

KAIYUE INTERNATIONAL INC.
(An Exploration Stage Company)

Condensed Interim Financial Statements
(Expressed in Canadian Dollars)

For the Three Months Ended March 31, 2014

(Unaudited – Prepared by Management)

Kaiyue International Inc.

(An Exploration Stage Company)

Condensed Interim Financial Statements For the Three Months Ended March 31, 2014

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Kaiyue International Inc.
(An Exploration Stage Company)
Condensed Interim Financial Statements
For the Three Months Ended March 31, 2014

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 interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

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

	Notes	March 31, 2014 \$	December 31, 2013 \$
Assets			
Current Assets			
Cash and cash equivalents	5	901,962	957,109
Sales tax receivable		1,408	868
Prepaid expenses		1,201	2,536
		904,571	960,513
Non-Current Assets			
Exploration and evaluation assets	6	180,000	180,000
		180,000	180,000
Total Assets		1,084,571	1,140,513
Liabilities and Equity			
Current Liabilities			
Trade payables and accrued liabilities		552	3,571
		552	3,571
Equity			
Share capital	10	1,880,741	1,880,741
Contributed surplus		12,611	8,934
Deficit		(809,333)	(752,733)
		1,084,019	1,136,942
Total Liabilities and Equity		1,084,571	1,140,513

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

	Notes	For the three months ended	
		March 31,	
		2014	2013
		\$	\$
Expenses			
Bank charges		109	225
Consulting fees	7	20,000	7,500
CPP expense		24	-
Director fees	7	5,128	-
Filing fees		80	6,334
Insurance		1,335	-
Office		2,889	-
Professional fees		4,159	800
Share-based compensation expenses		3,677	-
Travel expense		19,199	23,081
		56,600	37,940
Other income			
Interest income		-	2,524
Net loss and comprehensive loss for the year		56,600	35,416
(Loss) per ordinary share:			
Basic and Diluted		\$ (0.00)	\$ (0.00)
Weighted average number of ordinary shares outstanding:			
Basic and diluted	11	14,827,802	14,227,594

The accompanying notes form an integral part of these financial statements

Kaiyue International Inc.
Condensed Interim Statements of Changes in Equity
(Expressed in Canadian dollars)

	Shares	Share capital \$	Contributed Surplus \$	Deficit \$	Total \$
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
Balance at December 31, 2013	15,174,230	1,880,741	8,934	(752,733)	1,136,942
Net loss for the period	-	-	-	(56,600)	(56,600)
Share-based compensation expenses (Note 10)	-	-	3,677	-	3,677
Balance at March 31, 2014	15,174,230	1,880,741	12,611	(809,333)	1,084,019

The accompanying notes form an integral part of these interim financial statements

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

	Notes	For the three months ended	
		March 31,	
		2014	2013
		\$	\$
Operating activities			
Net loss for the period		(56,600)	(35,416)
Item not involving cash			
Share-based payment		3,677	-
Changes in non-cash working capital balances:			
Other receivables		(540)	995
Prepaid expenses		1,335	-
Trade payables and accrued liabilities		(3,019)	(21,329)
Net cash used in operating activities		(55,147)	(55,750)
Financing activity			
Due to related parties	7	-	(10,971)
Net cash used in by financing activity		-	(10,971)
Investing activity			
Expenditures on exploration and evaluation assets	6,10	-	-
Net cash used in investing activity		-	-
Net decrease in cash during the period		(55,147)	(66,721)
Cash at beginning of period		957,109	1,149,656
Cash at end of period		901,962	1,082,935
Supplemental cash flow information			
Interest received in cash		-	2,524
Interest paid in cash		-	-
Income taxes paid in cash		-	-
Shares issued for exploration and evaluation assets		-	-

The accompanying notes form an integral part of these financial statements

Kaiyue International Inc.
Notes to the Condensed Interim Financial Statements
(Expressed in Canadian dollars)
FOR THE THREE MONTHS ENDED MARCH 31, 2014

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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

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 condensed interim financial statements of the Company for the three months ended March 31, 2014 were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on May 26, 2014.

b) Basis of preparation

These interim financial statements have been prepared on a historical cost basis, except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair values. In addition, these interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. These interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

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.
Notes to the Condensed Interim Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

c) Change in accounting policies

The accounting policies applied in preparation of these interim financial statements are consistent with those applied and disclosed in the Company's financial statements for the year ended December 31, 2013. In addition, the Company adopted the following accounting policies effective January 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. The adoption of this IFRS did not impact the Company's interim 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 adoption of this IFRS did not impact the Company's interim financial statements.

3. 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.

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3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE - continued

- 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.

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.

4. 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.

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4. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - continued

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:

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.

Kaiyue International Inc.
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5. 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. 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 March 31, 2014 and December 31, 2013.

6. EXPLORATION AND EVALUATION ASSETS

Toe Property

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.

Kaiyue International Inc.
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6. 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 was 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 10). As at December 31, 2013, 100,000 common shares have been issued to BCGold.

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

There was no payment made to BCGold for exploration activities for the three months ended March 31, 2014.

Shizipo project and Jianlingcun Project

On March 10, 2014, the Company entered into an option agreement (the "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. Pui 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 to 51% interest in and to the Shizipo project in Qiongzong county and Jianlingcun project in Din'an county, both located in the Hainan province in People's Republic of China.

Kaiyue will acquire an initial 6% interest in the Projects when Kaiyue:

- i. pays to Mr. Pui Kei Kwok (the "**Vendor**") cash in the amount of \$10,000 upon signing of the Option Agreement and \$10,000 on or before the date which is one (1) year from March 10, 2014 (the "**Effective Date**");
- ii. allots and issues to the Vendor, as fully paid and non-assessable, 100,000 common shares of Kaiyue (each, a "**Share**"), on or before the date which is one (1) year from the Effective Date; and
- iii. incur exploration expenditures of at least \$50,000 on the Projects on or before the date which is one (1) year from the Effective Date.

Kaiyue will acquire an additional 5% interest in the Projects when Kaiyue:

- (i) pays to the Vendor cash in the amount of \$10,000 on or before the date which is two (2) years from the Effective Date;

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6. EXPLORATION AND EVALUATION ASSETS - continued

- (ii) allots and issues to the Vendor, as fully paid and non-assessable, 100,000 Shares, on or before the date which is two (2) years from the Effective Date; and
- (iii) incur exploration expenditures of at least \$50,000 on the Projects on or before the date which is two (2) years from the Effective Date.

Kaiyue will acquire an additional 10% interest in the Projects when Kaiyue:

- (i) pays to the Vendor cash in the amount of \$20,000 on or before the date which is three (3) years from the Effective Date;
- (ii) allots and issues to the Vendor, as fully paid and non-assessable, 100,000 Shares, on or before the date which is three (3) years from the Effective Date; and
- (iii) incur exploration expenditures of at least \$250,000 on the Projects on or before the date which is three (3) years from the Effective Date.

Subsequent to the period ended March 31, 2014, TSX Venture Exchange has accepted for filing the Option Agreement for the Company to acquire up to 51% interest in and to the Shizipo project and Jianlingcun project (Subsequent Event Note 12).

7. RELATED PARTIES TRANSACTION

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 three months ended March 31, 2014 and 2013.

The remuneration of directors and officers comprising key management personnel during the three months ended March 31, 2014 and 2013 was as follows:

	March 31, 2014	March 31, 2013
	\$	\$
Consulting fees incurred to officers	20,000	7,500
Director fees	5,128	-
Share-based payments	3,677	-

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.

Kaiyue International Inc.
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8. 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, 2014, the Company's capital structure consists of share capital of \$1,880,741 (December 31, 2013 - \$1,880,741). For the period ending March 31, 2014, the Company had a deficit of \$809,333 (December 31, 2013 - \$752,733).

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.

9. 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.

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10. 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 March 31, 2014 was 15,174,230 common shares (December 31, 2013 - 15,174,230)

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 6). 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 6).

Escrow shares

As at March 31, 2013, the Company has 3,708,000 of its shares held in escrow (December 31, 2013 - 3,708,000).

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 March 31, 2014, there were 1,308,000 shares remaining in escrow (December 31, 2013 - 1,308,000).

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 March 31, 2014, there were 2,400,000 shares remaining in escrow (December 31, 2013 - 2,400,000)

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.

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10. SHARE CAPITAL – continued

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 March 31, 2014, 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, 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	-
Granted during the period	-	-	-
Outstanding, March 31, 2014	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. For the three months ended March 31, 2014, the Company recognized share-based payment of \$3,677 related to these options (March 31, 2013 - \$nil).

The options outstanding at March 31, 2013 have an exercise price in the range of \$0.10 to \$0.13 (December 31, 2013: \$0.12) and a weighted average contractual life of 3.09 years (December 31, 2013: 3.34 years).

There are 195,068 options exercisable at December 31, 2013 (December 31, 2013: 187,739), which have an exercise price in the range of \$0.10 to \$0.13 and a weighted average contractual life of 3.09 years (December 31, 2013: 3.34 years)

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11. 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 three months ended	
	March 31, 2014	March 31, 2013
Loss for the year	\$ (56,600)	\$ (35,416)
Weighted average number of common shares:		
Issued common shares at beginning of year	14,613,472	14,196,772
Effect of shares issued for Toe Property (Notes 6 and 10)	-	24,658
Effect of shares issued for Finder's Fee (Notes 10)	-	6,164
Effect of shares issued for private placement (Note 10)	189,673	-
Effect of shares issued for Toe Property (Notes 6 and 10)	24,657	-
Weighted average number of common shares	14,827,802	14,227,594
Basic and diluted loss per share	(\$0.00)	(\$0.00)

12. SUBSEQUENT EVENT

On April 25, 2014, TSX Venture Exchange has accepted for filing an option agreement dated March 10, 2014 (the "Agreement") between the Company and Rich Links Venture Limited (Pui Kei Kwok) (the "Vendor") and Xing Yuan Investment Mining Limited. Pursuant to the terms of the Agreement, the Company will receive an option to acquire up to a 51% interest in the Shizipo Project in Qiongzong County and Jianlingcun Project in Ding'an County in the Hainan Province in China. By way of consideration, the Company will make cash payments totaling \$110,000 and will issue 500,000 shares to the Vendor at a deemed price of \$0.055 per share.