPC owns 50% of the share capital of AA-L, which is accounted for using the equity method. AA-L is funded equally by MPC and its other shareholder. AA-L holds secured, interest-bearing loans to Xanthus Holding plc (“Xanthus”) and to its controlling shareholder. Xanthus is listed on the Entry Standard of the Frankfurt Stock Exchange in Germany.

For the three months ended March 31, 2015, the Company recorded equity income in AA-L of \$17,745 (2014 - \$Nil).

6. INVESTMENT LOAN RECEIVABLE

MPC and the other joint shareholder of AA-L equally hold unsecured, demand loans that are non-interest bearing to AA-L in the amount of \$2,600,795 (€1,896,175) (2014 - \$2,570,209 (€1,818,716)).

7. TRADE AND OTHER PAYABLES

	March 31, 2015	December 31, 2014
Trade payables	\$ 19,424	\$ 12,529
Accrued liabilities	52,406	49,545
	<u>\$ 71,830</u>	<u>\$ 62,074</u>

8. CAPITAL AND OTHER COMPONENTS OF EQUITY

As of March 31, 2015, 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.

CHINOOK TYEE INDUSTRY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2015

(Expressed in Canadian Dollars)

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

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.

9. GENERAL AND ADMINISTRATION EXPENSES

	Notes	Three Month ended March 31, 2015	Three Month ended March 31, 2014
Office and supplies		\$ 14,121	\$ 22,257
Professional fees	10	54,182	15,084
Rent and insurance		11,168	11,423
Salaries and benefits		17,859	12,678
		<u>\$ 97,330</u>	<u>\$ 61,442</u>

10. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2015:

The Company paid board meeting and service fees of \$7,500 (2014 - \$7,500) to independent directors of the Company and paid or accrued professional fees of \$6,500 (2014 - \$6,500) to its Chief Financial Officer's consulting company for accounting services.

11. CAPITAL MANAGEMENT

The Company's capital is comprised of shareholders' equity less reserves and liabilities. Cash, short-term deposits, investment 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.

CHINOOK TYEE INDUSTRY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MARCH 31, 2015

(Expressed in Canadian Dollars)

11. CAPITAL MANAGEMENT (cont'd)

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.

12. FINANCIAL INSTRUMENTS

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

As at March 31, 2015, the Company held cash which was recognized at fair value.

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 March 31, 2015:

	Euro	Swiss Franc	CDN Dollar	Total
Cash and accounts receivable	1%	2%	97%	100%
Loans receivable	100%	0%	0%	100%
Trade and other payables	0%	1%	99%	100%

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 11.

CHINOOK TYEE INDUSTRY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS (cont'd...)

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, therefore are not affected by changes in interest rates.