Kaiyue International Inc.
Management’s Discussion and Analysis
Year Ended December 31, 2013

This Management’s Discussion and Analysis (“MD&A”) should be read in conjunction with the audited financial statements of Kaiyue International Inc. (“Kaiyue” or the “Company) for the year ended December 31, 2013 and the notes thereto. The financial information in this MD&A is derived from the Company’s audited financial statements as at and for the year ended December 31, 2013 prepared in accordance with IFRS (International Financial Reporting Standards). These annual financial statements have been prepared by management and have been audited by the Company’s external auditors. The effective date of this MD&A is April 30, 2014.

Forward-looking Statements

The statements made in this MD&A that are not historical facts contain forward-looking information that involves risks and uncertainties. All statements, other than statements of historical facts, which address the Company’s expectations, should be considered forward-looking statements. Such statements made by the Company are based on current expectations, factors and assumptions and reflect our expectations as at the date of this MD&A. Readers are cautioned not to place undue reliance on these statements as the Company’s actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company’s business, or if the Company’s estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize. The Company assumes no obligations to update or revise any forward-looking statements, whether as a result of new information, future events or any other reason.

For a discussion of material factors that could cause the Company’s actual results to differ materially from the forward-looking statements in this MD&A, please see “Risks and Uncertainties”.

Overview of the Company

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 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.

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 (paid $100,000 and recorded as exploration and evaluation assets during the year ended December 31, 2013),
- (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.

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.

SELECTED ANNUAL FINANCIAL DATA

The following chart summarizes selected annual financial information:

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Balance Sheet:			
Total assets	1,140,513	1,221,497	1,454,400
Operation:			
Total revenue	-	-	-
Net loss	(160,336)	(214,738)	(239,675)
Basic and diluted loss per share	(0.01)	(0.02)	(0.04)

Results of Operations

For the year ended December 31, 2013, the Company incurred a loss of $160,336 compared with a loss of $214,738 for the year ended December 31, 2012. The decrease in loss was mainly due to the decreases in filing fees of $13,880 (2012 - $32,429) and professional fees of $16,902 (2012 - $157,941) netted against the increases in the consulting fees of $66,898 (2012 - $nil), director fees of $6,050 (2012 - $nil), share-based payment of $8,934 (2012 - $nil), D&O insurance of $2,964 (2012 - $nil), office expenses of $4,832 (2012 - $2,385) and travel expense of $45,708 (2012 - $24,345). The basic and diluted loss per share was $0.01 for year ended December 31, 2013 compared with $0.02 for the year ended December 31, 2012.

Summary of Quarterly Results

The below table summarizes the results of the Company by quarter.

	Quarter Ended 31-Dec-13	Quarter Ended 30-Sep-13	Quarter Ended 30-Jun-13	Quarter Ended 31-Mar-13	Quarter Ended 31-Dec-12	Quarter Ended 30-Sep-12	Quarter Ended 30-Jun-12	Quarter Ended 31-Mar-12
Loss for the period ($)	48,799	37,481	38,640	35,416	57,844	56,699	19,991	80,204
Loss per Share - Basic & Diluted ($)	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.01

Fourth Quarter

For the fourth quarter ended December 31, 2013, the Company incurred a loss of $48,799 compared with loss of $57,844 for the period ended December 31, 2012. The basic and diluted loss per share was $0.01 for the quarter ended December 31, 2013 and 2012.

The decrease in loss of $9,045 for the fourth quarter ended December 31, 2013 was mainly due to the decreases in professional fees of $53,874, travel expenses of $1,822 and office expenses of $1,321 netted against the increases in consulting fees of 26,125, director fees of 3,025, filing fees of $7,361, share-based payment of $7,005, and D&O insurance of $1,438.

Liquidity and Capital Resources

Cash flows

The following table sets forth a summary of our statements of cash flows for the years ended December 31, 2013 and 2012:

		2013		2012
Net cash (used in) operating activities	$	(181,576)	$	(277,728)
Net cash generated from financing activity		89,029		-
Net cash (used in) investing activity		(100,000)		(25,000)
Net (decrease) in cash	$	(192,547)	$	(302,728)

As at December 31, 2013, the Company had cash of $957,109. Management believes that the cash balance is sufficient to meet its working capital and contractual obligations at the present level for at least the next twelve months.

The Company's working capital position at December 31, 2013 was $956,942 compared to $1,108,344 at December 31, 2012.

Current assets excluding cash at December 31, 2013 consisted of other receivables of $868 compared to $1,841 at December 31, 2012 and prepaid expenses of $2,536 compared to $nil at December 31, 2012.

Current liabilities as at December 31, 2013 consisted of trade payables and accrued liabilities of $3,571 compared to $32,182 as at December 31, 2012 and due to related parties of $nil compared to $10,971 as at December 31, 2012.

The Company had no operating income. The proceeds raised are expected to provide the Company with a minimum of funds to continue its operations and to explore and development its exploration and evaluation assets. It is anticipated and highly probable that the Company will have to seek additional financing in the near future to carry out mineral exploration and development as its main business.

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). As at April 30, 2014, the Company had 15,174,230 common shares issued and outstanding.

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

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.

As at December 31, 2013 and April 30, 2014, 400,000 options were outstanding.

Off-Balance Sheet Arrangements

As at December 31, 2013, the Company had no off-balance sheet arrangements.

Transactions with Related Parties

As at December 31, 2013, $nil (December 31, 2012 - $ 10,971) was payable to the related parties. The amount is non-secured, non-interest bearing and due on demand.

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 year 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.

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.

Risks and Uncertainties

The Company is in initial stages of development and exploration and does not have a history of earnings, nor has it paid any dividends, and will not be in a position to generate earnings or pay dividends until it can generate profitable operations. It is possible the Company may never generate earnings or be in a position to pay dividends. The directors and officers of the Company will only devote part of their time and efforts to the affairs of the Company.

Critical Accounting Estimates

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.

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.

New Accounting Pronouncements

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

- IFRS 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.

- 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.

- 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.

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.

Other Information

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com.