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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Kaiyue International Inc. were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 to the financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the years presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date and for the periods presented by the audited financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)

"Hilda Sung"

Director

(signed)

"Judyanna Chen"

Director

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kaiyue International Inc.

We have audited the financial statements of Kaiyue International Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2012 and the statements of comprehensive loss, changes in equity, and cash flows for the year ended December 31, 2012 and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2012, and its financial performance and its cash flows for the year ended December 31, 2012 in accordance with IFRS.

The financial statements as at December 31, 2011 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated April 27, 2012.

MNP LLP

Vancouver, British Columbia

April 12, 2013

Chartered Accountants

STATEMENTS OF FINANCIAL POSITION

	Notes	December 31, 2012 $	December 31, 2011 $
Assets			
Current Assets			
Cash and cash equivalents	6	1,149,656	1,452,384
Other receivables		1,841	2,016
Total Current Assets		**$ 1,151,497**	**$ 1,454,400**
Non-Current Assets			
Exploration and evaluation assets	7,12	70,000	-
Total Non-Current Assets		**$ 70,000**	**$ -**
Total Assets		**$ 1,221,497**	**$ 1,454,400**
Liabilities and Equity			
Current Liabilities			
Trade payables and accrued liabilities		32,182	81,318
Due to related parties	8	10,971	-
Total Liabilities		**$ 43,153**	**$ 81,318**
Equity			
Share capital	12	1,770,741	1,750,741
Deficit		(592,397)	(377,659)
Total Equity		**$ 1,178,344**	**$ 1,373,082**
Total Liabilities and Equity		**$ 1,221,497**	**$ 1,454,400**

Commitments (note 7)

Approved on behalf of the Board of Directors:

"Hilda Sung" , Director *"George Dorin"* , Director

The accompanying notes form an integral part of these financial statements

STATEMENTS OF COMPREHENSIVE LOSS

	Notes	For the years ended December 31, 2012 $	2011 $
Expenses			
Bank charges		(784)	(846)
Filing fees		(32,429)	(101,170)
Office and others expenses		(2,385)	(2,129)
Professional fees		(157,941)	(137,546)
Travel expense		(24,345)	-
Total operating expenses		(217,884)	(241,691)
Interest income		3,146	2,016
Net (loss) and comprehensive (loss) for the year		**$ (214,738)**	**$ (239,675)**
(Loss) per ordinary share:			
Basic and Diluted		$ (0.02)	$ (0.04)
Weighted average number of ordinary shares outstanding:			
Basic and diluted	13	14,196,772	6,043,014

The accompanying notes form an integral part of these financial statements

Kaiyue International Inc.

(An Exploration Stage Company)

STATEMENTS OF CHANGES IN EQUITY

	Shares	Share capital $	Deficit $	Total $
Balance at December 31, 2010	4,180,000	261,527	(137,984)	123,543
Net loss for the year	-	-	(239,675)	(239,675)
Shares issued for cash (Note 12)	10,000,000	1,489,214	-	1,489,214
Balance at December 31, 2011	14,180,000	$ 1,750,741	$ (377,659)	$ 1,373,082
Net loss for the year	-	-	(214,738)	(214,738)
Shares issued for mining option (Note 7, 12)	100,000	16,000	-	16,000
Shares issued for finder's fee (Note 7, 12)	25,000	4,000	-	4,000
Balance at December 31, 2012	14,305,000	$ 1,770,741	$ (592,397)	$ 1,178,344

The accompanying notes form an integral part of these financial statements

Kaiyue International Inc.

(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS

	Notes	2012 $	2011 $
		For the years ended December 31,	
Operating activities			
Net loss for the year		(214,738)	(239,675)
Changes in non-cash working capital balances:			
Other receivables		175	(2,016)
Due to related parties	8	10,971	-
Trade payables and accrued liabilities		(74,136)	28,020
Net cash (used in) operating activities		**(277,728)**	**(213,671)**
Investing activity			
Expenditures on exploration and evaluation assets	7,12	(25,000)	-
Net cash (used in) investing activity		**(25,000)**	**-**
Financing activity			
Proceeds from issuance of shares	12	-	1,489,214
Net cash from financing activity		**-**	**1,489,214**
Net increase (decrease) in cash during the year		**(302,728)**	**1,275,543**
Cash at beginning of year		**1,452,384**	**176,841**
Cash at end of year		**1,149,656**	**1,452,384**
Supplemental cash flow information			
Interest paid in cash		-	-
Income taxes paid in cash		-	-

The accompanying notes form an integral part of these financial statements

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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.V 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 an exploration stage public company whose principal business activities are the acquisition and exploration of mineral properties. Prior to November 15, 2012, the Company was a Capital Pool Company ("CPC") as defined in the Policy 2.4 "Capital Pool Companies" of the Exchange. The Company's principal purpose as a CPC was to identify and evaluate assets, properties or businesses in order to complete a "Qualifying Transaction" as defined in the CPC policy. 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"). Pursuant to the Transaction, the Company received final acceptance of filing the Qualifying Transaction from the Exchange on November 15, 2012 and was no longer considered a Capital Pool Company then.

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'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.

2. BASIS OF PREPARATION

The financial statements of Kaiyue for the years ending December 31, 2012 and 2011 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The policies applied in these financial statements are based on IFRS effective as at January 1, 2012. These financial statements were approved and authorized for issue by the Board of Directors on April 12, 2013.

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 5. Actual results may differ from these estimates. The significant accounting policies described in Note 3 set out below are consistently applied to the years presented in these financial statements.

The 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 year end, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognized in profit and loss.

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Exploration and evaluation assets and expenditures

The Company's exploration and evaluation assets consist of cash paid and shares issued for acquiring and maintaining mining rights to explore. Exploration and evaluation assets are capitalized until such a time that technical feasibility and commercial viability of extracting mineral resources can be demonstrated, at which time, the assets are then transferred to property, plant and equipment. Exploration and evaluation assets are not amortized but reviewed for impairment at each statement of financial position date or when events or changes in circumstances indicate that the carrying value may not be recoverable.

(b) Impairment of exploration and evaluation assets

The Company reviews at each balance sheet date the carrying amounts of exploration and evaluation assets to determine whether there is any indication that those assets are impaired. If such indication exists, the Company will estimate its recoverable amount to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense in the statement of comprehensive loss.

The Company uses its best efforts based on historical and current facts to make an informed decision on impairment of its assets. Estimated future cash flows often requires management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

(c) Reversal of impairment

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

(d) 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.

(Expressed in Canadian dollars)

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.

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.

(e) 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 based on graded vesting 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.

(f) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(g) Loss per share

Loss per share is based on the loss attributable to equity holders of the Company for the period divided by the weighted average number of common shares outstanding during the year. The diluted net loss per share is based on the weighted average number of common shares outstanding during the year plus the effects of dilutive share equivalents. Diluted loss per share is equal to the basic loss per share as there were no dilutive securities as at December 31, 2012 and 2011.

(h) Financial instruments

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 FVTPL are initially recognized at fair value with changes in fair value recorded through income. Cash and cash equivalents are classified as FVTPL.

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. Interest receivable is classified as loans and receivables.

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 loss and classified as a component of equity. There was no available-for-sale financial asset as of December 31, 2012 and 2011.

Financial liabilities

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

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.

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 December 31, 2012 and 2011.

Other financial liabilities are financial liabilities not designated as FVTPL and recognized at amortized cost. Trades payable and accrued liabilities and due to related parties are classified as other financial liabilities.

(Expressed in Canadian dollars)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is 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.

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.

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.

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 loss.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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.

(Expressed in Canadian dollars)

- 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.

- 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 11, IFRS 12 and 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.

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

5. USE OF 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.

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 exploration and evaluation assets: the Company's ability to realize the carrying values of these assets is contingent upon discovery of economically recoverable mineral reserves, the on-going mining right to explore the resource property, the ability to finance future exploration and of the property and to realize profitable production or proceeds from the property. The Company will consider whether impairment is necessary in accordance with the accounting policy on impairment and if indications of impairment exist, an assessment is made of the recoverable amount.

Valuation of shares issued for mining option and services: As the Company's shares are thinly traded on the Exchange, a discounted rate is used on the share price in determining the fair value of the Company's shares issued for mining option and for services received.

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.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in bank, cash held-in-trust and short-term investments with original maturities of three months or less. As at December 31, 2012, cash and cash equivalents consist of a guaranteed investment certificate (GIC) of $1,001,755 (December 31, 2011: $nil). The GIC bears interest at rate of 1.05% per annum and matures on January 14, 2013. Subsequently, the Company has reinvested the GIC. The GIC bears interest at rate of 0.9% per annum and matures on May 14, 2013.

7. EXPLORATION AND EVALUATION ASSETS

The Company entered into the Letter Agreement with BCGold that granted the Company an option to acquire up to 70% of BCGold's 100% in the Toe Property. The Company received the final approval ("Final Approval") of the Transaction from the TSX-V on November 12, 2012.

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 exploration and evaluation assets);
- (ii) $25,000 on or before the date which is one year from November 12, 2012;
- (iii) $55,000 on or before the date which is two years from November 12, 2012,
- (iv) $50,000 on or before the date which is three years from November 12, 2012, and
- (v) $100,000 on or before the date which is four years from November 12, 2012;

(Expressed in Canadian dollars)

(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 November 12, 2012,

(ii) $400,000 before the date which is two years from November 12, 2012,

(iii) $650,000 before the date which is three years from November 12, 2012, and

(iv) $650,000 before the date which is four years from November 12, 2012; 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 (issued on November 12, 2012),

(ii) 100,000 Shares on or before the date which is one year from November 12, 2012, and

(iii) 200,000 Shares on or before the date which is two years from November 12, 2012.

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.

On November 8, 2012, the Company entered into the Finder's Fee Agreement ("Agreement") with Canaccord Genuity Corp. (Canaccord Genuity"). The Agreement required the Company to pay cash of $25,000 to Canaccord Genuity upon signing of the Agreement as compensation for its role in assisting the Company to purchase certain minerals claims from BCGold. The amount has been paid and recorded as exploration and evaluation assets. In addition, the Company will be required to issue 100,000 shares to Canaccord Genuity as follows:

(i) 25,000 common shares upon closing of the Transactions (issued on November 12, 2012),

(ii) 25,000 common shares on the first anniversary of the closing of the Transactions,

(iii) 25,000 common shares on the second anniversary of the closing of the Transactions, and

(iv) 25,000 common shares on the third anniversary of the closing of the Transactions.

8. RELATED PARTY TRANSACTION

For the year ended December 31, 2012, a director of the Company incurred $24,345 travel expenses (2011 - $ nil) on behalf of the Company. The Company has repaid $13,374 to the director during the year ended December 31, 2012. As at December 31, 2012, $10,971 (2011 - $ nil) was payable to that related party. The amount is non-secured, non-interest bearing and due on demand.

(Expressed in Canadian dollars)

9. 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. As of December 31, 2012, the Company’s capital structure consists of share capital of $1,770,741 (2011 - $1,750,741) and for the year ending December 31, 2012, the Company had a deficit of $592,397 (2011 - $377,659).

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.

10. FINANCIAL INSTRUMENTS

Fair value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm’s length transaction between willing parties.

The fair values of cash and cash equivalents, other receivables, and trade payables and accrued liabilities approximates their carrying value due to their short term maturities.

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. 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 Company banks with a large international bank with solid credit ratings.

(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 and cash equivalents balance and operating results. The financial liabilities consisting of trades payables and accrued liabilities are expected to be settled within three months.

(Expressed in Canadian dollars)

11. INCOME TAXES

The following table reconciles the expected income taxes expenses (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the years ended December 31, 2012 and 2011:

	Year ended December 31,	
	2012	**2011**
Income (loss) before income taxes	(214,738)	(239,675)
Statutory tax rate	25.00%	26.50%
Expected income tax (recovery)	(53,685)	(63,514)
Change in estimates	3,909	-
Change in deferred tax asset not recognized	49,776	63,514
Total income taxes (recovery)	-	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax assets (liabilities) as at December 31, 2012 and 2011 are comprised of the following:

	Year ended December 31,	
	2012	**2011**
Non-capital loss carryforwards	151,060	103,631
Financing costs	5,457	3,110
	156,517	106,741
Deferred tax asset not recognized	(156,517)	(106,741)
Net deferred tax assets (liability)	-	-

The Company has non-operating loss carryforwards of $604,239 (2011: $377,659) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

2029	17,543
2030	120,441
2031	239,675
2032	226,580
Total	$ 604,239

(Expressed in Canadian dollars)

12. SHARE CAPITAL

Capital stock

The Company's common shares have no par value and the authorized share capital is composed of 77,000,000 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.

On November 12, 2012, the Company issued 100,000 common shares to BCGold pursuant to the Letter Agreement that grants the Company an option to acquire up to 70% of the Toe Property (Note 7). The shares were valued at $0.16 per common share, representing a discounted share price at discount rate of 20% given the non-liquidity of the Company's shares.

On November 12, 2012, the Company issued 25,000 common shares to Canaccord Genuity Corp. pursuant to a Finder's Fee agreement signed on November 8, 2012 for its role in assisting the Company with the option to purchase certain mineral claims from BCGold. The shares were valued at $0.16 per common share, representing a discounted share price given the non-liquidity of the Company's shares.

Escrow shares

(a) CPC Escrow Shares – On May 25, 2010, 2,180,000 common shares were placed in escrow under a CPC Escrow Agreement. These shares will be released according to the following schedules: 10% upon completion of the Company's Qualifying Transaction, which was November 12, 2012, and an additional 15% of the CPC Escrow Shares are to be released every six months thereafter until all CPC Escrow Shares have been released. As at December 31, 2012, there were 1,962,000 shares remaining in escrow (December 31, 2011 - 2,180,000).

(b) 5D Value Escrow Shares – On October 22, 2011, 4,000,000 common shares were placed in escrow under a 5D Value Escrow Agreement. These shares will be released according to the following schedules: 10% upon completion of the Company's Qualifying Transaction, which was November 12, 2012, and an additional 15% of the CPC Escrow Shares are to be released every six months thereafter until all CPC Escrow Shares have been released. As at December 31, 2012, there were 3,600,000 shares remaining in escrow (December 31, 2011 - 4,000,000)

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.

(Expressed in Canadian dollars)

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 years ended December 31, 2012 and 2011.

A summary of the stock options issued to directors and officers outstanding and exercisable is as follows as at December 31, 2012:

	December 31, 2012	December 31, 2011
Number of options outstanding	150,000	200,000
Weighted average exercise price	$0.10	$0.10
Weighted average remaining life	2.26	3.27
Number of options exercisable	150,000	200,000
Weighted average price of exercisable options	$0.10	$0.10

The following is a summary of directors' and officers' options activity for the years ended December 31, 2012 and 2011:

January 1, 2011	Issued	Exercised	Expired/ Forfeited	December 31, 2011	Expiry Date
200,000	-	-	-	200,000	August 6, 2015

January 1, 2012	Issued	Exercised	Expired/ Forfeited	December 31, 2012	Expiry Date
200,000	-	-	(50,000)	150,000	August 6, 2015

(b) Underwriters' options

There was no option granted during the years ended December 31, 2012 and 2011.

(Expressed in Canadian dollars)

A summary of the underwriters' options issued to underwriters outstanding and exercisable is as follows as at December 31, 2012 and 2011:

	December 31, 2012	December 31, 2011
Number of options outstanding	-	80,000
Weighted average exercise price	-	$0.10
Weighted average remaining life	-	0.62
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 years ended December 31, 2012 and 2011:

January 1, 2011	Issued	Exercised	Expired/ Forfeited	December 31, 2011	Expiry Date
80,000	-	-	-	80,000	August 12, 2012

January 1, 2012	Issued	Exercised	Expired/ Forfeited	December 31, 2012	Expiry Date
80,000	-	-	(80,000)	-	August 12, 2012

13. LOSS PER SHARE

Basic and diluted loss per share

Basic and diluted loss per share are computed by dividing the loss applicable to common6 shareholders by the weighted average number of ordinary shares outstanding for the relevant period, as follows:

	For the years ended December 31,	
	2012	**2011**
Loss for the year	$ (214,738)	$ (239,675)
Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of year	14,180,000	4,180,000
Effect of shares issued for Toe Property (Note 7)	13,425	-
Effect of shares issued for Finder's Fee (Note 12)	3,347	-
Effect of shares issued for private placement	-	1,863,014
Weighted average number of ordinary shares	14,196,772	6,043,014
Basic and diluted loss per share	($0.02)	($0.04)

(Expressed in Canadian dollars)

14. COMPARATIVE FIGURES

Certain figures for the prior year have been reclassified to conform to the current year financial statements presentation.

15. SUBSEQUENT EVENTS

Subsequently, the Company has reinvested the GIC. The GIC bears interest at rate of 0.9% per annum and matures on May 14, 2013.