KAIYUE INTERNATIONAL INC.

Condensed Interim Financial Statements
For the Three and Nine Months Ended September 30, 2012
(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

Kaiyue International Inc.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Audit Committee of the Board of Directors has reviewed the interim financial statements and related financial reporting matters.

The Company's independent auditor has not performed a review of these interim 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.

Kaiyue International Inc.

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

	September 30 2012 $	December 31, 2011 $
ASSETS		
Non-current asset:		
Deferred acquisition cost (Note 6)	25,000	-
	25,000	-
Current assets:		
Cash	1,198,870	1,452,384
Other receivables	2,267	2,016
	1,201,137	1,454,400
Total assets	1,226,137	1,454,400
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payables and accrued liabilities	10,437	81,318
Total current liabilities	10,437	81,318
Shareholders' equity:		
Share capital (Note 9)	1,750,254	1,750,741
Deficits	(534,554)	(377,659)
Total shareholders' equity	1,215,700	1,373,082
Total liabilities and shareholders' equity	1,226,137	1,454,400

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

Approved on behalf of the Board of Directors on November 22, 2012.

/s/ George Dorin
Director

/s/ Hilda Sung
Director

Kaiyue International Inc.

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

	Three months ended September 30, 2012 $	Three months ended September 30, 2011 $	Nine months ended September 30, 2012 $	Nine months ended September 30, 2011 $
General and Administrative Expenses				
Bank charges	(186)	(170)	(604)	(665)
Filing fees	(11,200)	(69,518)	(37,266)	(90,462)
Professional fees	(31,397)	(32,801)	(104,812)	(76,149)
Overseas travelling	(13,847)	-	(13,847)	-
Foreign exchange gain	151	-	151	-
Telephone fees	(220)	-	(515)	(113)
	(56,699)	(102,489)	(156,895)	(167,389)
Net loss and comprehensive loss for the period	$ (56,699)	$ (102,489)	$ (156,895)	$ (167,389)
Basic and diluted loss per common share	$ (0.00)	$ (0.02)	$ (0.01)	$ (0.04)
Weighted average number of common shares outstanding				
Basic & Diluted	14,180,000	4,180,000	14,180,000	4,180,000

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

Kaiyue International Inc.

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

	Number of common shares	Share capital $	Deficits $	Total shareholders' equity $
Balance at January 1, 2011	4,180,000	261,527	(137,984)	123,543
Net loss for the period	-	-	(167,389)	(167,389)
Balance at September 30, 2011	4,180,000	261,527	(305,373)	(43,846)
Balance at January 1, 2012	14,180,000	1,750,741	(377,659)	1,373,082
Refund of over-subscription money for common shares issued	-	(488)	-	(488)
Net loss for the period	-	-	(156,895)	(156,895)
Balance at September 30, 2012	14,180,000	1,750,254	(534,554)	1,215,700

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

Kaiyue International Inc.

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

	Nine months ended September 30, 2012 $	Nine months ended September 30, 2011 $
Operating activities:		
Net loss for the period	(156,895)	(167,389)
Changes in non-cash working capital balances:		
Increase in other receivables	(250)	531,035
Decrease in accounts payables and accrued liabilities	(70,881)	3,028
Net cash from (used in) operating activities	(228,026)	366,674
Financing activity:		
Refund of over-subscription money for common shares issued	(488)	-
Investing activity:		
Deferred acquisition cost	(25,000)	-
Net change in cash during the period	(253,514)	366,674
Cash at beginning of period	1,452,384	176,841
Cash at end of period	1,198,870	543,515
Supplemental cash flow information		
Interest received	-	-
Income tax paid	-	-

The accompanying notes are an integral part of these condensed interim 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 principal address and registered and records office of the Company is located at 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. 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. As at September 30, 2012, the Company has no business operations.

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, as contemplated would have constituted the Company's Qualifying Transaction under Policy 2.4 - Capital Pool Companies of the Exchange. On June 22, 2012, the Company announced that it would not proceed with the proposed acquisition of China Easy-Pay from Soar High. The Agreement was terminated pursuant to its terms.

On October 24, 2011, the Company announced that it had 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 $1,500,948 and net proceeds of $1,489,214. The shares were subject to a hold period and unless permitted under securities legislation the shares could 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 have been 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.

On July 25, 2012, the Company entered into a letter agreement (the “Letter Agreement”) with BCGold Corp. (“BCGold”) pursuant to which BCGold has agreed to grant the Company an option to acquire up to 70% of its 100% interest in and to 76 mineral claims known as the Toe Property (“Toe Property”) located in Yukon (the “Transaction”). The Transaction is intended to be the Company’s “Qualifying Transaction” as that term is defined in Policy 2.4 of the TSX Venture Exchange.

On November 15, 2012, the Company announced that it has received from TSX Venture Exchange acceptance for filing the Qualifying Transaction to acquire a 70% interest in the Toe Property located in Yukon (see Note 11, Subsequent Events).

2. BASIS OF PREPARATION

The condensed interim 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 and Interpretations of the International Financial Reporting Interpretations Committee adopted by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements do not include all the information and notes required by IFRS for annual financial statements and; therefore should be read in conjunction with the Company's audited annual financial statements and notes as at and for the year ended December 31, 2011.

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

The financial statements are prepared on a going concern basis under the historical cost convention and assume that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and had an accumulated deficit of $534,554 at September 30, 2012. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing from shareholders and creditors and generating profitable operations in the future.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company'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. Actual results may differ from these estimates.

The condensed interim financial statements are presented in Canadian dollars, which is the Company's functional currency. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At period end, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at period end exchange rates are recognized in profit and loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 asset and 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:

- Initial recognition of goodwill;
- 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
- Differences relating to investments in subsidiaries or associates, to the extent that they probably will not reverse in the foreseeable future and their timing of the reversal can be controlled

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

(a) 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 loss.

(b) Share-based payments:

Equity-settled share-based payments for employees including directors and officers are measured at fair value at the date of grant and recorded over the vesting period as share-based compensation expense in the financial statements. The fair value determined by using the Black-Scholes option pricing model at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period of each tranche separately based on the Company's estimate of shares that will eventually vest factoring in any forfeitures. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments is credited to share capital.

Compensation expense on stock options granted to non-employees is measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the fair value of the goods or services received cannot be measured reliably, the value is measured by reference to the fair value of the equity instruments granted by use of a Black-Scholes option pricing model.

In order to determine the fair value using the Black-Scholes option pricing model, the expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(c) Financial instruments:

i. Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition.

- Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through income. Cash is classified as FVTPL.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, less any impairment. There was no loans and receivables financial asset as of September 30, 2012 and December 31, 2011.

- Available-for-sale financial assets

Available-for-sale (AFS) financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. AFS assets include investments in equities of other entities. Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss. There was no available-for-sale financial asset as of September 30, 2012 and December 31, 2011.

ii. Financial liabilities

The Company classifies its financial liabilities in the following categories: FVTPL and other financial liabilities.

- Financial liabilities at FVTPL

Financial liabilities at FVTPL comprise derivative or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(c) Financial instruments (continued):

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. There was no financial liability at FVTPL as of September 30, 2012 and December 31, 2011.

- Other financial liabilities

Other financial liabilities are financial liabilities not designated as FVTPL and recognized at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities.

iii. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

iv. Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the end of each reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

v. Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(c) Financial instruments (continued):

vi. Derecognition of financial instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income (loss).

(d) Earnings (loss) per share

Basic earnings (loss) per share is based on the income attributable to equity holders of the parent for the period divided by the weighted average number of common shares outstanding during the period. The diluted net income per share is based on the weighted average number of common shares outstanding during the period plus the effects of dilutive share equivalents. Diluted earnings (loss) per share is determined by adjusting the income or loss attributable to equity holders of the parent by the weighted average number of common shares outstanding plus the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares into common shares.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with IFRS, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS - continued

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed below:

- Recovery of deferred tax assets: judgement is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impaired.

5. RECENT ACCOUNTING PRONOUNCEMENTS

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the financial statements to be material.

- IFRS 9 'Financial Instruments: Classification and Measurement' – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

- IFRS 10 'Consolidated Financial Statements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

- IFRS 11 'Joint Arrangements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

- IFRS 12 'Disclosure of Interests in Other Entities' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

5. RECENT ACCOUNTING PRONOUNCEMENTS – continued

- IFRS 13 'Fair Value Measurement' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

- IAS 27 'Separate Financial Statements'– as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

- IAS 28 'Investments in Associates and Joint Ventures' – as a consequence of the issue of IFRS 10, IFRS 11and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.

- IAS 1 'Presentation of Financial Statements' – the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.

- IAS 19 'Employee Benefits' – a number of amendments have been made to IAS 19, which included eliminating the use of the "corridor" approach and requiring remeasurements to be presented in OCI. The standard also includes amendments related to termination benefits as well as enhanced disclosures.

6. DEFERRED ACQUISITION COST

The Company paid $25,000 to BCGold pursuant to a letter agreement dated July 25, 2012, which grants the Company an option to acquire up to 70% of BCGold's 100% interest in and to 76 mineral claims known as the Toe Property.

In order to acquire a 60% interest in the Toe Property, the Company will be required to:

(a) pay to BCGold an aggregate of $255,000 as follows:

- (i) $25,000, upon signing of the Letter Agreement (paid and recorded as deferred acquisition cost);
- (ii) $25,000 on or before the date which is one year from receipt of final approval (the "Final Approval") from the TSX-V for the Transaction;
- (iii) $55,000 on or before the date which is two years from receipt of the Final Approval,
- (iv) $50,000 on or before the date which is three years from receipt of the Final Approval, and
- (v) $100,000 on or before the date which is four years from receipt of the Final Approval;

(b) incur exploration expenditures of at least $1,900,000 on the Toe Property on or before the fourth anniversary of receipt of the Final Approval, as follows:

- (i) $200,000 before the date which is one year from receipt of the Final Approval,
- (ii) $400,000 before the date which is two years from receipt of the Final Approval,
- (iii) $650,000 before the date which is three years from receipt of the Final Approval, and
- (iv) $650,000 before the date which is four years from receipt of the Final Approval; and

(c) allot and issue to BCGold, as fully paid and non-assessable, an aggregate of 400,000 common shares of the Company (each, a "Share"), as follows:

- (i) 100,000 Shares upon receipt of the Final Approval,
- (ii) 100,000 Shares on or before the date which is one year from receipt of the Final Approval, and
- (iii) 200,000 Shares on or before the date which is two years from receipt of the Final Approval.

The Company intends to use its working capital to make the cash payments required under the Letter Agreement. The Company can earn an additional 10% interest in the Toe Property by completing a feasibility study on or before the date which is four years from the receipt of the Final Approval.

At the closing of the Transaction, the Company will enter into a royalty agreement with BCGold whereby the Company will grant BCGold an aggregate 2.5% net smelter returns royalty with respect to production of all precious metals from the Toe Property.

(Expressed in Canadian dollars)

7. 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, net of deficits.

	September 30, 2012 $	December 31, 2011 $
Share capital	1,750,254	1,750,741
Deficits	(534,554)	(377,659)
Total capital	1,215,700	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 is not subject to any externally imposed capital requirements.

8. FINANCIAL INSTRUMENTS

Fair value

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.

8. FINANCIAL INSTRUMENTS – continued

The Company held the following financial instruments measured at fair value:

	Level 1	Level 2	Level 3	September 30, 2012
Cash	$ 1,198,870	$ -	$ -	$ 1,198,870

	Level 1	Level 2	Level 3	December 31, 2011
Cash	$ 1,452,384	$ -	$ -	$ 1,452,384

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 accounts payables and accrued liabilities on the statement of financial position approximate fair value because of the short-term nature of these instruments.

Financial risk factors

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

(a) Credit Risk

Financial instruments that potentially subject the Company to credit risk consist primarily of cash held with banks as well as credit exposure on outstanding amount receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The credit risk on cash 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 and accrued liabilities are expected to be settled within three months.

8. FINANCIAL INSTRUMENTS – continued

(c) Interest Rate Risk

The interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. The Company has no interest-bearing investment and is not exposed to any significant interest rate risk.

9. 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.

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.

There were no common shares issued in the nine months ended September 30, 2012.

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.

(Expressed in Canadian dollars)

9. SHARE CAPITAL - continued

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.

(a) Directors' and officers' options

There was no option granted during the nine months ended September 30, 2012 and 2011:

Stock option transactions and the number of stock options that are outstanding as at December 31, 2011 and September 30, 2012 are summarized as follows:

A summary of the stock options issued to directors and officers outstanding and exercisable is as follows as at September 30, 2012:

	September 30, 2012	December 31, 2011
Number of options outstanding	150,000	200,000
Weighted average exercise price	$0.10	$0.10
Weighted average remaining life	2.85	3.10
Number of options exercisable	150,000	200,000
Weighted average price of exercisable options	$0.10	$0.10

(Expressed in Canadian dollars)

9. SHARE CAPITAL - continued

Stock options (continued)

The following is a summary of directors' and officers' options activity for the period ended September 30, 2012:

January 1, 2011	Issued	Exercised	Expired/ Forfeited	December 31, 2011
200,000	-	-	-	200,000

January 1, 2012	Issued	Exercised	Expired/ Forfeited	September 30, 2012	Expiry Date
200,000	-	-	(50,000)	150,000	August 6, 2015

(b) Underwriters' options

There was no option granted during the nine months ended September 30, 2012 and 2011:

A summary of the underwriters' options issued to underwriters outstanding and exercisable is as follows as at September 30, 2012:

	September 30, 2012	December 31, 2011
Number of options outstanding	-	80,000
Weighted average exercise price	-	$0.10
Weighted average remaining life	-	0.12
Number of options exercisable	-	80,000
Weighted average price of exercisable options	-	$0.10

The following is a summary of underwriter's options activity for the period ended September 30, 2012:

January 1, 2011	Issued	Exercised	Expired/ Forfeited	December 31, 2011
80,000	-	-	-	80,000

January 1, 2012	Issued	Exercised	Expired/ Forfeited	September 30, 2012	Expiry Date
80,000	-	-	(80,000)	-	August 12, 2012

10. SEGMENT INFORMATION

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

11. SUBSEQUENT EVENTS

On November 8, 2012, the Company entered into a revised letter agreement with Canaccord to assist the Company with purchasing certain mineral claims in Yukon from BCGold. The letter agreement replaces the original letter agreement entered into on August 8, 2012 with Canaccord.

On November 11, 2012 the Company entered into a letter agreement with Canaccord for a finder's fee under the revised terms. The finder's fee will be commensurate with industry standards equal to the maximum allowable pursuant to TSX Venture Exchange's Policy 5.1.The cash component of the finder's fee of $25,000 is payable upon signing of the letter agreement. In addition, the Company will issue 100,000 shares to Canaccord in tranches of 25,000 shares commencing at the issuance of the Final Bulletin by the TSX Venture Exchange and on the anniversary of every year until the payment is completed.

On November 15, 2012, the Company received acceptance for filing the Qualifying Transaction from the TSX Venture Exchange to acquire a 70% interest in the Toe Property located in Yukon, as described in its filing statement dated October 30, 2012. As a result, effective November 16, 2012, the trading symbol for the Company will change from KYU.P to KYU, and the Company's shares will be reinstated and will no longer be considered a Capital Pool Company.