

**FORM 51-102E3  
MATERIAL CHANGE REPORT**

**Item 1. Name and Address of Reporting Issuer**

Yalian Steel Corporation. (the "Issuer")  
Suite 1010, 1055 West Hastings Street  
Vancouver, B.C.  
V6E 2E9

**Item 2. Date of Material Change**

May 17, 2012

**Item 3. News Release**

A news release announcing the material change referred to in this report was issued on May 24, 2012. The news release was filed on SEDAR and disseminated via Marketwire on the same day.

**Item 4. Summary of Material Changes**

The Issuer announced that it has obtained an RMB 30 million (CAD \$4.8 million) trade finance from the Industry and Commercial Bank of China.

**Item 5. Full Description of Material Change**

***Item 5.1 Full Description of the Material Change***

On May 17, 2012, the Issuer obtained an RMB 30 million (Cad \$4.8 million) trade finance (the "Loan") from the Industry and Commercial Bank of China.

The Loan matures on August 19, 2012 and carries an annual interest rate of 6.71%, which was fixed at 110% of the prevailing benchmark rate in China. The loan is secured by the accounts receivables of Yangzhou Yalian Steel Pipe Co. Ltd., a wholly-owned subsidiary of the Issuer in China, for which collection proceeds are insured by Ping An Property & Casualty Insurance Company of China Ltd. Funds collected from these pledged accounts receivables will be used to repay the Loan principal and interest.

***Item 5.2 Disclosure for Restructuring Transaction***

Not applicable.

**Item 6. Reliance on subsection 7.1(2) and (3) of National Instrument 51-102**

Not applicable.

**Item 7. Omitted Information**

Not applicable.

**Item 8. Executive Officer**

For further information, please contact Ms. Helen Lu, Chief Financial Officer, at (604) 696-6388.

**Item 9. Date of Report**

This material change report is dated as of May 24, 2012



YALIAN STEEL CORPORATION

May 23, 2012  
No. 5/12

TSX-V:YL

### **Yalian Steel Secures RMB 30 Million Trade Finance from Industry and Commercial Bank of China**

Vancouver, British Columbia, May 24, 2012 — Yalian Steel Corporation (TSX-V: YL) ("Yalian" or the "Company") announces that it has obtained a trade finance for RMB 30 million (CAD \$4.8 million) from the Industry and Commercial Bank of China ("ICBC") to fund the working capital requirements of Yangzhou Yalian Steel Pipe Co., Ltd ("Yangzhou Yalian"), a wholly-owned subsidiary of the Company in China. Availability of such trade finance further enhances the Company's ability to secure contracts in the future.

ICBC advanced RMB 30 million to Yangzhou Yalian on May 17, 2012 to meet its cash needs arising from filling several sales orders recently obtained by Yangzhou Yalian. The loan matures on August 19, 2012 and carries an annual interest rate of 6.71%, which was fixed at 110% of the prevailing benchmark rate in China. The loan is secured by Yangzhou Yalian's accounts receivables for which collection proceeds are insured by Ping An Property & Casualty Insurance Company of China Ltd. Funds collected from these pledged accounts receivables will be used to repay the loan principal and interest.

#### **About Yalian Steel Corporation**

Yalian Steel Corporation is a British Columbia corporation focused on the production of high quality Longitudinally Submerged Arc Welded (LSAW) steel pipe to service Asia's rapidly growing energy transportation infrastructure market. The Company has recently completed construction of its initial manufacturing facility in the city of Yangzhou, in the Jiangsu province of China. The first production line has a capacity of up to 200,000 metric tons per year. The Yangzhou Yalian plant utilizes the JCOE (J-ing, C-ing, O-ing, Expanding) process, an advanced method of LSAW pipe production that involves the bending and shaping of X-70 and higher grade steel.

#### **For further information, please contact:**

YALIAN STEEL CORPORATION

Helen Lu, Chief Financial Officer  
Tel. No.: (604) 696-6388

**For further company information please access our website: [www.yaliansteel.com](http://www.yaliansteel.com)**

*Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this press release.*

This press release contains forward-looking statements based on current expectations. These forward-looking statements entail various risks and uncertainties that could cause actual results to differ materially from those reflected in these forward-looking statements. Risks and uncertainties about Yalian's business are more fully discussed in the Company's disclosure materials filed with the securities regulatory authorities in Canada available at [www.sedar.com](http://www.sedar.com). All amounts are stated in Canadian dollars unless noted otherwise.