FORM 51-102F3

MATERIAL CHANGE REPORT

1. **Name and Address of Company**

   Yalian Steel Corporation
   Suite 1010, 1055 West Hastings Street
   Vancouver, British Columbia V6E 2E9

2. **Date of Material Change**

   May 7, 2013

3. **News Release**

   A news release with respect to the material change referred to in this report was issued on May 7, 2013, and filed with the securities commissions in each of British Columbia and Alberta.

4. **Summary of Material Change**

   On May 7, 2013, Yalian announced that 0957703 B.C. Ltd. has completed its compulsory acquisition of 865,730 common shares of Yalian at a price of $0.40 in cash per Common Share.

5.1 **Full Description of Material Change**

   Please see the news release attached hereto at Schedule "A".

5.2 **Disclosure for Restructuring Transactions**

   Not applicable.

6. **Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102**

   Not applicable.

7. **Omitted Information**

   Not applicable.

8. <u>Executive Officers</u>

The following person is knowledgeable about the material change and may be contacted by any securities commission regarding the change:

Xia Xu
Acting CEO and Vice President, Operations, Yalian Steel Corporation

Tel: (604) 696-6388

9. <u>Date of Report</u>

May 15, 2013

Schedule "A"
<u>To Material Change Report</u>

YALIAN AND 0957703 B.C. LTD. ANNOUNCE COMPLETION OF COMPULSORY ACQUISTION

May 7, 2013, Vancouver, BC – Yalian Steel Corporation ("**Yalian**") (TSX-V: YL) and 0957703 B.C. Ltd. (the "**Offeror**"), a wholly-owned company of Mr. Xin Duo Yu ("**Mr. Yu**"), today announced that the Offeror has completed its compulsory acquisition ("the **Compulsory Acquisition**") of 865,730 common shares of Yalian ("**Common Shares**"), at a price of $0.40 in cash per Common Share pursuant to the Notice of Compulsory Acquisition made under Section 300 of the Business Corporations Act (British Columbia) and mailed to holders of Common Shares who did not accept its offer dated January 14, 2013.

Yalian intends to apply to the TSX Venture Exchange to delist the Common Shares from trading. In addition, Yalian intends to file with the applicable securities regulatory authorities in British Columbia and Alberta (where Yalian is a reporting issuer) the necessary documentation in order to cease to be a reporting issuer in both jurisdictions as soon as reasonably practicable.

Should Yalian shareholders have any questions, please contact the Depositary and Transfer Agent, Computershare Trust Company of Canada, toll-free in North America at 1-800-564-6253, 1-514-982-755 outside North America or by email at corporateactions@computershare.com.

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 operates a manufacturing facility in city of Yangzhou, in the Jiangsu province of China. The Company's production line has a rated capacity of up to 200,000 metric tons per year, depending on product and mix specifications. 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. The Company's Yangzhou plant also has an anti-corrosion line to provide external and internal 3PE, 3PP, FBE/DFBE coating service with annual capacity of 2,500,000 square meters for external coating products and 2,000,000 square meters for internal coating products.

For further information, please contact:
YALIAN STEEL CORPORATION
Xia Xu, Acting CEO and Vice President, Operations
Tel. No.: (604) 696-6388

For further company information please access our website: 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 news release contains forward-looking information and forward-looking statements (collectively "forward looking statements"), within the meaning of applicable securities laws, with respect to the ability of the Company to secure additional loans and other financings, the completion of the anti-

corrosion line and the Company's ability to execute its business plan. Such forward looking statements are based upon assumptions, and estimates made by management in light of its experience, current conditions and its expectations of future developments as well as other factors which it believes to be reasonable and relevant. These assumptions include those concerning the availability of financing and no significant decline in existing general business and economic conditions. Forward looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results to differ materially from those expressed or implied in the forward looking statements and, accordingly, readers should not place undue reliance on those statements. Risks and uncertainties that may cause actual results to vary include, but are not limited to, the Company's limited financial resources and the availability of financing alternatives; changes in general economic conditions or conditions in the financial market; that the Company will be able to establish and/or maintain relationships with key suppliers, customers and strategic partners; and that the construction of the new anti-corrosion coating line will be completed in a timely manner and on budget as well as other risks and uncertainties which are more fully described in the Company's Management's Discussion and Analysis for the 2010 fiscal year and in other Company filings with securities and regulatory authorities which are available at www.sedar.com. Should one or more risks and uncertainties materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward looking statements and accordingly, readers should not place undue reliance on those statements. Readers are cautioned that the foregoing lists of risks, uncertainties, assumptions and other factors are not exhaustive. The forward looking statements contained in this news release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements contained herein or in any other documents filed with securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.