



## Management's Discussion and Analysis of Financial Condition and Results of Operations as at November 27<sup>th</sup>, 2015.

The following is management's discussion and analysis ("MD&A") of Chinook Tyee Industry Limited's (the "Company" or "Chinook") financial condition and results of operations for the nine months ended September 30<sup>th</sup>, 2015 and should be read in conjunction with the unaudited condensed consolidated financial statements and related notes for the same reporting period. The MD&A will also outline the economic operating conditions and how these influence Chinook Tyee Industry Limited's business activities.

All references herein refer to the unaudited condensed consolidated financial statements and related notes for the nine months ended September 30<sup>th</sup>, 2015 and except where otherwise indicated, all financial information is expressed in Canadian dollars ("C\$"). Unless otherwise indicated, a reference to the "Company" or "Chinook" means Chinook Tyee Industry Limited and its subsidiaries. The financial year is the calendar year. Reference to a "fiscal year" means the Company's year commencing on January 1<sup>st</sup> of that year and ending on December 31<sup>st</sup> of that year. For example, fiscal 2014 means the period beginning January 1<sup>st</sup>, 2014 and ending December 31<sup>st</sup>, 2014. Reference to "reported quarter" means the nine calendar months commencing on January 1<sup>st</sup> of that year and ending on September 30<sup>th</sup> of that year. In addition, reference will be made to "Notes", which refers to the Notes to the Unaudited Condensed Consolidated Financial Statements. References to Statements of "Financial Position", "Income or Loss" and "Cash Flows", refers to Unaudited Condensed Consolidated Statements of Financial Position, Comprehensive Income (Loss) and Cash Flows, respectively.

The Company files reports and other information on the System for Electronic Document Analysis and Retrieval ("SEDAR") in Canada at [www.sedar.com](http://www.sedar.com). The Company's website is [www.chinooktyee.com](http://www.chinooktyee.com)

### Forward-Looking Statements

This document contains forward-looking statements. The Company's representatives may also make forward-looking statements orally from time to time.

Statements in this document that are not historical facts, including statements about the Company's beliefs and expectations, recent business and economic trends constitute forward-looking statements. Forward-looking statements include, without limitation, statements regarding the outlook for future operations, forecasts of future revenue and expenditures, market conditions, specifically the Canadian and German stock markets, or other business plans. Forward-looking statements include statements regarding the intent, belief or current expectations of the Company, primarily with respect to the results of operations, financial position or cash flows of the Company.

The statements are based on current plans, estimates and projections and are subject to change. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement and the Company undertakes no obligation to update publicly any changes in light of new information or future events.

Shareholders and potential investors are cautioned that any such forward-looking statements are not guaranteed and involve risks and uncertainties, and that actual results may differ from those in the forward-looking statements as a result of various factors such as general economic and business and financial conditions particularly in North America and Europe, including changes in interest rates, actions by government authorities in Canada, Germany or the European Union, including changes in government regulation; political conditions in Europe and future decisions by the Company's directors or officers in response to changing conditions; the ability to execute prospective business plans; and misjudgments in the course of preparing forward-looking statements.

Material factors and assumptions underlying the Company's expectations regarding forward-looking statements include, among others: the ability of the Company to obtain financing on acceptable terms; that the Company will be able to maintain appropriate levels of liquidity in order to make investments when attractive opportunities arise; stability in the global economic environment particularly in Canada and Germany and broadly in regard to North America and the European Union, and Canadian and German interest rates; and that interest rates and foreign exchange rates, particularly in regard to the Canadian dollar and Euro, will not vary materially from current levels.

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Shareholders and potential investors are advised that these cautionary remarks expressly qualify in their entirety all forward-looking statements attributable to the Company or persons acting on its behalf contained in this MD&A.

This forward-looking statement dated November 27<sup>th</sup>, 2015, references CSA Staff Notice 51-330 Guidance regarding the Application of Forward-Looking Information Requirements under National Instrument 51-102 Continuous Disclosure Obligations dated November 20<sup>th</sup>, 2009.

The Company will review its forward-looking statement when it files its year end financial results for the year ending December 31<sup>st</sup>, 2015.

### Accounting Policy

Financial information for the nine months ended September 30<sup>th</sup>, 2015 and 2014 presented and discussed in this MD&A is prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) (see Note 2, “Basis of Presentation”).

The Company prepares consolidated financial statements which, in addition to Chinook as operating parent company, incorporates all material subsidiaries in which the Company is deemed to have control or influence over (IFRS 10), which includes Mercury Partners & Company plc (“MPC”). MPC’s investment in Asiamerica Limited (“AA-L”) is accounted for using the equity method. Equity accounted investments totalled \$105,397 and generated equity income of \$98,433 during the reported period (see Note 5, “Equity Accounted Investment”, “Statements of Financial Position” and Note 3, “Basis of Consolidation in Significant Accounting Policies”).

### Overall Performance

Chinook operates as a financial service company and is registered as an investment issuer on the TSX Venture Exchange (“TSXV”) in Canada under the trading symbol, “XCX”. The Company is a reporting issuer in the following Canadian provinces: British Columbia, Alberta, Ontario and Québec.

The Company’s primary asset, in addition to cash assets, are its investment loan receivable to MPC totaling approximately \$3.4 million and which represents approximately 91% of the Company’s total assets (see “Statements of Financial Position”). Subsequent to the reported period, the Company received a principal payment from its investment loan receivable (see Note 13, “Subsequent Event”).

MPC, indirectly through AA-L, owns collateralized, interest-bearing loans secured by first collateral claims on a controlling shareholding in (“Xanthus”), a listed German private equity hedge fund and a minority shareholding in a German real estate development company, both of which are listed on the Entry Standard of the Frankfurt Stock Exchange in Germany among other assets (see Note 6, “Investment Loan Receivable”). During the reported quarter, AA-L sent a notice of termination of loan to Xanthus’s controlling shareholder and subsequent to the reported period, the parties entered into settlement agreement discussions, whereby AA-L will seize the controlling shareholding in Xanthus as repayment of the loan (see Note 13, “Subsequent Event”). AA-L loans to Xanthus are in good standing.

The status of the equity markets in Canada and Germany, in particular, the TSXV and the Frankfurt Stock Exchange, may affect the financial performance of the Company. In addition, as the Company holds cash in Canadian dollars and Euros, high annual inflation in Canada or in the European Union may affect the financial performance and condition of the Company. The majority of the Company’s assets have an economic interest in Germany, therefore the fluctuation in the price between the Canadian dollar and Euro will affect financial performance. Generally, the economic health of the economies of Germany and the European Union especially in regard to geopolitical distress that may affect the European Union recovery will affect the financial performance of the Company. Generally, the status of the real estate property markets in Germany and in particular Dusseldorf, Germany, will affect the financial position of the Company (see Note 11, “Capital Management” and Note 12, “Financial Instruments”).

The conversion of foreign operations from the Euro to the Canadian dollar resulted in a non-cash foreign currency translation difference of \$217,868 compared to a loss of \$15,105 for the comparative period (see “Statements of Comprehensive Income or Loss”).

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## Summary of Quarterly Results

The following selected financial data as reported by the Company for the past eight business quarters have been summarized from the Company's unaudited quarterly financial statements and are qualified in their entirety by reference to, and should be read in conjunction with, such financial statements.

	2015			2014			2013		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	(In thousands, except per share amounts)								
Revenue . . . . .	\$ -	\$ 1	\$ 1	\$ 109	\$ 35	\$ 30	\$ 29	\$ 37	\$ 9
Income (loss) attributable to owners . . . . .	\$ (59)	\$ 53	\$ (99)	\$ 665	\$ (152)	\$ (94)	\$ (10)	\$ (208)	\$ 159
Income (loss) per share attributable to owners basic and diluted . . . . .	\$ (0.02)	\$ 0.02	\$ (0.03)	\$ 0.19	\$ (0.04)	\$ (0.03)	\$ -	\$ (0.06)	\$ 0.04

## Liquidity and Capital Resources

The Company's principal assets as of September 30<sup>th</sup>, 2015, included cash of approximately \$142,518 and an investment loan receivable of \$3.4 million (see "Statements of Financial Position" and Note 6, "Investment Loan Receivable"). The Company reported prepaid expenses of \$57,193 which predominately includes prepaid premiums for directors and officers insurance for former board members who resigned during fiscal 2012 (see Note 4, "Accounts Receivable and Prepaid Expenses").

The Company's principal source of funds is its available cash and public financing. The Company believes it has sufficient cash to maintain its liquidity and does not anticipate any major expenditures or use of funds during the remainder of 2015 (see Note 11, "Capital Management" and Note 13, "Subsequent Event").

The Company's recurring cash requirements include public company expenses such as regulatory, shareholder communication, corporate governance expenses and general and administration expenses (see, "Statements of Comprehensive Loss" and Note 9, "General and Administration Expenses" and Note 10, "Related Party Transactions").

The statement of cash flows shows the structure of and changes in cash for the reported period and is broken down into operating activities, investing activities and financing activities. During the reported period, the Company generated \$44,299 of cash largely due to the conversion of short-term deposits to cash. The operating loss during the reported period and an increase in the investment loan receivable of \$655,840 accounted for the major uses of cash during the reported period. Other than the aforementioned, other uses and generation of cash flows from operating and investing activities did not materially affect cash flow during the reported period (see "Statements of Cash Flows"). The Company did not generate cash from financing activities during the reported and comparative period.

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

As at September 30<sup>th</sup>, 2015, the Company's total debt consisted of trade and other payables of \$23,670 (see Note 7, "Trade and Other Payables").

## Summary of Period Results

*For the nine months ending September 30<sup>th</sup>, 2015*

The following analysis of the Company's operating results for the nine months ended September 30<sup>th</sup>, 2015, includes a comparison to the corresponding, comparative nine months ended September 30<sup>th</sup>, 2014 (see "Statements of Comprehensive Income or Loss"). The operating results between the reported period and corresponding, comparative period are not fully comparable as Chinook reorganized how it held its European investments during the two reporting periods.

Income from interest and merchant banking was not material in amount while Chinook's equity accounted investments reported equity income of \$98,433 during the reported period predominantly from loan interest and fee income generated by AA-L.

Expenses declined to \$206,198 compared to \$314,203 for the corresponding period due largely to the decline in general and administrative costs, which declined to \$162,244 from \$265,086 for the same periods (see Note 9, "General and Administration Expenses"). The Company paid directors and board meeting fees of \$33,266 to Independent Directors during the reported period (see Note 10, "Related Party Transactions"). The President and Non-Independent Director has not received any remuneration since his appointment.

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Gain or loss before other items did not change materially in the reported period compared to the corresponding comparative period. The loss for the reported period, after other items, was \$105,259 compared to a loss of \$292,921 for the corresponding comparative period. Basic and diluted loss per common share attributable to owners was \$0.03 during the reported period compared to a loss of \$0.07 for the corresponding, comparative period.

### Summary of Quarterly Results

*For the three months ended September 30<sup>th</sup>, 2015*

The following analysis of the Company's operating results for the three months ended September 30<sup>th</sup>, 2015, includes a comparison to the corresponding, comparative three months ended September 30<sup>th</sup>, 2014. The operating results between the reported period and corresponding, comparative period are not fully comparable as Chinook reorganized how it held its European investments during the two reporting periods.

Income from interest and merchant banking was not material in amount while Chinook's equity accounted investments reported equity income of \$1,810 during the reported period. During the corresponding comparative period, the Company reported income of \$34,528, which was primarily interest income.

Expenses decreased to \$60,839 compared to \$161,215 for the corresponding comparative period due mainly to a decrease in professional fees (see Note 9, "General and Administration Expenses").

The Company reported a loss of \$58,585 for the reported period compared a loss of \$172,735 during the corresponding comparative period. Basic and diluted income or loss per common share attributable to owners was loss of \$0.02 for the reported period and a loss of \$0.04 for corresponding comparative period.

### Disclosure of Outstanding Share Data

The Company has 3,405,932 shares outstanding as at November 27<sup>th</sup>, 2015. No dilutive securities were either granted or issued since the appointment of the current board of directors in fiscal 2012.

During 2014, the Company repurchased and cancelled 66,809 common shares for \$27,393.

(See Note 8, "Capital and Other Components of Equity".)

### Transactions Between Related Parties

Based on the accounting policies and definitions followed by Chinook, the parent company has a related party relationship with its subsidiaries. In addition, management and director compensation are regarded as related party transactions. Accordingly, during the nine months ended September 30<sup>th</sup>, 2015, the Company entered into the following related party transactions.

In regard to management and director compensation, the Company paid independent directors board meeting and service fees of \$33,266 (2014 - \$28,500) and paid or accrued accounting fees of \$33,115 (2014 - \$26,945) to its Chief Financial Officer's consulting company.

(See Note 10, "Related Party Transactions".)

### Subsequent Event

Subsequent to the reported period, the Company received a principal payment from its investment loan receivable. In addition, AA-L and Xanthus's controlling shareholder have entered into settlement agreement discussions where AA-L will seize the controlling shareholding in Xanthus as repayment of the loan.

(See Note 13, "Subsequent Event".)

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