

KAIYUE INTERNATIONAL INC.
(An Exploration Stage Company)

Condensed Interim Financial Statements
For the Three Months Ended March 31, 2013
(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

Kaiyue International Inc.

(An Exploration Stage Company)

Notice of No Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

The Company's independent auditors have not performed a review of these 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.

(An Exploration Stage Company)

Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	Notes	March 31, 2013 \$	December 31, 2012 \$
Assets			
Current Assets			
Cash and cash equivalents	6	1,082,935	1,149,656
Other receivables		846	1,841
		1,083,781	1,151,497
Non-Current Assets			
Exploration and evaluation assets	7,11	70,000	70,000
		70,000	70,000
Total Assets		1,153,781	1,221,497
Liabilities and Equity			
Current Liabilities			
Trade payables and accrued liabilities		10,853	32,182
Due to related parties	8	-	10,971
		10,853	43,153
Equity			
Share capital	11	1,770,741	1,770,741
Deficit		(627,813)	(592,397)
		1,142,928	1,178,344
Total Liabilities and Equity		1,153,781	1,221,497

Commitments (note 7)

Approved on behalf of the Board of Directors on May 24, 2013.

"Hilda Sung", Director

"George Dorin", Director

The accompanying notes form an integral part of these financial statements

Kaiyue International Inc.

(An Exploration Stage Company)

Condensed Interim Statements of Comprehensive Loss

(Expressed in Canadian dollars)

(Unaudited)

		Three Months Ended	
	Notes	March 31, 2013	March 31, 2012
		\$	\$
Expenses			
Bank charges		225	193
Consulting fees	8	7,500	-
Filing fees		6,334	18,894
Professional fees		800	61,118
Travel expense		23,081	-
		37,940	80,204
Interest income		2,524	-
Net loss and comprehensive loss for the period		35,416	80,204
Loss per ordinary share:			
Basic and Diluted		\$ (0.00)	\$ (0.01)
Weighted average number of ordinary shares outstanding:			
Basic and diluted	12	14,227,594	14,180,000

The accompanying notes form an integral part of these financial statements

Kaiyue International Inc.

(An Exploration Stage Company)

Condensed Interim Statements of Changes in Equity

(Expressed in Canadian dollars)

(Unaudited)

	Shares	Share capital \$	Deficit \$	Total \$
Balance at December 31, 2011	14,180,000	1,750,741	(377,659)	1,373,082
Net loss for the period	-	-	(80,204)	(80,204)
Balance at March 31, 2012	14,180,000	1,750,741	(457,863)	1,292,878
Net loss for the period	-	-	(134,534)	(134,534)
Shares issued for mining option (Note 7, 11)	100,000	16,000	-	16,000
Shares issued for finder's fee (Note 7, 11)	25,000	4,000	-	4,000
Balance at December 31, 2012	14,305,000	1,770,741	(592,397)	1,178,344
Net loss for the period	-	-	(35,416)	(35,416)
Balance at March 31, 2013	14,305,000	1,770,741	(627,813)	1,142,928

The accompanying notes form an integral part of these financial statements

Kaiyue International Inc.

(An Exploration Stage Company)

Condensed Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Notes	Three Months Ended	
		March 31, 2013	March 31, 2012
		\$	\$
Operating activities			
Net loss for the period		(35,416)	(80,204)
Changes in non-cash working capital balances:			
Other receivables		995	(1,838)
Trade payables and accrued liabilities		(21,329)	19,746
Net cash (used in) operating activities		(55,750)	(62,296)
Financing activity			
Due to related parties	8	(10,971)	-
Net cash (used in) financing activity		(10,971)	-
Net decrease in cash during the period		(66,721)	(62,296)
Cash at beginning of period		1,149,656	1,452,384
Cash at end of period		1,082,935	1,390,088
Supplemental cash flow information			
Interest received in cash		2,524	-
Interest paid in cash		-	-
Income taxes paid in cash		-	-

The accompanying notes form an integral part of these financial statements

Kaiyue International Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2013

(UNAUDITED)

(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 condensed interim 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 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 ("IAS 34") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC" and "SIC") adopted by the International Accounting Standards Board ("IASB").

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 periods presented in these interim financial statements.

The 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 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 period end exchange rates are recognized in profit and loss.

Kaiyue International Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2013 (UNAUDITED)

(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.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2013

(UNAUDITED)

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Income taxes (continued)

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 behavioral considerations.

Kaiyue International Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2013

(UNAUDITED)

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(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 period. The diluted net loss per share is based on the weighted average number of common shares outstanding during the period 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 March 31, 2013 and December 31, 2012.

(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 March 31, 2013 and December 31, 2012.

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 March 31, 2013 and 2012.

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.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2013

(UNAUDITED)

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(h) Financial instruments (continued)

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.

Kaiyue International Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2013 (UNAUDITED)

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Change in accounting policies

The Company adopted the following accounting policies effective January 1, 2013:

- **Amendments to IFRS 7 *Financial Instruments Disclosures*** - requires entities to provide additional information about offsetting of financial assets and financial liabilities that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognized financial assets and recognized financial liabilities, on the entity's financial position. The adoption of this IFRS did not impact the Company's interim financial statements.
- **IFRS 13 *Fair Value Measurement*** - is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The adoption of this IFRS did not impact the Company's interim financial statements.

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.

- **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.

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 periods are discussed below:

Kaiyue International Inc.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2013 (UNAUDITED)

(Expressed in Canadian dollars)

5. USE OF ESTIMATES AND JUDGMENTS - continued

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: judgment 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 March 31, 2013, cash and cash equivalents consist of a guaranteed investment certificate (GIC) of \$1,005,274 (December 31, 2012: \$1,001,755). The GIC bears interest at rate of 0.9% per annum and matured on May 14, 2013. Subsequently, the Company has reinvested the GIC. The GIC bears interest at rate of 0.9% per annum and matures on July 15, 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;

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2013

(UNAUDITED)

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS – continued

- (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.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2013 (UNAUDITED)

(Expressed in Canadian dollars)

8. RELATED PARTIES TRANSACTION

Amounts due from (to) related parties

	March 31, 2013	December 31, 2012
	\$	\$
Amounts owing to director of the Company	-	(10,971)

The amount owing to director is unsecured, non-interest bearing and without fixed repayment terms.

Related party transactions

a) Compensation of key management personnel

The Company has identified its directors and key officers, including the Chief Executive Officer and Chief Financial Officer, as its key management personnel. No post-employment benefits, other long-term benefits and termination benefits were made during the three months ended March 31, 2013 and March 31, 2012.

The remuneration of directors and officers comprising key management personnel during the three months was as follows:

	March 31, 2013	March 31, 2012
	\$	\$
Fees and consulting services incurred to directors and officers	7,500	-

b) For the three months ended March 31, 2013, directors of the Company incurred travel expenses of \$23,081 (2012 - \$nil) on behalf of the Company. The Company has repaid \$34,052 to the directors during the three months ended March 31, 2013 (2012 - \$nil).

The above transactions were entered into in the ordinary course of business and recorded at their exchange amounts being the amounts agreed upon by the related parties.

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 March 31, 2013, the Company's capital structure consists of share capital of \$1,770,741 (December 31, 2012 - \$1,770,741) and for the period ending March 31, 2013, the Company had a deficit of \$627,813 (December 31, 2012 - \$592,397).

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.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2013

(UNAUDITED)

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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.

11. 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 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.

Kaiyue International Inc.

(An Exploration Stage Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2013****(UNAUDITED)**

(Expressed in Canadian dollars)

11. SHARE CAPITAL - continued**Escrow shares**

As at March 31, 2013, the Company has 5,562,000 of its shares held in escrow.

- (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 March 31, 2013, there were 1,962,000 shares remaining in escrow (December 31, 2012 – 1,962,000).
- (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 March 31, 2013, there were 3,600,000 shares remaining in escrow (December 31, 2012 - 3,600,000)

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.

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 the date of grant 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.

(a) Directors' and officers' options

A summary of the stock options issued to directors and officers outstanding and exercisable is as follows as at March 31, 2013 and December 31, 2012:

	March 31, 2013	December 31, 2012
Number of options outstanding	150,000	150,000
Weighted average exercise price	\$0.10	\$0.10
Weighted average remaining life	2.35	2.60
Number of options exercisable	150,000	150,000
Weighted average price of exercisable options	\$0.10	\$0.10

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2013****(UNAUDITED)****(Expressed in Canadian dollars)****11. SHARE CAPITAL - continued**

The following is a summary of directors' and officers' options activity for the three months ended March 31, 2013 and 2012:

January 1, 2012	Issued	Exercised	Expired/ Forfeited	March 31, 2012	Expiry Date
200,000	-	-	-	200,000	August 6, 2015

January 1, 2013	Issued	Exercised	Expired/ Forfeited	March 31, 2013	Expiry Date
150,000	-	-	-	150,000	August 6, 2015

There was no option granted during the three months ended March 31, 2013 and 2012.

(b) Underwriters' options

There was no underwriters' options outstanding as of March 31, 2013 and December 31, 2012.

On August 12, 2010, the Company granted 80,000 options to underwriters to purchase up to 80,000 common shares at a price of \$0.10 per common share. These options expired on August 16, 2012.

There was no option granted during the three months ended March 31, 2013 and 2012.

12. LOSS PER SHARE**Basic and diluted loss per share**

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

	For the Three Months Ended	
	March 31, 2013	March 31, 2012
Loss for the period	\$ (35,416)	\$ (80,204)
Weighted average number of ordinary shares:		
Issued ordinary shares at beginning of period	14,196,772	14,180,000
Effect of shares issued for Toe Property (Note 7)	24,658	-
Effect of shares issued for Finder's Fee (Note 11)	6,164	-
Weighted average number of ordinary shares	14,227,594	14,180,000
Basic and diluted loss per share	(\$0.00)	(\$0.01)

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2013

(UNAUDITED)

(Expressed in Canadian dollars)

13. SUBSEQUENT EVENTS

Subsequently, the Company has reinvested the GIC. The GIC bears interest at rate of 0.9% per annum and matures on July 15, 2013.