KAIYUE INTERNATIONAL INC.

Financial Statements

(Expressed in Canadian Dollars)

For the Years Ended December 31, 2016 and 2015

Kaiyue International Inc.
Financial Statements
For the Year Ended December 31, 2016

Contents

Management’s responsibility for financial reporting

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

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

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

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

April 18, 2017

(signed)

“Hilda Sung”

Director

(signed)

“Alex Ku”

Director

MNP LLP

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Kaiyue International Inc.:

We have audited the financial statements of Kaiyue International Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with IFRS.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Kaiyue International Inc.'s ability to continue as a going concern.

MNP LLP

Vancouver, British Columbia
April 18, 2017

Chartered Professional Accountants

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

	Notes	December 31, 2016 $	December 31, 2015 $
Assets			
Current Assets			
Cash		87,660	316,093
GST receivables		1,277	6,805
Prepaid expenses		4,288	4,083
Total Assets		**93,225**	**326,981**
Liabilities and Equity			
Current Liabilities			
Trade payables and accrued liabilities		1,382	10,330
Due to related parties	7	19,950	15,164
		21,332	**25,494**
Equity			
Share capital	11	1,881,741	1,881,741
Contributed surplus		25,952	23,806
Deficit		(1,835,800)	(1,604,060)
		71,893	**301,487**
Total Liabilities and Equity		**93,225**	**326,981**

Approved on behalf of the Board of Directors:

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

The accompanying notes form an integral part of these financial statements

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

	Notes	For the years ended December 31, 2016 $	2015 $
Expenses			
Consulting fees	7	90,000	90,000
Director fees	7	8,800	9,338
Filing fees		6,879	5,200
Insurance		7,146	6,778
Office expenses		17,645	23,758
Professional fees		13,744	27,237
Rent		66,000	66,000
Salaries and wages		5,256	14,231
Share-based payment		2,146	4,383
Travel expense		14,125	22,834
		231,741	269,759
Other income			
Impairment of exploration and evaluation assets	6	-	251,000
Interest income		(1)	(3)
Net loss and comprehensive loss for the year		**231,740**	**520,756**
(Loss) per ordinary share:			
Basic and Diluted		$ (0.02)	$ (0.03)
Weighted average number of ordinary shares outstanding:			
Basic and diluted	12	15,274,230	15,209,572

The accompanying notes form an integral part of these financial statements

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

	Shares	Share capital $	Contributed Surplus $	Deficit $	Total $
Balance at December 31, 2014	15,174,230	1,880,741	19,423	(1,083,304)	816,860
Share issued for mining option	100,000	1,000	-	-	1,000
Share-based payment	-	-	4,383	-	4,383
Net loss for the year	-	-	-	(520,756)	(520,756)
Balance at December 31, 2015	15,274,230	1,881,741	23,806	(1,604,060)	301,487
Share-based payment	-	-	2,146	-	2,146
Net loss for the year	-	-	-	(231,740)	(231,740)
Balance at December 31, 2016	15,274,230	1,881,741	25,952	(1,835,800)	71,893

The accompanying notes form an integral part of these financial statements

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

		For the years ended December 31,	
	Notes	**2016** **$**	**2015** **$**
Operating activities			
Net loss for the year		(231,740)	(520,756)
Item not involving cash			
Impairment of exploration and evaluation assets		-	251,000
Share-based payment		2,146	4,383
Changes in non-cash working capital balances:			
GST receivables		5,528	(3,262)
Prepaid expenses		(205)	(964)
Trade payables and accrued liabilities		(8,948)	6,235
Net cash used in operating activities		**(233,219)**	**(263,364)**
Financing activity			
Due to related parties	7	4,786	(4,291)
Net cash from (used in) financing activity		**4,786**	**(4,291)**
Net decrease in cash and cash equivalents during the year		**(228,433)**	**(267,655)**
Cash and cash equivalents at beginning of year		**316,093**	**583,748**
Cash and cash equivalents at end of year		**87,660**	**316,093**

The accompanying notes form an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Kaiyue International Inc. ("Kaiyue" or the "Company") was incorporated under the Business Corporation Act of Alberta on November 23, 2009. The Company trades under the symbol KYU.V on the TSX Venture (the "Exchange"). The principal address and registered and records office of the Company is located at 3500, 855 – 2 Street SW, Calgary, Alberta, Canada.

The Company is an exploration stage public company whose principal business activities are the acquisition and exploration of mineral properties. Its shares are listed on the TSX Venture Exchange under the symbol KYU.

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a "going concern", which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Management is of the opinion that the funds available at the end of the year will allow the Company to meet its current ongoing obligations and future contractual commitments for at least the next twelve months. As at December 31, 2016, the Company had working capital of $71,893 (December 31, 2015 - $301,487). The Company did not generate revenue nor cash flows from its operations to date and has a cumulated deficit of $1,835,800 (December 31, 2015 - $1,604,060). Beyond the twelve month period, the Company will require additional financing or other sources of funding, which if not raised, would result in the curtailment of activities. As a result, there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and accordingly use accounting principles applicable to a going concern.

To date, the Company has raised funds principally through the issuance of shares. In the foreseeable future, the Company will likely remain dependent on the issuance of shares, obtaining additional financing from shareholders, receiving continued financial support from related parties and creditors, or generating profitable operations. The Company continues to minimize uncommitted capital expenditures and exploration expenditures in order to preserve the Company's financial resources.

2. BASIS OF PREPARATION

The financial statements of Kaiyue for the years ending December 31, 2016 and 2015 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. These financial statements were approved and authorized for issue by the Board of Directors on April 18, 2017.

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss and available for sale, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The financial statements are presented in Canadian dollars, which is the Company's functional currency. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At year end, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognized in profit and loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash

The Company considers all highly liquid investments with an original maturity of three months or less at the time of issuance to be cash equivalents. As of December 31, 2016 and 2015, the Company did not have any cash equivalents.

(b) Exploration and evaluation assets and expenditures

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

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

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

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

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

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

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

(c) Income taxes

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

(d) Share-based payments

Equity-settled share-based payments for employees including directors and officers are measured at fair value at the date of grant and recorded over the vesting period as share-based compensation expense in the financial statements. The fair value determined by using the Black-Scholes option pricing model at the grant date of the equity-settled share-based payments is expensed based on graded vesting factoring in any forfeitures. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments is credited to share capital.

Compensation expense on stock options granted to non-employees is measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the fair value of the goods or services received cannot be measured reliably, the value is measured by reference to the fair value of the equity instruments granted by use of a Black-Scholes option pricing model.

In order to determine the fair value using the Black-Scholes option pricing model, the expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

(e) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(f) Loss per share

Loss per share is based on the loss attributable to equity holders of the Company for the period divided by the weighted average number of common shares outstanding during the year. The diluted net loss per share is based on the weighted average number of common shares outstanding during the year plus the effects of dilutive share equivalents. Diluted loss per share is equal to the basic loss per share as there were no dilutive securities as at December 31, 2016 and 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(g) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss (FVTPL), loans and receivables, and available-for-sale (AFS). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of assets at recognition.

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through income. Cash are classified as FVTPL.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, less any impairment.

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive loss and classified as a component of equity. There was no available-for-sale financial asset as of December 31, 2016 and 2015.

Financial liabilities

The Company classifies its financial liabilities in the following categories: FVTPL and other financial liabilities.

Financial liabilities at FVTPL comprise derivative or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. There was no financial liability at FVTPL as of December 31, 2016 and 2015.

Other financial liabilities are financial liabilities not designated as FVTPL and recognized at amortized cost. Trades payable and accrued liabilities and due to related parties are classified as other financial liabilities.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the end of each reporting period. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(h) Change in accounting policies

The Company adopted the following accounting policies effective January 1, 2016:

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1")

On December 18, 2014, the IASB issued amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The adoption of this IFRS did not impact the Company's financial statements.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

- IFRS 9 Financial Instruments

In July 2014, the IASB issued IFRS 9, Financial Instruments, will replace IAS 39, Financial Instruments: Recognition and Measurement, and some of the requirements of IFRS 7, Financial Instruments: Disclosures. The objective of IFRS 9 is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. The IASB has determined the revised effective date for IFRS 9 will be for annual periods beginning on or after January 1, 2018.

- IFRS 16 Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning January 1, 2019. The extent of the impact of adoption of IFRS 16 has not yet been determined.

5. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with IFRS, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(Expressed in Canadian dollars)

5. 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.

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

Critical judgements that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements are limited to management's assessment of the Company's ability to continue as a going concern (Note 1).

6. EXPLORATION AND EVALUATION ASSETS

Toe Property – Yukon Territory

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").

In order to acquire a 60% interest of the 70% interest in the Toe Property, the Company will be required to make the following payments, incur the following exploration expenditure and share issuance to BCGold:

	Cash	Exploration Expenditure	Shares
upon signing of the Letter Agreement (paid)	$ 25,000	$ -	-
upon receipt of the Final Approval (issued)	-	-	100,000
on or before from November 12, 2013 (unpaid)	25,000	-	-
on or before from November 12, 2013 ($100,000 incurred)	-	200,000	-
on or before from November 12, 2013 (issued)	-	-	100,000
on or before from November 12, 2014 (unpaid, un-incurred and unissued)	55,000	400,000	200,000
on or before from November 12, 2015 (unpaid, un-incurred)	50,000	650,000	-
on or before from November 12, 2016	100,000	650,000	-
	$ 255,000	$ 1,900,000	400,000

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS - CONTINUED

On November 8, 2012, the Company also entered into the Finder's Fee Agreement (the "Agreement") with Canaccord Genuity Corp. ("Canaccord Genuity"). As compensation for its role in assisting the Company to purchase certain minerals claims from BCGold, the Agreement required the Company to make the following payment and shares issuance:

		Cash	Shares
upon signing of the Agreement (paid)	$	25,000	-
upon closing of the Transactions (issued on November 12, 2012)		-	25,000
on or before from November 12, 2013 (unissued)		-	25,000
on or before from November 12, 2014 (unissued)		-	25,000
on or before from November 12, 2015 (unissued)		-	25,000
	$	25,000	100,000

The Company has not completed all of its obligations under the original Letter Agreement, resulting the Company being in default of the option agreement. Accordingly, the Company has recognized an impairment in the amount of $180,000 in 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.

In order to acquire up to 51% interest in the Shizipo project and Jianlingcun Project, the Company will be required to pay Mr. Pui Kei Kwok (the "**Vendor**") the following payments, incur the following exploration expenditure and shares issuance from March 10, 2014 (the "**Effective Date**"):

		Cash		**Exploration Expenditure**	**Shares**
To acquire an initial 6% interest in the Projects					
upon signing of the Option Agreement (paid)	$	10,000	$	-	-
on or before March 10, 2015 (paid)		10,000		-	-
on or before March 10, 2015 (issued on August 24, 2015)		-		-	100,000
on or before March 10, 2015 (incurred)		-		50,000	-
To acquire an additional 5% interest in the Projects					
on or before March 10, 2016 (unpaid, un-incurred and unissued)		10,000		50,000	100,000
To acquire an additional 10% interest in the Projects					
on or before March 10, 2017 (unpaid, un-incurred and unissued)		20,000		250,000	100,000
To acquire an additional 10% interest in the Projects					
on or before March 10, 2018		20,000		250,000	100,000
To acquire an additional 20% interest in the Projects					
on or before March 10, 2019		50,000		150,000	100,000
	$	120,000	$	750,000	500,000

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS - CONTINUED

Due to the current market situations, management decided not to incur $50,000 exploration expenditures, make the $10,000 cash payment and issue 100,000 shares due on March 10, 2016, resulting the Company being in default of the option agreement. The Company has recognized an impairment in the amount of $71,000 in 2015 on Shizipo project and Jianlingcun Project to reduce the carrying amount of interest to $Nil. Due to uncertainty of management's intention to continue exploration activities on Shizipo and Jianlingcun projects, there is no recovery of the value of the property in current year.

Expenditure related to the property can be summarized as follows:

		Toe Property		Shizipo project		Total
Beginning balance - January 1, 2015	$	180,000	$	70,000	$	250,000
Issuance of shares		-		1,000		1,000
Write-down of property in 2015		(180,000)		(71,000)		(251,000)
Ending balance - December 31, 2016 and 2015	$	-	$	-	$	-

7. RELATED PARTIES TRANSACTION

Amounts due from (to) related parties

	December 31, 2016	December 31, 2015
	$	**$**
Amounts owing to CFO of the Company (a)	2,625	2,625
Amounts owing to a director of the Company (b)	825	6,214
Zhongyi Financial Investment Consultants (Shenzhen) Ltd. (c)	16,500	5,500
	19,950	14,339

(a) Balance is related to payable to current CFO of her consulting service.
(b) Balance is related to payable to current Director for his directorship service.
(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. In September 2014, the Company entered into an office rental agreement with Zhongyi for $5,500 per month. For the year ended December 31, 2016, there was $66,000 rental expense under the agreement (December 31, 2015 – $66,000).

The amount owing to CFO, Director 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 years ended December 31, 2016 and 2015.

(Expressed in Canadian dollars)

7. RELATED PARTIES TRANSACTION - CONTINUED

The remuneration of directors and officers comprising key management personnel during the years ended December 31, 2016 and 2015 was as follows:

	December 31, 2016	December 31, 2015
	$	$
Consulting fees incurred to officers	90,000	90,000
Director fees	8,800	9,338
Share-based payments	2,146	4,383

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.

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 December 31, 2016, the Company's capital structure consists of share capital of $1,881,741 (December 31, 2015 - $1,881,741). For the year ending December 31, 2016, the Company had a deficit of $1,835,800 (December 31, 2015 - $1,604,060).

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, 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 is based on level 1 inputs of the fair value hierarchy.

(Expressed in Canadian dollars)

9. FINANCIAL INSTRUMENTS - CONTINUED

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.

10. INCOME TAXES

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the years ended December 31, 2016 and 2015:

	Years ended December 31,	
	2016	**2015**
	$	**$**
Income (loss) before income taxes	(231,740)	(520,756)
Statutory tax rate	27.00%	27.00%
Expected income tax (recovery)	(62,570)	(140,604)
Non-deductible items	1,772	70,,831
Change in deferred tax asset not recognized	60,798	69,773
Total income taxes (recovery)	-	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. The unrecognized deductible temporary differences at December 31, 2016 and 2015 are as follows:

	2016	**2015**
	$	**$**
Exploration and evaluation assets	251,000	251,000
Non-capital loss	1,548,977	1,323,800
Total unrecognized deductible temporary differences	**1,799,977**	**1,574,800**

(Expressed in Canadian dollars)

10. INCOME TAXES - CONTINUED

As at December 31, 2016, the Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately $1,548,977 (2015: $1,323,800) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Expiry	
2029	$ 17,193
2030	120,791
2031	239,675
2032	214,738
2033	158,830
2034	311,809
2035	260,764
2036	225,177
Total	$1,548,977

11. SHARE CAPITAL

Capital stock

The Company's common shares have no par value and the authorized share capital is composed of 77,000,000 of common shares. Share capital outstanding at December 31, 2016 was 15,274,230 common shares (2015 – 15,274,230)

Escrow shares

As at December 31, 2016 and 2015, the Company has nil of its shares held in escrow.

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.

(Expressed in Canadian dollars)

11. SHARE CAPITAL - CONTINUED

(a) Directors' and officers' options

As at December 31, 2016, the Company has stock options outstanding to directors and officers to acquire an aggregate of 200,000 common shares summarized as follows:

	Number of Options	Exercise Price	Expiry Date
Outstanding, December 31, 2014	400,000	$0.12	
Cancelled on April 12, 2015	(50,000)	0.13	May 24, 2018
Cancelled on April 12, 2015	(50,000)	0.10	August 6, 2015
Expired on August 6, 2015	(100,000)	0.10	August 6, 2015
Outstanding, December 31, 2016 and 2015	200,000	$0.13	May 24, 2018

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

The fair value of the options at the time of grant using the Black-Scholes Option Pricing Model was $0.11 per option assuming a volatility of 132%, a risk free interest rate of 1.37%, an expected life of 5 years and an expected dividend rate of 0%. The expected volatility assumptions have been developed taking into consideration of historical and implied volatility of the company. During the year ended December 31, 2016, the Company recognized share-based payment of $2,146 related to these options (2015 - $4,383).

The options outstanding at December 31, 2016 have an exercise price $0.13 (December 31, 2015 - $0.13) and a weighted average remaining contractual life of 1.40 years (December 31, 2015 - 2.40 years). There are 150,000 options exercisable at December 31, 2016 (December 31, 2015 - 100,000).

12. SUBSEQUENT EVENTS

Private Placement

On March 6, 2017, the Company completed the Private Placement for aggregate gross proceeds of $245,000. The Private Placement consisted of 4,900,000 common shares of the Company (each, a "Share"), at $0.05 per Share. All of the Shares issued pursuant to the Private Placement are subject to a hold period expiring July 7, 2017.

On April 12, 2017, the Company announced a non-brokered private placement financing of up to $50,000 (the "Private Placement") through the issuance of up to 1,000,000 common shares of the Company (each, a "Share"), at $0.05 per Share for proceeds of up to $50,000. All of the Shares issued pursuant to the Private Placement will be subject to a restricted period of four months and one day from the date of closing.