KAIYUE INTERNATIONAL INC.
(An Exploration Stage Company)

Financial Statements

(Expressed in Canadian Dollars)

For the Year Ended December 31, 2013

Kaiyue International Inc.

(An Exploration Stage Company)

Financial Statements
For the Year Ended December 31, 2013

Contents

Management’s responsibility for financial reporting

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

(signed)

“Hilda Sung”

Director

(signed)

“George Dorin”

Director

MNP LLP

INDEPENDENT AUDITORS' 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, 2013 and 2012, and the statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the 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 the auditors' 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 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, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with IFRS.

MNP LLP

Vancouver, British Columbia

April 30, 2014

Chartered Accountants

Kaiyue International Inc.
Statements of Financial Position
(Expressed in Canadian dollars)

	Notes	December 31, 2013 $	December 31, 2012 $
Assets			
Current Assets			
Cash and cash equivalents	6	957,109	1,149,656
Sales tax receivables		868	1,841
Prepaid expenses		2,536	-
		960,513	**1,151,497**
Non-Current Assets			
Exploration and evaluation assets	7	180,000	70,000
		180,000	**70,000**
Total Assets		**1,140,513**	**1,221,497**
Liabilities and Equity			
Current Liabilities			
Trade payables and accrued liabilities		3,571	32,182
Due to related parties	8	-	10,971
		3,571	**43,153**
Equity			
Share capital	12	1,880,741	1,770,741
Contributed surplus		8,934	-
Deficit		(752,733)	(592,397)
		1,136,942	**1,178,344**
Total Liabilities and Equity		**1,140,513**	**1,221,497**

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

Kaiyue International Inc.
Statements of Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	For the years ended December 31, 2013 $	2012 $
Expenses			
Bank charges		765	784
Consulting fees	8	66,898	-
CPP expense		49	-
Director fees	8	6,050	-
Filing fees		13,880	32,429
Insurance		2,964	-
Office		4,832	2,385
Professional fees		16,902	157,941
Share-based payment		8,934	-
Travel expense		45,708	24,345
		166,982	217,884
Other income			
Interest income		6,646	3,146
Net loss and comprehensive loss for the year		**160,336**	**214,738**
(Loss) per ordinary share:			
Basic and Diluted		$ (0.01)	$ (0.02)
Weighted average number of ordinary shares outstanding:			
Basic and diluted	13	14,613,472	14,196,772

The accompanying notes form an integral part of these financial statements

Kaiyue International Inc.

Statements of Changes in Equity

(Expressed in Canadian dollars)

	Shares	Share capital $	Contributed Surplus $	Deficit $	Total $
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
Net loss for the year	-	-	-	(160,336)	(160,336)
Shares issued for private placement (Note 12)	769,230	100,000	-	-	100,000
Shares issued for mining option (Note 7, 12)	100,000	10,000	-	-	10,000
Share-based compensation expenses (Note 12)	-	-	8,934	-	8,934
Balance at December 31, 2013	15,174,230	1,880,741	8,934	(752,733)	1,136,942

The accompanying notes form an integral part of these financial statements

Kaiyue International Inc.
Statements of Cash Flows
(Expressed in Canadian dollars)

	Notes	2013 $	2012 $
		For the years ended December 31,	
Operating activities			
Net loss for the year		(160,336)	(214,738)
Item not involving cash			
Share-based payment		8,934	-
Changes in non-cash working capital balances:			
Other receivables		973	175
Prepaid expenses		(2,536)	-
Trade payables and accrued liabilities		(28,611)	(74,136)
Net cash used in operating activities		**(181,576)**	**(277,728)**
Financing activity			
Proceeds from issuance of shares	12	100,000	-
Due to related parties	8	(10,971)	10,971
Net cash generated by financing activity		**89,029**	**-**
Investing activity			
Expenditures on exploration and evaluation assets	7,12	(100,000)	(25,000)
Net cash used in investing activity		**(100,000)**	**(25,000)**
Net decrease in cash during the year		**(192,547)**	**(302,728)**
Cash at beginning of year		**1,149,656**	**1,452,384**
Cash at end of year		**957,109**	**1,149,656**
Supplemental cash flow information			
Interest received in cash		6,646	-
Interest paid in cash		-	-
Income taxes paid in cash		-	-
Shares issued for exploration and evaluation assets		10,000	20,000

The accompanying notes form an integral part of these financial statements

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.

These 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, 2013 and 2012 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. These financial statements were approved and authorized for issue by the Board of Directors on April 30, 2014.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Exploration and evaluation assets and expenditures

The Company's exploration and evaluation assets are intangible assets relating to mineral rights acquired and exploration and valuation expenditure capitalized in respect of projects that are at the exploration/pre-development stage.

Exploration and evaluation expenditure related to an area of interest where the Company has tenure are capitalized on initial recognition at cost. Exploration and evaluation assets are subsequently stated at cost less any accumulated impairment losses and are not amortized.

These assets are transferred to mine development assets in property, plant and equipment upon the commencement of mine development.

Exploration and evaluation expenditure in the relevant area of interest comprises costs which are directly attributable to:

- Acquisition:
- Surveying, geological, geochemical and geophysical;
- Exploratory drilling;
- Land maintenance;
- Sampling; and
- Assessing technical feasibility and commercial viability.

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalized costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operation activities in the relevant area of interest. Proceeds received from government assistances in a property will be credited against the carrying value of the property, with any excess included in operations for the period.

The carrying amount of the exploration and evaluation assets is reviewed whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value determinations are based on management's estimates of discounted future net cash flows expected to be recovered from specific assets or groups of assets through use or future disposition. An impairment loss is recognized in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

(b) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

(c) 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.

(d) 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.

(e) 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, 2013 and 2012.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(f) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss (FVTPL), loans and receivables, and available-for-sale (AFS). 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. Sales tax receivable is classified as loans and receivables.

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, 2013 and 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 December 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

(g) 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 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 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 2 Share-based payment

  The amendments to IFRS 2, issued in December 2013 clarify the definition of “vesting conditions”, and separately define a “performance condition” and a “service condition”. A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

- IFRS 7 Financial instruments: disclosures and IAS 32 Financial instruments: presentation

  Financial assets and financial liabilities may be offset, with the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and when there is either an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32, issued in December 2011, clarify the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

- IFRS 9 Financial instruments

  IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 Financial instruments: Recognition and measurement. The standard requires the classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The two categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" is now recognized in other comprehensive income instead of in profit or loss. This new standard will also impact disclosures provided under IFRS 7 Financial instruments: disclosures.

  In November 2013, the IASB amended IFRS 9 for the significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The mandatory effective date of January 1, 2015 has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

- Amendments to IFRS 13 Fair Value Measurement

  IFRS 13 is a comprehensive standard for fair value measurement and disclosure 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. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and does not always reflect a clear measurement basis or consistent disclosures. The amendments to IFRS 13, issued in December 2013, clarify that the portfolio exception applies to all contracts within the scope of IFRS 9 Financial instruments or IAS 39 Financial instruments: Recognition and measurement, regardless of whether they meet the definitions of financial assets or financial liabilities in IAS 32 Financial instruments: Presentation. The amendments are effective for annual periods beginning on or after July 1, 2014.

- Amendments to IAS 24 Related Party Disclosures

  The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. The adoption of this issuance did not have a significant impact on the Company's financial statements.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

- Amendments to IAS 36 Impairment of assets

  The amendments to IAS 36, issued in May 2013, require:

  - Disclosure of the recoverable amount of impaired assets; and
  - Additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

  The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

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. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Deferred taxes

The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred tax assets.

Critical judgments in applying the Company's accounting policies

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:

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Going concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the years ended December 31, 2013 and 2012. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded the going concern basis of accounting is appropriate based on the Company has sufficient cash resources to meet its obligation for at least twelve months from the end of the reporting period.

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.

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. There was no guaranteed investment certificate (GIC) as at December 31, 2013 (December 31, 2012: $1,001,755).

7. EXPLORATION AND EVALUATION ASSETS

The Company entered into the Letter Agreement with BCGold Corp. (“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;

(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 ($100,000 incurred and recorded as exploration and evaluation assets),
- (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.

7. EXPLORATION AND EVALUATION ASSETS – continued

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.

On October 31, 2013, the Company entered into the Extension Agreement with BCGold that allowed the Company to postpone its obligations under the original Letter Agreement due on the "First Anniversary date" for a further 6 months, in consideration for 100,000 common shares at $0.10 per share issued to BCGold (Note 12). As at December 31, 2013, 100,000 common shares have been issued to BCGold.

During the year ended December 31, 2013, the Company advanced $100,000 to BCGold for exploration activities conducted on the Toe Property in central Yukon. As at December 31, 2013, full amount has been spent on the property.

(Expressed in Canadian dollars)

8. RELATED PARTIES TRANSACTION

Amounts due from (to) related parties

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

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

Related party transactions

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 years ended December 31, 2013 and 2012.

The remuneration of directors and officers comprising key management personnel during the years ended December 31, 2013 and 2012 was as follows:

	December 31, 2013	December 31, 2012
	$	$
Consulting fees incurred to officers	66,898	-
Director fees	6,050	-
Share-based payments	8,934	-

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 December 31, 2013, the Company’s capital structure consists of share capital of $1,880,741 (December 31, 2012 - $1,770,741). For the year ending December 31, 2013, the Company had a deficit of $752,733 (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.

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, trade payables and accrued liabilities, and due to related parties approximates their carrying value due to their short term maturities.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – inputs that are not based on observable market data.

The fair value of cash and cash equivalents is based on level 1 inputs of the fair value hierarchy.

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, 2013 and 2012:

	Years ended December 31,	
	2013	**2012**
Income (loss) before income taxes	(160,336)	(214,738)
Statutory tax rate	25.00%	25.00%
Expected income tax (recovery)	(40,084)	(53,685)
Non-deductible items	2,610	-
Change in estimates	20,460	3,909
Change in deferred tax asset not recognized	17,014	49,776
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, 2013 and 2012 are comprised of the following:

	Years ended December 31,	
	2013	**2012**
Non-capital loss carryforwards	188,534	151,060
Mineral property	(17,500)	-
Financing costs	2,497	5,457
	173,531	156,517
Deferred tax asset not recognized	(173,531	(156,517)
Net deferred tax assets (liability)	-	-

The Company has non-capital loss carryforwards of $754,134 (December 31, 2012 - $604,239) 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	214,738
2033	161,737
Total	$ 754,134

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. Share capital outstanding at December 31, 2013 was 15,174,230 common shares (December 31, 2012 – 14,305,000)

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.

On October 22, 2013, the Company has completed the closing of a non-brokered private placement of 769,230 common shares at $0.13 per share for proceeds of $100,000. The Company has used the proceeds from the sale of the shares to incur exploration expenditures on its Toe Property.

On November 12, 2013, the Company issued 100,000 common shares at $0.10 per share to BCGold pursuant to the Extension to Option Agreement that allowed the Company to postpone its obligations on the Toe Property under the original Letter Agreement with BCGold (Note 7).

Escrow shares

As at December 31, 2013, the Company has 3,708,000 of its shares held in escrow (December 31, 2012 – 5,562,000).

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, 2013, there were 1,308,000 shares remaining in escrow (December 31, 2012 – 1,962,000).

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, 2013, there were 2,400,000 shares remaining in escrow (December 31, 2012 - 3,600,000)

(Expressed in Canadian dollars)

12. 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 5% of the number of then outstanding common shares and the number of common shares reserved for issue to all technical consultants will not exceed 2% 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.

(a) Directors' and officers' options

As at December 31, 2013, the Company has stock options outstanding to directors and officers to acquire an aggregate of 400,000 common shares summarized as follows:

	Number of Options	Exercise Price	Expiry Date
Outstanding, December 31, 2011	200,000	$0.10	August 6, 2015
Cancelled in 2012	(50,000)	$0.10	August 6, 2015
Outstanding, December 31, 2012	150,000	$0.10	August 6, 2015
Granted on May 24, 2013	250,000	$0.13	May 24, 2018
Outstanding, December 31, 2013	400,000	$0.12	

On May 24, 2013, the Company granted an aggregate of 250,000 options to directors and officers of the Company at an exercise price of $0.13 per share for a period of 60 months. All of the options were vested equally over a four year period (25% on each of the 1st to 4th anniversary dates of grant) and are exercisable in accordance with the terms of the Company's Stock Option Plan.

The fair value of the options at the time of grant using the Black-Scholes Option Pricing Model was $0.11 per option assuming a volatility of 132%, a risk free interest rate of 1.37%, an expected life of 5 years and an expected dividend rate of 0%. The expected volatility assumptions have been developed taking into consideration of historical and implied volatility of the company. During the year ended December 31, 2013, the Company recognized share-based payment of $8,934 related to these options.

The options outstanding at December 31, 2013 have an exercise price in the range of $0.10 to $0.13 (2012: $0.10) and a weighted average contractual life of 3.34 years (2012: 2.26 years).

There are 187,739 options exercisable at December 31, 2013 (2012: 150,000), which have an exercise price in the range of $0.10 to $0.13 (2012: $0.10) and a weighted average contractual life of 3.34 years (2012: 2.26 years)

(Expressed in Canadian dollars)

13. 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 common shares outstanding for the relevant period, as follows:

	For the years ended	
	December 31, 2013	**December 31, 2012**
Loss for the year	$ (160,336)	$ (214,738)
Weighted average number of common shares:		
Issued common shares at beginning of year	14,305,000	14,180,000
Effect of shares issued for Toe Property (Notes 7 and 12)	-	13,425
Effect of shares issued for Finder's Fee (Notes 12)	-	3,347
Effect of shares issued for private placement (Note 12)	295,047	-
Effect of shares issued for Toe Property (Notes 7 and 12)	13,425	-
Weighted average number of common shares	14,613,472	14,196,772
Basic and diluted loss per share	($0.01)	($0.02)

14. SUBSEQUENT EVENT

On March 10, 2014, the Company entered into an option agreement with Rich Links Parties, defined as Rich Links Venture Limited ("Rich Links"), XinYuan Investment Mining Limited ("XinYuan"), a Hong Kong Corporation wholly owned by Rich Links, and Mr. Pu Kei Kwok, a person who owns 100% of the issued and outstanding share capital of Rich Links. Pursuant to the agreement, the Company received an option to acquire up 51% interest in and to the Shizipo project in Qiongzhong county and Jianlingcun project in Din'an county, both located in the Haina province in People's Republic of China.