KAIYUE INTERNATIONAL INC.

Interim Condensed Financial Statements
Third Quarter
Ended September 30, 2011
(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

Notice of no auditor review of financial statements

The following interim condensed financial statements of the Company, as at September 30, 2011 and for the periods ended September 30, 2011 and 2010, have been prepared by and are the responsibility of the Company's management. These unaudited condensed financial statements have been reviewed and approved by the board of directors on November 25, 2011.

The Company's Independent auditor has not performed a review of these financial statements in accordance with the standards established for a review of interim condensed financial statements.

Kaiyue International Inc.
(A Capital Pool Company)

Unaudited Interim Condensed Statements of Financial Position

	September 30 2011 $	December 31, 2010 $
Assets		
Current Assets		
Cash and cash equivalents	543,515	176,841
Deferred transaction costs		
Total assets	543,515	176,841
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	56,326	53,298
Proceeds received for shares to be issued	531,035	
Total current liabilities	587,361	53,298
Shareholders' equities		
Share capital (note 4)	261,527	261,527
Shares to be issued		-
Deficit	(305,373)	(137,984)
Total shareholders' equity	-43,846	123,543
Total liabilities and shareholders' equity	543,515	176,841
	0.00	

Nature of operations (note 1)

On behalf of the Board

(signed) "Joseph Chan" (signed) " Paul Zhang"

The accompanying notes are an integral part of these interim financial statements

Kaiyue International Inc.

(A Capital Pool Company)

Unaudited Interim Condensed Statements of Loss and Comprehensive Loss

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	$		$	$
General and Administrative Expenses				
Bank charges	-170	-197	-665	-648
Filing fees	-69,518	747	-90,462	-12,254
Professional fees	-32,801	-1,260	-76,149	-11,462
Telephone fees			-113	
	-102,489	-710	-167,389	-24,364
Other income				
Interest and other income	-	123	-	367
Net loss and comprehensive loss for the period	-102,489	-587	-167,389	-23,997
Deficit, beginning of period	-202,885	-40,603	-137,984	-17,193
Deficit, end of period	-305,373	-41,190	-305,373	-41,190
Basic and diluted loss per common share	(0.02)	(0.00)	(0.04)	(0.01)
Weighted average number of common shares outstanding				
Basic & Diluted	4,180,000	3,397,391	4,180,000	2,581,465

The accompanying notes are an integral part of these interim financial statements

Kaiyue International Inc.
(A Capital Pool Company)
Unaudited Interim Condensed Statements of Changes in Equity

	Number of shares issued	Share Capital $	Shares to be issued $	Deficit $	Total Equity $
Balance at January 1, 2010	1,700,000	85,000	19,000	(17,193)	86,807
Issuance of common shares on January 6, 2010	480,000	24,000	-	-	24,000
Net loss and comprehensive loss for the period	-	-	-	(32,070)	(32,070)
Balance at March 31, 2010 and April 1, 2010	2,180,000	109,000	19,000	(49,263)	78,737
Issuance of common shares	2,000,000	152,527	(19,000)	-	133,527
Net loss and comprehensive loss for the period	-	-	-	(88,721)	(88,721)
Balance at December 31, 2010 and January 1, 20	4,180,000	261,527	-	(137,984)	123,543
Shares to be issued	-	-		-	0
Net loss and comprehensive loss for the period	-	-	-	(51,793)	(51,793)
Balance at March 31, 2011	4,180,000	261,527	-	(189,777)	71,750
Shares to be issued	-	-			0
Net loss and comprehensive loss for the period	-	-		(13,108)	(13,108)
Balance at June 30, 2011	4,180,000	261,527	-	(202,885)	58,642
Shares to be issued	-	-			0
Net loss and comprehensive loss for the period	-	-		(102,489)	(102,489)
Balance at September 30, 2011	4,180,000	261,527	-	(305,373)	-43,846

The accompanying notes are an integral part of these interim condensed financial statements

Kaiyue International Inc.

(A Capital Pool Company)

Unaudited Interim Condensed Statements of Cash Flows

	Nine months ended September 30, $	Nine months ended September 30, 2010 $
Cash flows from operating activities		
Net loss for the period	(167,389)	(23,997)
Changes in non-cash operating working capital		
Deferred transaction costs		(3,200)
Proceeds received for shares to be issued	531,035	
Accounts payable and accrued liabilities	3,028	-755
	366,674	(27,952)
Cash flows from financing activities		
Proceeds received for common shares to be issued	-	178,527
Increase in cash	366,674	150,575
Cash, beginning of period	176,841	103,982
Cash, end of period	543,515	254,557
Supplementary cash flow information:		
Interests received	-	367
Income tax paid	-	-
Cash and cash equivalents comprise the following:		
Cash held in bank and on hand	543,515	254,557
Cash equivalents	-	-
	543,515	254,557

The accompanying notes are an integral part of these interim financial statements

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1 Nature of Operations

Kaiyue International Inc. (“Kaiyue” or the “Company”) was incorporated under the Business Corporation Act of Alberta on November 23, 2009. The Company trades under the symbol KYU.P on the TSX Venture (the “Exchange”). The address of the Company’s corporate office is 3500, 855 - 2 Street SW Calgary, Alberta.

The Company is a Capital Pool Company (“CPC”) as defined in the Policy 2.4 “Capital Pool Companies” of the Exchange. The Company’s principal purpose is to identify and evaluate assets, properties or businesses with an aim to completing a “Qualifying Transaction” as defined in CPC policy. As at September 30, 2011, the Company has no business operations. Where a Qualifying Transaction is warranted, additional funding will be required. The ability of the Company to fund its potential future operations and commitments is dependent upon additional financing, of which the certainty cannot be determined at this time. Under the policies of the Exchange, the Company must identify and complete a Qualifying Transaction within 24 months from the date the Company’s shares are listed for trading on the Exchange. There is no assurance that the Company will be able to complete a Qualifying Transaction within 24 months of being listed or that it will be able to secure the necessary financing to complete a Qualifying Transaction. The Exchange may suspend or de-list the Company’s shares from trading should it not meet these requirements.

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or business for future investment, with the exception that up to lesser of 30% of the gross proceeds or $210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

On December 3, 2010, the Company entered into an agreement (“Agreement”) with China Easy-Pay Technology Inc. (“China Easy-Pay”) and its sole shareholder Soar High Group Limited (“Soar High”), to purchase all of the issued and outstanding shares of China Easy-Pay (the “Acquisition”). The Acquisition, if completed, will constitute the Company’s Qualifying Transaction under Policy 2.4 - Capital Pool Company of the Exchange. China Easy-Pay and Soar High are at arm’s length to the Company, as such, the Company anticipates that the Acquisition will not be subject to approval of the Company’s shareholders.

China Easy-Pay owns 100% of Dragon Smart Technology Limited ("Dragon Smart"), a corporation incorporated under the laws of Hong Kong on January 5, 2010. Dragon Smart in turn owns 100% of

1 Nature of Operations (continued)

Guangzhou Huahong Network Technology Company Limited ("Huahong"), a corporation incorporated under the laws of the People's Republic of China on July 25, 2005, and which is the operating subsidiary for China Easy-Pay.

Huahong is a close strategic partner of China Mobile Guangdong (a subsidiary of China Mobile Limited, the largest mobile communications operator in China), and has an established, profitable and growing business, processing payments for prepaid (or pay-as-you-go) mobile phone accounts for China Mobile customers in Guangdong Province. Currently, Huahong offers Top-up Voucher Services to its clients in Guangdong, China.

Under the terms of the Agreement, the Company will issue 14,758,000 common shares ("Acquisition Securities") to acquire 100% of the issued and outstanding shares of China Easy-Pay, which shall represent 51% of the total issued and outstanding shares of the resulting issuer immediately following the closing of the Acquisition. In the event that the Private Placement (as defined below) or any unforeseeable event shall result in 14,758,000 common shares of the Company constituting more or less than 51% of the total issued and outstanding shares of the resulting issuer immediately following the closing of the Acquisition, then the number of common shares of the Company issuable shall be adjusted so that the Acquisition Securities issuable to the Soar High shall constitute 51% of the total issued and outstanding shares of the resulting issuer immediately following closing of the Acquisition.

Upon the completion of the Acquisition, China Easy-Pay will become a wholly-owned subsidiary of the Company, the Company will carry on its business through China Easy-Pay and Huahong, and the Company will be renamed "China Easy-Pay Inc.".

The Company will also complete a non-brokered private placement of common shares to raise approximately $1,500,000, at a price of $0.15 per share (the "Private Placement"). Completion of the Private Placement will not be conditional upon completion of the Acquisition, and the Company may, subject to Exchange approval, complete the Private Placement without completing the Acquisition. Subsequent to the quarter end, the Company has closed the private placement as announced on October 24, 2011. See Subsequent Event for details.

Subsequent to the initial announcement, the Company filed its initial submission with the Exchange in February 2011 and received the Exchange's initial comments. The Company is working with China Easy-Pay and its auditors to complete the updated financial statements required for inclusion in the filing statement, and expects to file its revised submission with the Exchange shortly following the completion of the financial statements.

2 Basis of Preparation

The Company's continuing operations as intended are dependent upon the Company's ability to identify, evaluate and negotiate the acquisition of an interest in properties, assets or a business, which is considered a Qualifying Transaction. Such an acquisition will be subject to regulatory approval and may be also subject to shareholder approval. In the case of a non-arm's length transaction (as defined in the CPC Policy) a majority of the minority shareholder approval must also be obtained in accordance with the CPC Policy. Should the Company fail to complete such a transaction within the timeline stipulated in the CPC Policy, its ability to raise sufficient financing to maintain operations may be impaired and accordingly the Company may be unable to realize on the carrying value of its net assets.

The financial statements were prepared on a going concern basis which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business, under the historical cost convention except for certain financial assets which are presented at fair value in Canadian dollars, the Company's functional currency. All financial information is presented in Canadian dollars, except as otherwise noted.

Statement of Compliance

These unaudited interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting ("IAS 34") and International Financial Reporting Standard 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1") as issued by International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies set out below have been applied in preparing an opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1. These unaudited interim condensed financial statements have been prepared on the basis of IFRS that are expected to be effective on December 31, 2011, the Company's first annual reporting date under IFRS. The Company has made certain assumptions about the accounting policies expected to be adopted when the first IFRS annual financial statements are prepared for the year ending December 31, 2011.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of November 25, 2011, the date the Board of Directors approved the statements. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending December 31, 2011 could result in a restatement of these condensed consolidated interim financial statements, including the transition adjustments recognized on changeover to IFRS.

3 Summary of Significant Accounting Policies

The significant accounting policies are summarized as follows:

Cash and cash equivalents

Cash and cash equivalents include bank balances deposited with maturity dates of three months or less.

Functional and presentation currency

These unaudited interim condensed financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

3 Summary of Significant Accounting Policies (continued)

Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, and changes in these estimates are recorded when known. Significant estimates made by management include accrued liabilities of the Company. The amount recognized as accrued liabilities is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. The Company assesses its liabilities based upon the best information available.

Related party transactions

All transactions with related parties would be in the normal course of business and measured at the exchange value (the amount established and agreed to by the related parties). During the period, no related party transactions have taken place.

Loss per share

Loss per share is determined using the weighted average number of shares outstanding during the period. Diluted loss per share is determined using the treasury stock method. Under this method, the dilutive effect of loss per share is recognized on the use of proceeds that could be obtained from exercise of options, warrants and similar instruments. It assumes that proceeds would be used to purchase common shares at the average market price during the period. As of September 30, 2011, the calculation of basic and diluted loss per share is the same as the Company does not have any dilutive instruments.

3 Summary of Significant Accounting Policies (continued)

Financial instruments

Financial assets

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following categories: “financial assets at fair value through profit or loss” (“FVTPL”), “held-to-maturity investments”, “available-for-sale financial assets” and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company has classified cash as financial assets at FVTPL, which is measured at fair value.

Financial liabilities

Financial liabilities are classified as either “financial liabilities at FVTPL” or “other financial liabilities”.

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

All accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost using the effective interest method.

3 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

De-recognition of financial assets and liabilities
A financial asset is derecognized when the contractual right to the asset's cash flows expires; or if the Company transfers the financial asset and all risks and rewards of ownership to another entity.

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

Fair value hierarchy
The Company follows a fair value hierarchy that requires an entity to maximize the use of the observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurements. There are three levels of inputs that may be used to measure fair value.

Level 1 applies to assets and liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 applies to assets and liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 applies to assets and liabilities for which there are unobservable inputs to the valuation methodology that significant to the measurement of the fair value of the assets or liabilities and that cannot be corroborated by market data.

As of September 30, 2011 and December 31, 2010, none of the Company's financial instruments are recorded at fair value on the unaudited interim condensed statement of financial position except for cash and cash equivalents within Level 1.

3 Summary of Significant Accounting Policies (continued)

Deferred transactions costs

Costs directly incurred in connection with the Company’s proposed public share offering are recorded as deferred transaction costs until the offering is completed, if the completion is considered likely; otherwise they are expensed as incurred. Deferred transaction costs will be charged against share capital upon completion of the public share offering, or against operations if the offering is not completed.

Comprehensive loss

Comprehensive loss includes both net loss and other comprehensive income (loss). Other comprehensive income (loss) is the change in shareholders’ equity from non-owner sources which is not included in the calculation of net loss until realized. Cumulative changes in other comprehensive income (loss) are included in accumulated other comprehensive income (loss), which is presented as a separate category of shareholders’ equity on the statement of financial position. The Company had no other comprehensive income (loss) balance as at September 30, 2011 and December 31, 2010, and no transactions during the three and nine months ended September 30, 2011 and 2010.

Share-based payments

Equity-settled share-based payments to directors, officers, and employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss for the period.

3 Summary of Significant Accounting Policies (continued)

New accounting pronouncements

The Company has not early applied the following new and revised standards that have been issued by the IASB but are not yet effective.

IFRS 7 (Amendment)	Financial Instruments: Disclosure for amendments enhancing disclosures about transfers of financial assets [1]
IFRS 9	Financial Instruments (Issued November 2009) [4]
IFRS 10	Consolidated Financial Statements[4]
IFRS 11	Joint Arrangements[4]
IFRS 12	Disclosure of Interests in Other Entities[4]
IFRS 13	Fair Value Measurement[4]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income [3]
IAS 12 (Amendment)	Income Taxes: Limited scope amendment (recovery of underlying assets) [2]
IAS 19 (Revised 2011)	Employee Benefits[3]
IAS 27 (Amendment)	Separate Financial Statements[4]
IAS 28 (Amendment)	Investments in Associates and Joint Ventures[4]

[1] effective for annual periods beginning on or after July 1, 2011
[2] effective for annual periods beginning on or after January 1, 2012
[3] effective for annual periods beginning on or after 1 July 2012
[4] effective for annual periods beginning on or after January 1, 2013

The Company is currently assessing the impact that the new and revised standards will have on its financial statements or whether to early adopt any of the new requirements.

4 Share Capital

Authorized

An unlimited number of common shares

Issued and outstanding

	Number of Shares	Amount ($)
Balance - January 1, 2010	1,700,000	85,000
Issuance of common shares	2,480,000	224,000
Share issue costs	-	(47,473)
Balance - December 31, 2010 and September 30, 2011, net of share issue costs of $47,473	4,180,000	261,527

Proceeds received for shares to be issued

The Company announced on December 3, 2010 that it will complete a non-brokered Private Placement of common shares to raise approximately $1,500,000, at a price of $0.15 per share. Completion of the Private Placement will not be conditional upon completion of the Acquisition or the Qualifying Transaction, and the Company may, subject to Exchange approval, complete the Private Placement without completing the Acquisition or Qualified Transaction. During the nine months ended September 30, 2011, the Company received $531,035 to subscribe for 3,533,567 common shares of the Company pursuant to the terms of proposed Private Placement. The total proceeds of $531,035 were recorded as current liability on the interim condensed statements of financial position as the common shares have not yet been issued as at September 30, 2011.

Escrow shares

Subject to an Escrow Agreement pursuant to the requirements of the Exchange, all of the shares issued on and prior to January 6, 2010 will be held in escrow. Under the terms of the Escrow Agreement (assuming at least 75% of the securities pursuant to the Qualifying Transaction are “value securities”), these shares will be released as to 10% thereof on the completion of the Company’s Qualifying Transaction, as defined in the policies of the Exchange, and as to 15% thereof on each of the 6th, 12th, 18th, 24^{th,} 30th and 36th months following the initial release.

4 Share Capital (continued)

Escrow shares (continued)

All common shares acquired on exercise of stock options granted to directors and officers prior to the completion of a Qualifying Transaction must also be in escrow until the Final Exchange Bulletin is issued.

All common shares of the Company acquired in the secondary market prior to the completion of a Qualifying Transaction by a Control Person, as defined in the policies of the Exchange, are also required to be deposited in escrow. Subject to certain permitted exemptions, all securities of the Company held by principals of the resulting issuer will also be escrowed.

Stock option

The Company has adopted an incentive stock option plan (the “Option Plan”) which provides that the directors of the Company may from time to time, in their discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares received for issue will not exceed 10% of the number of outstanding common shares.

Stock option will be exercisable for a period of up to five years after date of grant thereof. The number of common shares reserved for issue to any individual director or officer will not exceed five percent of the number of then outstanding common shares and the number of common shares reserved for issue to all technical consultants will not exceed two percent of the number of then outstanding common shares. Options may be exercised the greater of 12 months after completion of the Qualifying Transaction and 90 days following cessation of the optionee’s position with the Company, provided that the cessation of office, directorship, or consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option. Any common shares acquired pursuant to the exercise of options prior to completion of the Qualifying Transaction must be deposited in escrow and will be subject to escrow until the Final Exchange Bulletin is issued.

200,000 common shares stock options pursuant to the exercise of the Directors’ and Officers’ Options, exercisable at $0.10 per share, were granted on August 6, 2010 and outstanding as of September 30, 2011 and December 31, 2010. These options will expire on August 6, 2015.

4 Share Capital (continued)

Stock option (continued)

In addition, the Company granted to the underwriters of the Offering Options ("Underwriters' options") to purchase up to 80,000 common shares at a price of $0.10 per common share and outstanding as of September 30, 2011 and December 31, 2010, which may be exercised for a period of 24 months after the day of listing on August 12, 2010, hence expiring on August 12, 2012.

The management considers that the fair value of the above stock options granted was insignificant at the respective date of granting and therefore, no share based payment transactions expense is recognized during the period ended September 30, 2011 and 2010. Share based payment transactions calculations have no effect on the Company's cash position.

A summary of the stock options issued to directors and officers outstanding and exercisable is as follows as at September 30, 2011:

	September 30, 2011
Number of options outstanding	200,000
Weighted average exercise price	$0.10
Weighted average remaining life	3.85
Number of options exercisable	200,000
Weighted average price of exercisable options	$0.10

A summary of the underwriters' options issued to underwriters outstanding and exercisable is as follows as at September 30, 2011:

	September 30, 2011
Number of options outstanding	80,000
Weighted average exercise price	$0.10
Weighted average remaining life	0.86
Number of options exercisable	80,000
Weighted average price of exercisable options	$0.10

5 Financial Instruments

Financial risk

The Company's approach in managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they become due. As at September 30, 2011, the Company had cash of $543,515. The Company is not exposed to significant credit, liquidity or market risk.

Fair value

The carrying vale of cash and accounts payable and accrued liabilities reflected in the condensed statements of financial position approximates fair value due to the limited terms of these instruments.

6 Capital Management

The Company's objective is to maintain a strong capital base so as to maintain stakeholders confidence and to allow the Company to complete a qualifying transaction and to ensure the Company remains in a sound financial position. The Company considers its capital structure to consist of share capital and deficit. The directors of the Company review the capital structure from time to time. As part of this review, the directors considered the cost of capital and the risks associate with the capital structure. The Company is not subject to any externally imposed capital requirements.

7 Transition to IFRS

The Company's IFRS transition date is January 1, 2010. As a result of the adoption of IFRS, there was no impact on the Company's statement of financial position at December 31, 2009, as reported under Canadian GAAP, thereby resulting in a similar opening statement of financial position at January 1, 2010, in accordance with IFRS.

IFRS 1 requires an entity to reconcile equity, comprehensive loss and cash flow for comparative periods. The Company's adoption of IFRS did not have a monetary impact on equity, loss and comprehensive loss and cash flows in the prior periods. As a result there were no adjustments to the Company's statements of financial position, statements of loss and comprehensive loss, cash flows and changes in shareholders' equity. As anticipated by management, the adoption of IFRS has resulted in certain presentation, disclosure and description changes to the unaudited interim condensed financial statements. IFRS 1 does not permit changes to estimates that have been made previously. Consistent with that restriction, estimates used in the preparation of the Company's opening unaudited interim condensed statement of financial position in compliance with IAS 34 were consistent with those that were made under Canadian GAAP.

8 Subsequent Event

On October 24, 2011, the Company announced that it has completed its previously announced non-brokered private placement with certain accredited investors, pursuant to which such investors purchased an aggregate of 10,000,000 common shares of the Company at a price of $0.15 per share for aggregate gross proceeds of $1,500,000 and net proceeds of $1,488,266. The shares are subject to a hold period and unless permitted under securities legislation the shares may not be traded before February 22, 2012. The Company paid a finder's fee to an agent in the amount of $11,734 or 3.5% in connection with the sale of 2,235,000 shares pursuant to the private placement. The proceeds from the private placement will be added to the Company's working capital to be used towards the completion of a qualifying transaction in accordance with the rules of the Exchange.