EXCHEQUER RESOURCE CORP.
(A development stage company)

Financial Statements

Fiscal year ended December 31, 2011

As expressed in Canadian dollars

Management's Responsibility for Financial Reporting

The accompanying financial statements of Exchequer Resources Corp. (the "Company") were prepared by management in accordance with International Financial Reporting Standards. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 to the financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the years presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date and for the periods presented by the audited financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists that Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)	(signed)
"H. Barry Hemsworth"	*"Kenneth Phillippe"*
Chief Executive Officer	Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Exchequer Resources Corp.:

We have audited the financial statements of Exchequer Resources Corp. (the "Company"), which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010, and the statements of operations and comprehensive loss, changes in equity, and cash flows for the years ended December 31, 2011 and 2010 and 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.

Auditor's 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 an 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 our 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 in our audits 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, 2011, December 31, 2010 and January 1, 2010, and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 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 the Company's ability to continue as a going concern.

MNP LLP

Vancouver, BC, Canada
April 26, 2012

Chartered Accountants

EXCHEQUER RESOURCE CORP.
(A development stage company)

Statements of Financial Position
As expressed in Canadian dollars

	December 31 2011	December 31 2010	January 1 2010
	$	$	$
ASSETS		(Note 13)	(Note 13)
Current assets			
Cash and cash equivalents	26,549	327,781	151,466
Sales tax receivable	15,125	4,582	2,071
Marketable securities (Note 3)	37,500	112,500	-
Prepaid expenses	14,813	-	-
Total current assets	93,987	444,863	153,537
Investment and advancement (Note 4)	59,778	29,420	-
Mineral property (Note 5)	-	-	1
Total assets	153,765	474,283	153,538
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7,274	30,620	51,665
Notes payable (Note 7)	-	95,000	-
Total current liabilities	7,274	125,620	51,665
SHAREHOLDERS' EQUITY			
Share capital	8,801,962	8,801,962	8,093,651
Reserves	95,880	95,880	100,411
Deficit	(8,751,351)	(8,549,179)	(8,092,189)
Total shareholders' equity	146,491	348,663	101,873
Total liabilities and shareholders' equity	153,765	474,283	153,538

These financial statements authorised for issue by the Board of Director on April 26, 2012.

They are signed on the Company's behalf by:

"H. Barry Hemsworth"
H. Barry Hemsworth

"Kenneth Phillippe"
Kenneth Phillippe

EXCHEQUER RESOURCE CORP.
(A development stage company)

Statements of Operations and Comprehensive Loss
As expressed in Canadian dollars
Years ended December 31, 2011 and 2010

	2011	2010
	$	$
General and Administrative Expenses		
Consulting	-	65,500
Filing and transfer agent fees	12,888	11,710
Licences and permits	-	166
Management fees	30,000	30,000
Office expenses	4,324	4,000
Professional fees	39,013	85,534
Rent	-	13,200
Research and development	-	294,041
Secretarial	-	10,000
Travel and promotion	40,947	55,338
	127,172	569,489
Other item		
Loss on marketable securities	(75,000)	(37,500)
Gain on disposition of mineral claims	-	149,999
Net loss and comprehensive loss for the year	(202,172)	(456,990)
Basic and diluted loss per share	(0.01)	(0.02)
Weighted average number of common shares - Basic and diluted	28,016,632	25,671,299

The accompanying notes are an integral part of these financial statements

EXCHEQUER RESOURCE CORP.
(A development stage company)

Statements of Cash Flows
As expressed in Canadian dollars
Years ended December 31, 2011 and 2010

	2011	2010
	$	$
Cash flows from (used in)		
Operating activities		
Net loss for the year	(202,172)	(456,990)
Less: Items not involving cash:		
Loss on marketable securities	75,000	37,500
Gain on disposition of mineral claims	-	(149,999)
Changes in non-cash working capital:		
Sales tax receivable	(10,543)	(8,566)
Prepaid expenses	(14,813)	-
Accounts payable and accrued liabilities	(23,346)	(14,990)
	(175,874)	(593,045)
Investing activities		
Investment and advancement	(125,358)	(29,420)
Financing activities		
Notes payable	-	95,000
Issuance of common shares for cash (net)	-	703,780
	-	798,780
Increase (decrease) in cash and cash equivalents	(301,232)	176,315
Cash and cash equivalents, beginning of year	327,781	151,466
Cash and cash equivalents, end of year	26,549	327,781
Supplemental Information:		
Non-cash item (Note 7)	95,000	-
Interest paid in cash	-	-
Income taxes paid in cash	-	-

The accompanying notes are an integral part of these financial statements

EXCHEQUER RESOURCE CORP.
(A development stage company)

Statement of Changes in Equity
As expressed in Canadian dollars
Years ended December 31, 2011 and 2010

	Common shares		Reserves			
	Number	Amount	Equity Settled Employee Benefits	Warrants	Deficit	Total
		$	$	$	$	$
Balance, January 1, 2010	20,982,832	8,093,651	87,911	12,500	(8,092,189)	101,873
Shares issued for cash pursuant to a private placement - at a price of $0.10 per unit	1,000,000	100,000	-	-	-	100,000
Shares issued for cash pursuant to the exercise warrants - at a price of $0.10 per share	2,293,800	229,800	-	-		229,800
Shares issued for cash pursuant to the exercise of stock options: - at a price of $0.11 per share	40,000	4,400	-	-	-	4,400
Shares issued for cash pursuant to the exercise warrants - at a price of $0.10 per share	3,700,000	370,000	-	-	-	370,000
Reallocated from contributed surplus on the exercise of stock options	-	4,531	(4,531)	-	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(456,990)	(456,990)
Balance, December 31, 2010	28,016,632	8,801,962	83,380	12,500	(8,549,179)	348,663
Net loss and comprehensive loss for the year	-	-	-	-	(202,172)	(202,172)
Balance, December 31, 2011	28,016,632	8,801,962	83,380	12,500	(8,751,351)	146,491

The accompanying notes are an integral part of these financial statements

As expressed in Canadian dollars

1. Nature and Continuance of Operations

The Company was in the development stage relating to exploration and development of petroleum, natural gas and mineral properties and had not generated any revenues from its planned operations. The deficit has been accumulated during these development stages. On October 24, 2002, the Company continued from Alberta to British Columbia. On December 12, 2006, the Company received shareholder approval for the consolidation of its shares on the basis of 1 new share for each 3 old shares, and a proposed change of the Company's name. Since then, the Company has taken no action to proceed with either the consolidation of the shares or the name change. During the year and on September 18, 2009 the Company was granted the exclusive right to negotiate for the acquisition of a business which is in the process of completing a new environment for broadcasting digital video content over the internet using Internet Protocol. The exclusive right takes effect following a due diligence period of up to six months, and consequently during the fiscal year ended December 31, 2009 the Company expanded its scope of operations to the research and development of technologies related to broadcasting digital video content over the internet using Internet Protocol. On December 31, 2010, management terminated any and all agreements and/or contract with regard to this project. The Company is currently looking for new projects.

The head office and principal address of the Company is located at #430 – 580 Hornby Street, Vancouver, BC, V6C 3B6.

These financial statements have been prepared using accounting principles applicable to a going concern which assumes 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 business rather than through a process of forced liquidation. The recoverability of capitalized costs is uncertain and dependent upon projects achieving commercial production or sale. The ability of the Company to carry out its business objectives dependent on the Company's ability to receive continued financial support from related parties, to obtain public equity financing, or to generate profitable operations in the future.

	December 31 2011	December 31 2010	January 1 2010
Deficit	$ (8,751,351)	$ (8,549,179)	$ (8,092,189)
Working capital	$ 86,713	$ 319,243	$ 101,872

2. Significant Accounting Policies

Statement of Compliance and Conversion to International Financial Reporting Standards

The financial statements have been prepared in accordance with International Accounting Standard ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first IFRS financial statements for the year ended December 31, 2011. Previously, the Company prepared its annual financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Note 13 contains reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on statement of financial position and statement of operations and comprehensive loss.

2. Significant Accounting Policies (cont'd…)

Basis of Presentation

These financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting except cash flow information.

Cash and cash equivalents

Cash equivalents include money market instruments that are readily convertible to cash and have maturities at the date of purchase of less than ninety days. There were no cash equivalents as at December 31, 2011, December 31, 2010 and January 1, 2010.

Marketable securities

Marketable securities are classified as fair value through profit or loss (FVTPL) because the Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities. Unrealized holding gains and losses related to FVTPL securities are included in the statement of operations and comprehensive loss in each period.

Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral interests. Accordingly, once a license to explore an area has been secured, the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of exploration and evaluation assets and crediting all revenues received against the cost of the related interests. Such costs, include, but are not limited to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable resources. The aggregate costs, related to abandoned exploration and evaluation assets are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

The recoverability of amounts shown for exploration and evaluation assets is dependent up on the discovery of economically recoverable resources, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognized as income any costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

Upon transfer of exploration and evaluation costs into mine development, all subsequent expenditures on the construction, installation or completion of infrastructure facilities is capitalized within mine development. After production starts, all assets included in mine development costs are transferred to producing mines.

Impairment of non-financial assets

The Company reviews and evaluates its property, including exploration and evaluation assets, property and equipment for indications of impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable or at least at the end of each reporting period. The asset's recoverable amount is estimated if an indication of impairment exists.

2. Significant Accounting Policies (cont'd…)

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset.

Impairment losses reducing the carrying value to the recoverable amount are recognized in profit and loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Financial Instruments

Financial assets
The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category includes cash and cash equivalent and marketable securities, all of which are assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement.

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the income statement.

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the income statement.

2. Significant Accounting Policies (cont'd…)

All financial assets, except those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria are applied for each category of financial assets described above to determine impairment.

Financial liabilities
The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement.

*Other financial liabilitie*s – This category includes notes payable and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

Foreign Currencies

The presentation currency and the functional currency of the Company is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the date of the relevant transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Translation gains and losses are included in income or expense of the period in which they occur. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Share Based Payments

The Company has a stock option plan whereby it is authorized to grant stock options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of issued and outstanding shares of the Company.

The Company's Stock Option Plan allows directors, officers and consultants to acquire shares of the Company in exchange for the options exercised. The fair value is measured at grant date and each tranche is recognized on a straight line basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

2. Significant Accounting Policies (cont'd…)

Loss per Share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share as the outstanding options and warrants are anti-dilutive.

Research and Development Costs

All research and development costs are expensed when incurred unless they meet specific criteria for deferral and amortization. The Company reassesses whether it has met the relevant criteria for deferral and amortization at each reporting date. Development costs deferred are not amortized until completion of the related development project.

Significant Accounting Judgments and Estimates

The preparation of interim financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities , in the event that actual results differ from assumptions made, relate to , but are not limited to, the following:

- the carrying value of the investment and advancement, and the estimated annual gains or losses recorded on the investment, and the recoverability of the carrying value which are included in the statement of financial position;
- the estimated value of the exploration and development costs which is recorded in the statement of financial position and the assessment of indications of impairment of each mineral property and related determination of the net realizable value and write-down of those properties where applicable.
- the inputs used in accounting for share based payments expense in the statement of comprehensive loss;
- the composition of deferred income tax assets and liabilities included in the notes to financial statements; and
- the inputs used in determining the various commitments and contingencies accrued in the statement of financial position.

2. Significant Accounting Policies (cont'd…)

Income taxes

Income tax expense comprises current and deferred income tax. Income tax is recognized in the statement of comprehensive income (loss) except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Deferred income taxes are the taxes expected to be payable or recoverable between the carrying amounts of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Segment information

The Company currently conducts substantially all of its operations in Canada in one business segment.

New accounting standards and interpretations not yet adopted

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: Classification and Measurement' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 'Consolidated Financial Statements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 'Joint Arrangements' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 'Disclosure of Interests in Other Entities' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 'Fair Value Measurement' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

2. Significant Accounting Policies (cont'd…)

- IAS 27 'Separate Financial Statements'– as a result of the issue of the new consolidation suite of standards, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 will now only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.
- IAS 28 'Investments in Associates and Joint Ventures' – as a consequence of the issue of IFRS 10, IFRS 11and IFRS 12, IAS 28 has been amended and will provide the accounting guidance for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 will be applied by all entities that are investors with joint control of, or significant influence over, an investee.
- IAS 1 'Presentation of Financial Statements' – the IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss.
- IAS 19 'Employee Benefits' – a number of amendments have been made to IAS 19, which included eliminating the use of the "corridor" approach and requiring remeasurements to be presented in OCI. The standard also includes amendments related to termination benefits as well as enhanced disclosures.

3. Marketable Securities

During the fiscal year ended December 31, 2010 the Company disposed of its Georgia River Mineral Property to Auramex Resource Corp. ("Auramex"), a company listed on the TSX Venture Exchange. As consideration, on August 26, 2010 the Company received 2,500,000 Auramex common shares. The shares were recorded at fair value of $0.06 per share for a total of $150,000. The market value of the shares held by the Company, as at December 31, 2011 was $37,500 (December 31, 2010: $112,500 and January 1, 2010: $Nil). The loss in market value has been recorded in the statements of operations and comprehensive loss in accordance with the Company's designation of the marketable securities as fair value through profit or loss.

4. Investment and Advancement

In fiscal year 2010, the Company signed a Memorandum of Understanding ("MOU") the negotiation of the potential acquisition of Media Cloud Systems Inc. ("Media Cloud"), (formerly Media Link Technology Corporation). Media Cloud, a British Columbia, private company, has developed the technology for the distribution of existing television over the open Internet to wired and wireless devices. This new distribution technology, through Internet Protocol Television ("IPTV") Set-top Boxes, will allow wireless devices such as iPhones, iPads, Slate PCs, Netbooks, etc. to receive conventional TV programming. As at December 31, 2011, the Company advanced money to Media Cloud of $59,778 (December 31, 2010: $29,420 and January 1, 2010: $Nil). The amount is unsecured, non-interest bearing and due on demand.

5. Georgia River Mineral Property

As at January 1, 2010, the Company owned twenty mineral claims, located in the Skeena Mining Division, British Columbia. The claims were recorded at a nominal carried value of $1. During the fiscal year ended December 31, 2010 the Company disposed of the claims and recorded a gain on disposal of $149,999. (Also see Note 3)

6. Research and Development

On September 18, 2009 the Company entered into a letter agreement with Kofi Obiri-Yeboah ("Kofi"), Megasoft Engineering Corporation ("Megasoft") and MDVB pursuant to which the Company agreed to assist and fund and potentially acquire the business of creating an environment for broadcasting digital video content over the internet to Internet Protocol Television. The terms of the agreement included the payment of $50,000 upon execution of the agreement (paid) and the additional funding over a six month period of up to $400,000 (fully paid subsequent to December 31, 2009) by way of non-interest bearing loans to MDVB to support the operational and developmental program of such technologies, such loans being repayable one year from the date of the agreement. Subject to a due diligence, the Company will, for a period of up to one year, have in its sole discretion, the exclusive right to negotiate a legally binding agreement for the acquisition of the technologies, which is contemplated to consist of the issuance by the Company of 15,000,000 shares to the current shareholders of MDVB in exchange for 100% of their shares and the additional payment of $150,000 to Kofi. On December 31, 2010, management terminated any and all agreements and/or contract with regard to this project.

7. Notes Payable

The notes payable are non-interest bearing, unsecured and due on demand. During the year ended December 31, 2011, the notes payable were transferred to Media Cloud in full.

8. Share Capital

a. Authorized:

Unlimited number of common shares with no par value.

b. Issued and outstanding:

As at December 31, 2011 there was no share transactions and the total issued and outstanding share capital is 28,016,632 common shares (December 31, 2010: 28,016,632 and January 1, 2010: 20,982,832).

Transactions for the year ended December 31, 2010

On January 8, 2010 the Company issued shares pursuant to a non-brokered private placement of 1,000,000 units at $0.10 per unit totalling $100,000. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire one additional common share at a price of $0.10 per share, exercisable on or before January 8, 2011. The Company applied the residual approach which allocates the net proceeds to the common shares up to their fair value and the balance to the attached warrants. All of the proceeds from the above private placement have been allocated to the common shares.

On October 15, 2010 the Company issued 40,000 shares pursuant to the exercise of stock options at a price of $0.11 per share for proceeds in the amount of $4,400. $4,531 was reallocated from contributed surplus to share capital in connection with the exercise of stock options.

During the fiscal year ended December 31, 2010 the Company issued 5,993,800 shares pursuant to the exercise of warrants at $0.10 per share.

As expressed in Canadian dollars

8. Share Capital (cont'd…)

c. Warrants

As at December 31, 2011 the following warrants were outstanding:

	Number of warrants	Weighted-average exercise price
		$
Balance, January 1, 2010	11,760,000	0.10
Issued and expiring on or before January 8, 2011	1,000,000	0.10
Expired	(5,766,200)	0.10
Exercised	(5,993,800)	0.10
Balance, December 31, 2010	1,000,000	0.10
Expired	(1,000,000)	0.10
Balance, December 31, 2011	-	-

In fiscal year ended December 31, 2010, there were 5,766,200 warrants expired unexercised and 5,993,800 warrants exercised at $0.10 per warrant. See Note 8b for details.

On January 8, 2011, the 1,000,000 warrants issued in fiscal 2010 expired unexercised.

d. Stock Options

A summary of stock option activity is as follows:

	Number of options	Weighted-average exercise price
Balance, January 1, 2010	785,002	$ 0.11
Expired	(16,544)	0.10
Exercised	(40,000)	0.11
Balance, December 31, 2010	728,458	0.11
Expired	(268,458)	0.11
Balance, December 31, 2011	460,000	$ 0.11

268,458 stock options expired unexercised on August 8, 2011.

The Company has the following options outstanding and exercisable:

Expiry Date	Weighted average exercise price	Weighted Average Number of Shares	Weighted Average Remaining Contractual Life (Years)
September 24, 2012	$ 0.11	460,000	0.73

8. Share Capital (cont'd…)

Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

9. Related Party Transactions

During the fiscal year ended December 31, 2011, the Company entered into the following transactions with related parties:

a) Paid or accrued management fees of $30,000 (2010: $30,000) to a Director and Chief Executive Officer of the Company. Included within accounts payable and accrued liabilities as at December 31, 2011 is $Nil (December 31, 2010: $14,882 and January 1, 2010: $18,479) owing thereto. Included within prepaid expenses was $14,813 (December 31, 2010: $Nil and January 1, 2010: $Nil) advanced thereto.

b) Paid or accrued professional fees of $15,500 (2010: $10,000) to the Company's Chief Financial Officer for providing accounting services. Included within accounts payable and accrued liabilities as at December 31, 2011 is $Nil (December 31, 2010: $Nil and January 1, 2010: $Nil) owing thereto.

c) Paid or accrued professional fees of $7,013 (2010: $12,988) to a law firm of which a director of the Company is a principal. Included within accounts payable and accrued liabilities as at December 31, 2011 is $3,140 (December 31, 2010: $1,582 and January 1, 2010: $Nil) owing thereto.

These transactions are in the normal course of operations on normal commercial terms and conditions and at market rates, which is the amount of consideration established and agreed to by the related parties.

10. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts payable and accrued liabilities and notes payable. Cash and cash equivalents and marketable securities are classified as fair value through profit or loss and recorded at fair value. Accounts payable and accrued liabilities and notes payable are classified as other financial liabilities, which are measured at amortized cost. The fair value of cash and cash equivalents, marketable securities, accounts payable and accrued liabilities and notes payable are equal to their carrying value due to their short-term maturity.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and commodity price risk.

Credit risk
Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

10. Financial Instruments (Cont'd...)

Liquidity risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2011, the Company had a cash and cash equivalents balance of $26,549 (December 31, 2010 - $327,781 and January 1, 2010 - $151,466) to settle current liabilities of $7,274 (December 31, 2010 - $125,620 and January 1, 2010 - $51,665). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has cash and cash equivalents balances and no interest-bearing debt. The Company believes it has no significant interest rate risk.

(b) Foreign currency risk

As at December 31, 2011, the Company's expenditures are in Canadian dollars, any future equity raised is expected to be predominantly in Canadian dollars. The Company believes it has no significant foreign exchange rate risk.

The Company does not hold balances in foreign currencies which would give rise to exposure to foreign exchange risk.

Fair value hierarchy
The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

The three levels are defined as follows:
- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As at December 31, 2011, December 31, 2010 and January 1, 2010, cash and cash equivalents and marketable securities are assessed to be Level 1 instruments.

As expressed in Canadian dollars

11. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource properties and to maintain flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. As at December 31, 2011, the Company has not entered into any debt financing.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

12. Income Taxes

The Company does not have any income tax liabilities during the current year and, accordingly, no current income taxes are recorded. The potential income tax benefits associated with losses incurred by the Company have not been recorded in the accounts as future taxation as they are offset by valuation reserves due to uncertainty of utilization of tax losses. These losses may be available to reduce taxable income in the future years.

	2011	2010
Canadian basic statutory rate	26.5%	28.5%
Loss before income taxes	$ 202,172	$ 456,990
Income tax recovery at statutory rates	53,600	130,200
Non-deductible items for tax purpose	(3,300)	17,100
Other items	(19,900)	(42,700)
Unrecognized benefits of non-capital losses	(30,400)	(104,600)
Total income tax recovery	$ -	$ -

Deferred income taxes assets result principally from temporary differences in the recognition of loss carry forwards and expense items for financial and income tax reporting purposes. Significant components of the Company's deferred tax assets as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows:

Deferred income tax assets	**December 31 2011**	**December 31 2010**	**January 1 2010**
Non-capital loss carry forwards	$ 490,000	$ 401,000	$ 298,700
Valuation allowance	(490,000)	(401,000)	(298,700)
Deferred income tax assets	$ -	$ -	$ -

As expressed in Canadian dollars

12. Income Taxes (Cont'd...)

The loss carry forward for tax purposes which has not been recognized in the financial statements amounts to approximately $1,958,200 at December 31, 2011 (December 31, 2010 - $1,942,700 and January 1, 2010 - $1,224,000) and is available to reduce future income taxes payable. These losses expire beginning in the year 2014 to 2031.

2014	$	114,000
2015	$	118,500
2026	$	115,400
2027	$	132,800
2028	$	112,200
2029	$	115,500
2030	$	1,135,200
2031	$	114,600
	$	1,958,200

13. Transition to International Financial Reporting Standards

As stated In Note 2, these are the Company's first annual financial statements prepared in accordance with IFRS.

The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"). The first date at which IFRS was applied was January 1, 2010 ("Transition Date"). IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

IFRS 1 requires that the same policies are applied for all periods presented in the first IFRS financial statements and that those policies comply with IFRSs in effect as at the end of the first IFRS annual reporting period. Accordingly, the opening IFRS statement of financial position, 2010 comparatives and current year financial statements have been prepared using the same policies. The previously presented 2010 Canadian GAAP financial information has been reconciled to the IFRS information as part of this transition note in accordance with the requirements of IFRS 1.

Further, the policies applied have been done so on a full retrospective basis unless an alternative treatment is permitted or required by an IFRS 1 election or exception. These are discussed below.

Elections upon first-time adoption of IFRS

The IFRS 1 exemptions applied by the Company in the conversion from Canadian GAAP to IFRS are as follows:

(i) Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 (2008) *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 (2008) to only those business combinations that occurred on or after the Transition Date and such business combinations have not been restated. As a result of this election, no adjustments were required to the Company's statement of financial position as at the Transition Date.

13. Transition to International Financial Reporting Standards (Cont'd...)

(ii) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless those estimates were in error. The Company's IFRS estimates as at the Transition Date are consistent with its Canadian GAAP estimates as at that date.

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods presented under Canadian GAAP to IFRSs as of the same date. In addition, an explanation is required for any material adjustments to cash flows to the extent that they exist. The analysis which follows represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted:

(iii) Share-based payment transactions

IFRS 1 permits the Company to apply IFRS 2 *Share-based Payment* only to awards granted on or after the transition date. The Company is also required to apply IFRS 2 to equity instruments that were granted on or after November 7, 2002 that vest after the date of transition to IFRS.

IFRS 2, similar to Canadian GAAP, requires the Company to measure share-based compensation related to share purchase options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options. However, under IFRS 2, the recognition of such expense must be done with a "graded vesting" methodology as opposed to the straight-line vesting method allowed under Canadian GAAP. In addition, under IFRS, forfeitures estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods; while under Canadian GAAP, forfeitures of awards are recognized as they occur.

All of the stock options granted by the Company vested before January 1, 2010. As a result, the adoption of IFRS had no impact on the share-based payment transactions as the Company has elected this exemption under IFRS 1.

(iv) Reclassification within equity section

Under Canadian GAAP, a balance within contributed surplus existed to record the issuance of warrants and equity-settled employee benefits. Upon adoption of IFRS, the balances in these accounts have been reclassified to "Reserves – Equity Settled Employee Benefits" and "Reserves – Warrants".

Changes to accounting policies

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective or available for early adoption on December 31, 2011, the Company's first annual IFRS reporting date. However, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS:

13. Transition to International Financial Reporting Standards (Cont'd...)

i) Impairment of (Non-financial) Assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no impact on the financial statements.

Transition date statement of financial position

The Company's Transition Date IFRS statement of financial position is included as comparative information in the statements of financial position in these financial statements. The changes in accounting policies resulting from the Company's adoption of IFRS had no impact on the statement of financial position as at the transition date of January 1, 2010.

Reconciliation of comprehensive loss and equity

The changes in accounting policies resulting from the Company's adoption of IFRS had no impact on the Company's statement of operations and comprehensive loss as at December 31, 2010.

Presentation

Certain amounts on the statements of financial position, statements of operations and comprehensive loss and statements of cash flows have been reclassified to conform to the presentation adopted under IFRS.