KAIYUE INTERNATIONAL INC.
(An Exploration Stage Company)

Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2015

(Unaudited – Prepared by Management)

Kaiyue International Inc.

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Contents

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	September 30, 2015 $	December 31, 2014 $
Assets			
Current Assets			
Cash and cash equivalents		380,589	583,748
Sales tax receivable		6,083	3,543
Prepaid expenses		5,833	3,119
		392,505	**590,410**
Non-Current Assets			
Exploration and evaluation assets	5	70,000	250,000
		70,000	**250,000**
Total Assets		**462,505**	**840,410**
Liabilities and Equity			
Current Liabilities			
Trade payables and accrued liabilities		10,143	4,095
Due to related parties	6	18,732	16,500
		28,875	**23,550**
Equity			
Share capital	9	1,880,741	1,880,741
Share-based payments reserves		23,901	19,423
Deficit		(1,471,012)	(1,083,304)
		433,630	**816,860**
Total Liabilities and Equity		**462,505**	**840,410**

Approved on behalf of the Board of Directors:

"Hilda Sung", Director *"Alex Ku"*, Director

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

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

	Notes	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
		$	$	$	$
Expenses					
Bank charges		216	1,193	687	1,574
Consulting fees	6	22,500	47,913	67,500	125,163
Director fees	6	2,200	3,850	7,138	12,803
Filing fees		-	780	5,200	8,576
Impairment of exploration and evaluation assets	5	180,000	-	180,000	-
Insurance		1,728	1,650	5,028	4,367
General admin expenses		1,160	2,510	13,901	7,617
Professional fees		2,388	465	21,592	32,925
Rent		16,500	-	49,500	-
Salaries and wages		3,622	7,323	10,509	7,323
Share-based payment	6,9	1,042	1,934	4,478	8,555
Travel expense		13,314	18,417	22,175	45,932
		244,670	86,035	387,708	254,835
Net loss and comprehensive loss for the period		**244,670**	**86,035**	**387,708**	**254,835**
Loss per ordinary share:					
Basic and Diluted		$ (0.02)	$ (0.00)	$ (0.03)	$ (0.01)
Weighted average number of ordinary shares outstanding:					
Basic and diluted	10	15,174,230	15,116,085	15,174,230	15,116,085

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

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

	Shares	Share capital $	Share-based Payments Reserves $	Deficit $	Total $
Balance at December 31, 2013	15,174,230	1,880,741	8,934	(752,733)	1,136,942
Share-based payment (Note 6,9)	-	-	8,555	-	8,555
Net loss for the period	-	-	-	(254,835)	(254,835)
Balance at September 30, 2014	15,174,230	1,880,741	17,489	(1,007,568)	890,662
Balance at December 31, 2014	15,174,230	1,880,741	19,423	(1,083,304)	816,860
Share-based payment (Note 6,9)	-	-	4,478	-	4,478
Net loss for the period	-	-	-	(387,708)	(387,708)
Balance at September 30, 2015	15,174,230	1,880,741	23,901	(1,471,012)	433,630

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

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

	Notes	For the nine months ended September 30, 2015 $	2014 $
Operating activities			
Net loss for the period		(387,708)	(254,835)
Item not involving cash			
Impairment of exploration and evaluation assets		180,000	-
Share-based payment		4,478	8,555
Changes in non-cash working capital balances:			
Other receivables		(2,540)	(2,055)
Prepaid expenses		(2,714)	(4,012)
Trade payables and accrued liabilities		6,048	2,391
Net cash (used in) operating activities		**(202,436)**	**(249,956)**
Investing activity			
Deposit on expenditures on exploration and evaluation assets	5	-	(20,000)
Net cash (used in) investing activity		-	(20,000)
Financing activity			
Due to related parties	6	(723)	-
Net cash (used in) financing activity		**(723)**	-
Net decrease in cash during the period		**(203,159)**	**(269,956)**
Cash at beginning of period		**583,748**	**957,109**
Cash at end of period		**380,589**	**687,153**

The accompanying notes form an integral part of these condensed interim 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. On July 25, 2012, the Company entered into a letter agreement (the “Letter Agreement”) with BCGold Corp. (“BCGold”) pursuant to which BCGold 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 nine months ended September 30, 2015 were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on November 24, 2015.

b) Basis of preparation

The preparation of these condensed interim 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 4. Actual results may differ from these estimates.

The condensed 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 periods 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 periods end exchange rates are recognized in profit and loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

c) Changes in accounting policies

The accounting policies applied in preparation of these condensed interim financial statements are consistent with those applied and disclosed in the Company's financial statements for the year ended December 31, 2014. In addition, the Company adopted the following accounting policies effective January 1, 2015:

- 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. The adoption of this IFRS did not impact the Company's financial statements.

- 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 IFRS did not impact the Company's 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 9 Financial Instruments

This is a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement**. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE - continued

- IFRS 9 Financial Instruments (continued)

  i. **Impairment**. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized
  ii. **Hedge accounting**. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
  iii. **Derecognition**. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

  Applicable to the Company's annual period beginning on January 1, 2018.

- IFRS 15 Revenue from Contracts with Customers

  In May 2014, the IASB issued IFRS 15 which replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRSs. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Company's ordinary activities. Additional disclosure is required under the standard, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgments and estimates. The standard is effective for annual periods beginning on or after January 1, 2017; early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning the initial period of adoption and restatements to the comparative periods are not required. The Company is required to disclose the impact by financial line item as a result of the adoption of the new standard. The Company intends to adopt IFRS 15 in its consolidated financial statements for the annual period beginning January 1, 2017. The extent of the impact of adoption of IFRS 15 has not yet been determined.

4. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim 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

4. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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.

Share-based payment transactions

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grants. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share options, volatility and dividend yield and making assumptions about them.

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 condensed interim financial statements for the nine months ended September 30, 2015 and 2014. Management prepares the condensed interim 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.

5. 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 (unpaid);
- (iii) $55,000 on or before the date which is two years from November 12, 2012 (unpaid),
- (iv) $50,000 on or before the date which is three years from November 12, 2012 (unpaid), 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, which was written off as of September 30, 2015),
- (ii) $400,000 before the date which is two years from November 12, 2012 (un-incurred) ,
- (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 (issued on November 12, 2013), and
- (iii) 200,000 Shares on or before the date which is two years from November 12, 2012 (unissued).

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:

5. EXPLORATION AND EVALUATION ASSETS - continued

(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 (not issued),

(iii) 25,000 common shares on the second anniversary of the closing of the Transactions (not issued) , and

(iv) 25,000 common shares on the third anniversary of the closing of the Transactions (not issued).

As of September 30, 2015, Canaccord Genuity made no requests for the issuance of 25,000 common shares on the first and second anniversary of the closing of the Transactions as per the above Finder's Fee Agreement.

On December 10, 2014, the Company entered into an Extension Agreement with BCGold that allowed the Company to postpone its obligations under the original Letter Agreement due on the "First Anniversary date" and the "Secondary Anniversary date" to May 31, 2015, in consideration for Kaiyue's assistance in securing additional financing and searching for cooperation opportunities for BCGold. As at September 30, 2015, the Company intends to continue negotiations with BCGold to allow the Company to postpone its obligations to a further date under the Letter Agreement. As of the date of this report, management believes that it is very unlikely that the Company will be successfully obtain a further extension.

As of September 30, 2015, the Company has not completed all of its obligations under the original Letter Agreement due on the "First Anniversary date" and "Second Anniversary date". Subsequent to the period end, the Company did not complete its obligations under the original Letter Agreement due on the "Third Anniversary date". There was no payment made and no share issued to BCGold for exploration activities for the nine months ended September 30, 2015 and 2014. Management has no intention to make payments to BCGold under the original Letter Agreement. Accordingly, the Company has recognized an impairment in the amount of $180,000 as of September 30, 2015 on Toe Property to reduce the carrying amount of interest in Toe Property to $Nil. If there is an indication in the future that the impairment loss recognized no longer exists or has decreased, the recoverable amount will be estimated and the carrying value of the property will be increased to its recoverable amount.

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"), XingYuan Investment Mining Limited ("XingYuan"), 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 Option Agreement, the Company received an option to acquire up to 51% interest in and to the Shizipo project in Qiongzhong 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**"); (Paid)
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 (issued on August 24, 2015); 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. (Incurred)

5. EXPLORATION AND EVALUATION ASSETS - continued

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;

(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.

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 four (4) 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 four (4) 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 four (4) years from the Effective Date.

Kaiyue will acquire an additional 20% interest in the Projects when Kaiyue:

(i) pays to the Vendor cash in the amount of $50,000 on or before the date which is five (5) 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 five (5) years from the Effective Date; and

(iii) incur exploration expenditures of at least $150,000 on the Projects on or before the date which is five (5) years from the Effective Date.

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 Qiongzhong 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.

In 2014, there was a $70,000 payment made to Rich Links Parties per the signed Option Agreement. This $70,000 payment was recorded as exploration and evaluation assets. On August 24, 2015, 100,000 common shares due on March 10, 2015 have been issued to Rich Link Parties. There was no payment made to Rich Links Parties per the signed Option Agreement for the nine months ended September 30, 2015.

(Expressed in Canadian dollars)

6. RELATED PARTIES TRANSACTION

Amounts due to related parties	**September 30, 2015**	**December 31, 2014**
	$	**$**
Amounts owing to CEO of the Company (a)	13,232	-
Amounts owing to CFO of the Company (b)	-	2,955
Zhongyi Financial Investment Consultants (Shenzhen) Ltd. (c)	5,500	16,500
	18,732	19,455

(a) Balance consists of consulting fees and expenses reimbursement due to the current CEO.

(b) Balance is related to payable to current CFO for her consulting services.

(c) Balance consists of rental fees due to Zhongyi Financial Investment Consultants (Shenzhen) Ltd. ("Zhongyi") which the CEO of the Company is also part of the senior management team of. The balance has been included in accounts payable and accrued liabilities in the consolidated statements of financial position.

The amount owing to CEO, CFO and Zhongyi 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 nine months ended September 30, 2015 and 2014.

The remuneration of directors and officers comprising key management personnel during the nine months ended September 30, 2015 and 2014 was as follows:

	September 30, 2015	**September 30, 2014**
	$	**$**
Consulting fees incurred to officers	67,500	69,750
Director fees	7,138	12,803
Share-based payments	4,478	8,555

In September 2014, the Company entered into an office rental agreement with Zhongyi for $5,500 per month, effectively from October 1, 2014. For the nine months ended September 30, 2015, there was $49,500 rental expense under the agreement incurred (September 30, 2014 – $Nil).

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

7. 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 September 30, 2015, the Company’s capital structure consists of share capital of $1,880,741 (December 31, 2014 - $1,880,741). As of September 30, 2015, the Company had a deficit of $1,471,012 (December 31, 2014 - $1,083,304).

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.

8. 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)

9. 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 September 30, 2015 was 15,174,230 common shares (December 31, 2014 – 15,174,230)

Escrow shares

As at September 30, 2015, the Company has 927,000 of its shares held in escrow (December 31, 2014 – 1,854,000).

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 September 30, 2015, there were 327,000 shares remaining in escrow (December 31, 2014 – 654,000).

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 September 30, 2015, there were 600,000 shares remaining in escrow (December 31, 2014 - 1,200,000)

Stock options

The Company has adopted an incentive stock option plan which provides that the directors of the Company may from time to time, in their discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and technical consultants to the Company, nontransferable options to purchase common shares, provided that the number of common shares reserved for issue will not exceed 10% of the number of the outstanding common shares.

Such options will be exercisable for a period of up to five years after the date of grant thereof. The number of common shares reserved for issue to any individual director or officer will not exceed 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.

As at September 30, 2015, 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, 2014 and 2013	400,000	$0.12	
Cancelled on April 12, 2015	(100,000)	$0.13	May 24, 2018
Expired on August 6, 2015	(150,000)	$0.10	August 6, 2015
Outstanding, September 30, 2015	150,000	$0.13	May 24, 2018

(Expressed in Canadian dollars)

9. SHARE CAPITAL – CONTINUED

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 nine months ended September 30, 2015, the Company recognized share-based payment of $4,478 related to these options (September 30, 2014 - $8,555).

The options outstanding at September 30, 2015 have an exercise price $0.13 (December 31, 2014 - $0.12) and a weighted average remaining contractual life of 2.65 years (December 31, 2014 - 2.35 years). There are 93,750 options exercisable at September 30, 2015 (December 31, 2014 - 212,500).

10. 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 nine months ended	
	September 30, 2015	**September 30, 2014**
Loss for the year	$ (387,708)	$ (254,835)
Weighted average number of common shares:		
Issued common shares at beginning of year	15,174,230	14,613,472
Effect of shares issued for private placement (Note 9)	-	427,818
Effect of shares issued for Toe Property (Notes 5 and 9)	-	74,795
Weighted average number of common shares	15,174,230	15,116,085
Basic and diluted loss per share	($0.03)	($0.02)