KAIYUE INTERNATIONAL INC.

Interim Condensed Financial Statements
First Quarter
Ended March 31, 2012
(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 March 31, 2012 and for the periods ended March 31, 2012 and 2011, 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 May 18, 2012.

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.

Unaudited Interim Condensed Statements of Financial Position
(Expressed in Canadian dollars)

	March 31, 2012 $	December 31, 2011 $
ASSETS		
Current assets:		
Bank and cash	1,390,088	1,452,384
Other receivables	3,854	2,016
Deferred transaction costs	-	-
Total assets	1,393,942	1,454,400
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payables and accrued liabilities	101,064	81,318
Total current liabilities	101,064	81,318
Shareholders' equity:		
Share capital (Note 8)	1,750,741	1,750,741
Shares to be issued	-	-
Deficits	(457,863)	(377,659)
Total shareholders' equity	1,292,878	1,373,082
Total liabilities and shareholders' equity	1,393,942	1,454,400

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

Approved on behalf of the Board of Directors on May 18, 2012.

[Joseph Chan] [Hilda Sung]

Director Director

Unaudited Interim Condensed Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Quarter ended March 31, 2012 $	Quarter ended March 31, 2011 $
General and administrative expenses		
Bank charges	(193)	(291)
Filing fees	(18,894)	(16,300)
Professional fees	(61,118)	(35,202)
Others	-	-
	(80,204)	(51,793)
Other income		
Interest income	-	-
Net loss and comprehensive loss	(80,204)	(51,793)
Deficit, beginning of the period	(377,659)	(137,984)
Deficit, end of the period	(457,863)	(189,777)
Basic and diluted loss per common share	$0.01	$0.01
Weighted average number of common shares outstanding:		
Basic and diluted	14,180,000	4,180,000

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

Kaiyue International Inc. (A Capital Pool Company)

Unaudited Interim Condensed Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share capital $	Shares to be issued $	Deficits $	Total shareholders' equity $
Balance at January 1, 2011	261,527	-	(137,984)	123,543
Shares to be issued	-	100,000	-	100,000
Net loss and comprehensive loss for the period	-	-	(51,793)	(51,793)
Balance at March 31, 2011	261,527	100,000	(189,777)	171,750
Balance at January 1, 2012	1,750,741	-	(377,659)	1,373,082
Proceed received for the shares issued during the period (Note 8)	-	-	-	-
Net loss and comprehensive loss for the period	-	-	(80,204)	(80,204)
Balance at March 31, 2012	1,750,741	-	(457,863)	1,292,878

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

Unaudited Interim Condensed Statements of Cash Flows
(Expressed in Canadian dollars)

	Quarter ended March 31, 2012 $	Quarter ended March 31, 2011 $
Operating activities:		
Net loss	(80,204)	(51,793)
Adjustment for:		
Interest income	-	-
Operating cash flows before movements in working capital	(80,204)	(51,793)
Increase in other receivables	(1,838)	-
Increase in accounts payables and accrued liabilities	19,747	(37,885)
	(62,296)	(89,678)
Investing activity:		
Interest received	-	-
Financing activity:		
Proceeds received for shares to be issued	-	100,000
Net change in cash and cash equivalents	(62,296)	10,322
Cash and cash equivalents, beginning of period	1,452,384	176,841
Cash and cash and cash equivalents, end of period	1,390,088	187,163
Cash and cash equivalents are comprised of the following:		
Cash	-	-
Cash equivalents	1,390,088	187,163

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

1. NATURE OF OPERATIONS AND CORPORATE INFORMATION

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, Canada.

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 December 31, 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 Companies 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 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.

1. NATURE OF OPERATIONS - continued

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 has also completed 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. On October 24, 2011, the Company has completed the 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 $1,489,214. 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.

2. BASIS OF PREPARATION

The 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 Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC" and "SIC") adopted by the International Accounting Standards Board ("IASB").

The financial statements are prepared on a going concern basis, under the historical cost convention. All financial information is presented in Canadian dollars, except as otherwise noted.

The significant accounting policies described in note 3 set out below are consistently applied to all the periods presented.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Interest income:

Interest income is recognized using the effective interest method.

(b) Impairment of financial assets:

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial assets include other receivables and deferred transaction costs. A financial asset or a group of financial assets is impaired if there is objective evidence that the estimated future cash flows of the financial asset or the group of financial assets have been negatively impacted. Evidence of impairment may include indications that debtors are experiencing financial difficulty, default or delinquency in interest or principal payments, or other observable data which indicates that there is a measurable decrease in the estimated future cash flows.

Impairment of other receivables and deferred transaction costs

If an impairment loss has occurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in financing expense. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If an impairment is later recovered, the recovery is credited to financing income.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

(c) Income taxes:

The income tax expense or benefit for the reporting period consists of two components: current and deferred taxes.

The current income tax payable or recoverable is calculated using the tax rates and legislation that have been enacted or substantively enacted at each reporting date in each of the jurisdictions and includes any adjustments for taxes payable or recoverable in respect of prior periods.

Current tax assets and liabilities are offset when they relate to the same jurisdiction, the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are determined using the statement of financial position liability method based on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. In calculating the deferred tax assets and liabilities, the tax rates used are those that have been enacted or substantively enacted by each reporting date in each of the jurisdictions and that are expected to apply when the assets are recovered or the liabilities are settled. Deferred income tax assets and liabilities are presented as non-current.

Deferred tax liabilities are recognized on all taxable temporary differences, and deferred tax assets are recognized on all deductible temporary differences, carry forward of unused tax losses and carry forward of unused tax credits, with the exception of the following items:

- Temporary differences that arise on the initial recognition of assets and liabilities in a transaction that is not a business combination and has no impact on either accounting profit or taxable profit; and
- Deferred tax assets are only recognized to the extent that it is probable that sufficient taxable profits exist in future periods against which the deductible temporary differences can be utilized.

The probability that sufficient taxable profits exist in future periods against which the deferred tax assets can be utilized is reassessed at each reporting date. The amount of deferred tax assets recognized is adjusted accordingly.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

(c) Income taxes: - continued

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and where they relate to income taxes levied by the same taxation authority on the same taxable entity and where the Company has the legal right to offset them.

Current and deferred taxes that relate to items recognized directly in equity are also recognized in equity. All other taxes are recognized in income tax expense in the statements of comprehensive income (loss).

(d) Share-based compensation:

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

(e) Financial instruments:

Management determines the classification of financial assets and financial liabilities at initial recognition and, except in very limited circumstances, the classification is not changed subsequent to initial recognition. The classification depends on the purpose for which the financial instruments were acquired, their characteristics and/or management's intent. Transaction costs with respect to instruments not classified as held for trading are recognized as an adjustment to the cost of the underlying instruments and amortized using the effective interest method.

The Company's financial instruments were classified in the following categories:

<u>Financial assets</u>

Loans and receivables, measured at amortized cost:
Cash on hand and balances at bank and other receivables

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

(e) Financial instruments: - continued

Financial liabilities

Other financial liabilities, measured at amortized cost:
Accounts payables and accrued liabilities

Derecognition of financial assets and liabilities

A financial asset is derecognized when its contractual rights to the cash flows that compose the financial asset expire or substantially all the risks and rewards of the asset are transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Gains and losses on derecognition are recognized within finance income and finance expense respectively.

Financial instrument measurement hierarchy

All financial instruments are required to be measured at fair value on initial recognition. For those financial assets or liabilities measured at fair value at each reporting date, financial instruments and liquidity risk disclosures require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. These levels are defined below:

Level 1: determined by reference to quoted prices in active markets for identical assets and liabilities;
Level 2: valuations using inputs other than the quoted prices for which all significant inputs are based on observable market data, either directly or indirectly; and
Level 3: valuations using inputs that are not based on observable market data.

4. **CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of the assets, liabilities, revenue and expenses reported each period. Each of these estimates varies with respect to the level of judgment involved and the potential impact on the Company's reported financial results. Estimates are deemed critical when the Company's financial condition, change in financial condition or results of operations would be materially impacted by a different estimate or a change in estimate from period to period. By their nature, these estimates are subject to measurement uncertainty, and changes in these estimates may affect the financial statements of future periods.

(Expressed in Canadian dollars)

5. RECENT ACCOUNTING PRONOUNCEMENTS

The Company has not early applied the following new or revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 7	Disclosures - Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures - Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to IAS 12	Deferred Tax - Recovery of Underlying Assets[4]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after July 1, 2011
[2] Effective for annual periods beginning on or after January 1, 2013
[3] Effective for annual periods beginning on or after January 1, 2015
[4] Effective for annual periods beginning on or after January 1, 2012
[5] Effective for annual periods beginning on or after July 1, 2012
[6] Effective for annual periods beginning on or after January 1, 2014

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Company's financial statements.

<u>IFRS 7 - Financial instruments: disclosures</u>

IFRS 7, "Financial instruments: disclosures" ("IFRS 7") was amended by the IASB in December 2011. The amendment contains new disclosure requirements for financial assets and financial liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. These new disclosure requirements will enable users of the financial statements to better compare financial statements prepared in accordance with IFRS and US GAAP. IFRS 7 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its financial statements.

5. RECENT ACCOUNTING PRONOUNCEMENTS - continued

IFRS 9 - Financial instruments

IFRS 9, "Financial instruments" ("IFRS 9") was issued by the IASB in November 2009 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. This standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39.

In December 2011, the IASB issued amendments to IFRS 9 that defer the mandatory effective date to annual periods beginning on or after January 1, 2015. The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying IFRS 9 which was originally limited to companies that chose to apply IFRS 9 prior to 2012. Alternatively, additional transition disclosures will be required to help investors understand the effect that the initial application of IFRS 9 has on the classification and measurement of financial instruments. The Company is currently evaluating the impact of this standard on its financial statements.

IFRS 13 - Fair value measurement

IFRS 13, "Fair value measurement" ("IFRS 13") was issued by the IASB in May 2011. This standard clarifies the definition of fair value, requires disclosures for fair value measurement, and sets out a single framework for measuring fair value. IFRS 13 provides guidance on fair value in a single standard, replacing the existing guidance on measuring and disclosing fair value which is dispersed among several standards. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of this standard on its financial statements.

IAS 1 - Presentation of financial statements

An amendment to IAS 1, "Presentation of financial statements" ("IAS 1") was issued by the IASB in June 2011. The amendment requires separate presentation for items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met, from those that would never be reclassified to profit or loss. The effective date is July 1, 2012 and earlier adoption is permitted. The Company is currently evaluating the impact of this standard on its financial statements.

(Expressed in Canadian dollars)

5. RECENT ACCOUNTING PRONOUNCEMENTS - continued

IAS 32 - Financial instruments: presentation

IAS 32, "Financial instruments: presentation" ("IAS 32") was amended by the IASB in December 2011. The amendment clarifies that an entity has a legally enforceable right to offset financial assets and financial liabilities if that right is not contingent on a future event and it is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. The Company is currently evaluating the impact of this standard on its financial statements.

6. CAPITAL MANAGEMENT

The primary objective of managing the Company's capital is to ensure there is sufficient available capital to support the Company's ongoing operation and ensure the Company remains in a sound financial position.

The Company considers its capital structure to consist of share capital and deficit.

	March 31, 2012 $	December 31, 2011 $
Share capital	1,750,741	1,750,741
Shares to be issued	-	-
Deficit	(457,863)	(377,659)
Total capital	1,292,878	1,373,082

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 will balance its overall capital structure through the payment of dividends, raising new capital or debt. The Company is not subject to any externally imposed capital requirements.

7. FINANCIAL INSTRUMENTS

Fair value

IFRS requires that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for other receivables deferred transaction costs and accounts payables on the statement of financial position approximate fair value because of the short-term nature of these instruments. Cash and cash equivalents are measured at fair value.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) Credit Risk

The credit risk on cash and cash equivalents is limited because the counterparties are banks with good credit ratings assigned by international credit rating agencies.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages all liquidity risk through maintaining sufficient working capital through daily monitoring of controls, cash balances and operating results. The financial liabilities consisting of accounts payables are expected to be settled within three months.

(c) Interest Rate Risk

The Company has no interest-bearing debt and is not exposed to any significant interest rate risk.

(Expressed in Canadian dollars)

8. SHARE CAPITAL

Capital stock

The Company's common shares have no par value and the authorized share capital is composed of an unlimited number of common shares. The changes in the Company's outstanding common shares were as follows:

Issued and outstanding:

	Number of common shares	Amount $
Balance as at January 1, 2010	1,700,000	85,000
Issuance of common shares on January 6, 2010	480,000	24,000
Issuance of common shares on August 6, 2010	2,000,000	200,000
Share issuance costs on August 6, 2010	-	(47,473)
Balance as of December 31, 2010	4,180,000	261,527
Issuance of common shares on October 24, 2011	10,000,000	1,500,948
Share issuance costs on October 24, 2011	-	(11,734)
Balance as at December 31, 2011 and March 31, 2012	14,180,000	1,750,741

On January 6, 2010, the Company issued 480,000 common shares to five shareholders at a price of $0.05 per share. $19,000 of the total proceeds was received in December 2009 and was recorded as shares to be issued as at December 31, 2009.

On August 6, 2010, the Company issued 2,000,000 common shares at $0.10 per share. The gross and net proceeds received from the issuance of common shares are $200,000 and $173,527, respectively. At December 31, 2009, $21,000 was incurred directly with this public issue of 2,000,000 common shares and has been charged against the share capital upon the completion of the public share issuance offering in 2010.

On October 24, 2011, the Company completed a 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 $1,500,948 and net proceeds of $1,489,214.

8. SHARE CAPITAL - continued

Escrow shares

Subject to an Escrow Agreement pursuant to the requirements of the TSX Venture 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 issued 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, 24th, 30th and 36th months following the initial release.

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 deposited 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 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 options

The Company has adopted an incentive stock 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 technical consultants to the Company, nontransferable options to purchase common shares, provided that the number of common shares reserved for issue will not exceed 10% of the number of the outstanding common shares.

Such options will be exercisable for a period of up to five years after the 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 per cent 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 if the cessation of office, directorship, or technical 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.

(Expressed in Canadian dollars)

8. SHARE CAPITAL - continued

(a) Directors' and officers' options

200,000 common shares pursuant to the exercise of the directors' and officers' options, exercisable at $0.10 per share, were granted at the closing of the Offering on August 6, 2010 and outstanding as of December 31, 2011 and 2010. These options will expire on August 6, 2015, 5 years from the date of grant.

Stock option transactions and the number of stock options outstanding as at December 31, 2011 and March 31, 2012 are summarized as follows:

	Number of Options	**Weighted Average Exercise Price**
Opening balance, January 1, 2010	-	-
Granted on August 6, 2010	200,000	$0.10
Exercisable, December 31, 2011 and March 31, 2012	200,000	$0.10

The management considers that the fair value of stock options granted was insignificant at the date of granting and therefore, no stock-based compensation expense is recognized during the years ended December 31, 2011 and 2010. Stock-based compensation 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 March 31, 2012:

	March 31, 2012
Number of options outstanding	200,000
Weighted average exercise price	$0.10
Weighted average remaining life	3.35
Number of options exercisable	200,000
Weighted average price of exercisable options	$0.10

(b) Underwriters' options

In addition, the Company granted to the underwriters of the offering options to purchase up to 80,000 common shares at a price of $0.10 per common share and 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.

Stock option transactions and the number of stock options outstanding as at December 31, 2011 and March 31, 2012 are summarized as follows:

(Expressed in Canadian dollars)

8. SHARE CAPITAL - continued

	Number of Options	**Weighted Average Exercise Price**
Opening balance, January 1, 2010	-	-
Granted on August 12, 2010	80,000	$0.10
Exercisable, December 31, 2010 and 2011	80,000	$0.10

The management considers that the fair value of stock options granted was insignificant at the date of granting and therefore, no stock-based compensation expense is recognized during the years ended December 31, 2011 and 2010.

A summary of the underwriters' options issued to underwriters outstanding and exercisable is as follows as at March 31, 2012:

	March 31, 2012
Number of options outstanding	80,000
Weighted average exercise price	$0.10
Weighted average remaining life	0.37
Number of options exercisable	80,000
Weighted average price of exercisable options	$0.10

(Expressed in Canadian dollars)

9. LOSS PER SHARE

The following table presents the calculation of basis and diluted loss per common share:

	Quarter ended March 31, 2012 $	Quarter ended March 31, 2011 $
Net loss and comprehensive loss for the quarter	80,204	51,793
Weighted average number of common shares outstanding, basic and diluted	14,180,000	4,180,000
Basic and diluted loss per common share	0.01	0.01

Due to a net loss for the quarters ended March 31, 2012 and 2011, the calculation of diluted loss per common share would not be taken into all stock options as its effect would be antil-dilutive.

10. SEGMENT INFORMATION

The Company has no operations and all assets are located in Canada.