EXCHEQUER RESOURCE CORP.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Fiscal Year Ended December 31, 2011

General

The following discussion and analysis should be read in conjunction with the audited financial statements and notes for fiscal years ended December 31, 2011 and 2010. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. The date of the Management Discussion and Analysis is April 26, 2012. Additional information relating to the Company can be found on the SEDAR website at www.sedar.com

The annual financial statements for the fiscal year ended December 31, 2011 and 2010 are prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the Company's first annual IFRS financial statements to be presented in accordance with IFRS for the year ended December 31, 2011. IFRS 1 – First-time Adoption of International Financial Reporting has been applied. Previously the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("CAGAAP"). IFRS employs a conceptual framework that is similar to CAGAAP. The adoption of IFRS has not changed the Statements of Financial Position, Statements of Operations and Comprehensive Loss, Statements of Changes in Equity and Statements of Cash Flows as previously reported under CAGAAP. No transitional adjustments were made when converting from CAGAAP to IFRS.

All prices are in Canadian dollars unless otherwise stated.

Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "progressing", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

Overview

The Company was in the exploration 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 exploration 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

Selected Annual Information

The Company adopted IFRS on January 1, 2011 (effective January 1, 2010) and therefore comparative figures for 2010 are presented under IFRS, and figures for 2009 are presented under CA GAAP.

	December 31 2011	December 31 2010	December 31 2009
	$	$	$
Sales or Revenue	-	-	-
Loss before Non Controlling Interest	202,172	456,990	470,040
Net Loss	202,172	456,990	455,039
Total Assets	153,765	474,283	153,538

Interest in Mineral Property

Georgia River Mineral Property

As at January 1, 2010, the Company owned twenty mineral claims in the Georgia River gold property located in the Skeena Mining Division, British Columbia which is 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.

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.

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.

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.

Results of Operations

During the fiscal year ended December 31, 2011, the Company had a net loss of $(202,172) or $(0.01) per share compared with a loss of $(456,990) or $(0.01) per share for the fiscal year ended December 31, 2010. During fiscal 2010 the Company realized a gain from the disposition of its Georgia River Property which it carried at a nominal value of $1 for 2.5 million shares of Auramex Resource Corp. at a fair value of $150,000. A subsequent decline in the market value of these shares resulted in an unrealized loss on marketable securities in the amount of $37,500 reported during the fiscal year ended December 31, 2010, and a further decline reported in the amount of $75,000 during the fiscal year ended December 31, 2011.

Operating Expenses

Amounts by major sub-category are as follows:

	Fiscal year ended December 31,		Fiscal quarter ended December 31,	
	2011	2010	2011	2010
	$	$	$	$
General and Administrative Expenses				
Consulting	-	66,500	-	3,500
Filing and transfer agent fees	12,188	11,710	1,875	3,058
Licenses and permits	-	166	-	-
Management fees	30,000	30,000	7,500	7,500
Office expenses	4,324	4,000	1,435	442
Professional fees	39,013	85,534	7,513	4,622
Rent	-	13,200	-	2,200
Research and development	-	294,041	-	-
Secretarial	-	10,000	-	10,000
Travel and promotion	40,947	55,338	(22,983)	13,510
	127,172	569,489	(4,660)	44,832
Other item				
Loss on marketable securities	(75,000)	(37,500)	(25,000)	(25,000)
Gain on disposition of mineral claims	-	149,999	-	-
Net loss and comprehensive loss for the period	(202,172)	(456,990)	(20,340)	(69,832)

Fiscal year ended December 31, 2011

Certain expenses were comparable between the current and prior year, such as management fees and office expenses. Filing and transfer fees relate to submissions to the regulatory authorities and to the

maintenance of the share records by the Company’s transfer agent. Management fees are paid or accrued to the Company’s Chief Executive Officer for management services he provides to the Company. Office expenses were incurred for maintenance of the Company’s office.

During the comparative year ended December 31, 2010, the Company incurred research and development costs in the amount of $294,041, rent and secretarial services in connection with the exclusive right to acquire the technology and consolidation of Megasoft Digital Video Broadcast Services Corp. (“MDVB”) and in pursuit of additional business opportunities. The Company terminated this agreement on December 31, 2010, thus no similar expenditures were incurred during fiscal 2011.

Professional fees were incurred during fiscal 2011 for audit and accounting services. Travel and promotion relate to the Company’s efforts to explore new and existing business opportunities and to raise financings.

A decline in the market value of securities held by the Company as at December 31, 2011 resulted in an unrealized loss reported during the fiscal year then ended in the amount of $75,000 (2010: $37,500) based on the Company’s classification of such securities as fair value through profit or loss.

The disposition of the Company’s mineral claims resulted in a gain in the amount of $149,999.

Fiscal quarter ended December 31, 2011

Management fees are paid or accrued to the Company’s Chief Executive Officer for management services he provides to the Company. Filing and transfer fees relate to submissions to the regulatory authorities and to the maintenance of the share records by the Company’s transfer agent. Office expenses were incurred for maintenance of the Company’s office, and include printing, telephone, office supplies and miscellaneous office expenditures. Professional fees were incurred during the fiscal quarter for legal and accounting services. Travel and promotion relate to the Company’s efforts to explore new and existing business opportunities and to raise financings; during the fiscal quarter the Company recovered expenditures incurred in prior periods.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Statement of Compliance and Conversion to International Financial Reporting Standards

The financial statements have been prepared in accordance with 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 CA GAAP. Reconciliations and descriptions of the effect of the transition from CA GAAP to IFRS on the statements of financial position and statements of operations and comprehensive loss are discussed below. See “Transition to International Reporting Standards”.

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010.

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 income and comprehensive income 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.

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.

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 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;

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.
- 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.

Off-Balance Sheet Arrangements

The Company has not entered into any off balance sheet arrangements, other than previously disclosed, that has, or is reasonably likely to have, an impact on the current or future results of operations or the financial condition of our company.

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.

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.

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.

Outstanding Share Data

(a) Authorized:

Unlimited number of common shares with no par value.

(b) Issued and outstanding:

	Number of Shares	Amount
Balance, January 1, 2010	20,982,832	$8,093,651
Shares issued for cash	1,000,000	100,000
Shares issued upon exercise of stock options	40,000	4,400
Shares issued upon exercise of warrants	5,993,800	599,380
Reallocated from contributed surplus	-	4,531
Balance, December 31, 2011 and 2010	28,016,632	$8,801,962

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.

Stock options:

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

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.

As at December 31, 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	0.99

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.

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 as of January 8, 2011	(1,000,000)	0.10
Balance, December 31, 2011	-	-

During the fiscal ended December 31, 2010, 1,000,000 warrants were issued, all of which expired unexercised on January 8, 2011. There were 5,766,200 warrants expired unexercised and 5,993,800 warrants exercised at $0.10 per warrant. See Share Capital above for details.

Related Party Transactions

During 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.

Liquidity and Capital Resources

The Company has financed its operations primarily from proceeds from the sale of shares.

As at December 31, 2011 the Company had working capital of $86,713 compared to working capital of $319,423 as at December 31, 2010 and $101,872 as at January 1, 2010.

Cash provided by issuance of new common shares during the fiscal year ended December 31, 2011 was $Nil. During the fiscal year ended December 31, 2010 cash provided by subscriptions to new common shares and the exercise of stock options and notes payable were $798,780, net of related issuance costs.

The Company believes that funds on hand will be sufficient to fund its cash requirements through 2011. However, the Company plans to issue more securities at such time as it believes additional capital could be obtained on favourable terms. There can be no assurance that such funds can be available on favourable terms, if at all.

Subsequent Events

There were no significant reportable events that occurred subsequent to December 31, 2011.

Risks and Uncertainties

The Company has limited financial resources and there is no assurance that additional funding will be available to it for further development of its projects or to fulfil its obligations under applicable agreement. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of the Company's intended business operations with the possible dilution or loss of such interest. Further, revenues, financings and profits, if any, will depend upon various factors, including the success, if any, of intended business operations. There is no assurance that the Company can operate profitably or that it will successfully implement its plans.

The Company is in development stage and has no operating earnings. The likelihood of success of the Company must be considered in light of the problems, expenses and difficulties, complications and delays frequently encountered in connection with the establishment of any business. The Company operates at a loss and there is no assurance that the Company will ever be profitable.

Transition to International Financial Reporting Standards

As stated In Note 2 of the audited financial statements, 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.

(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:

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.

Summary of Quarterly Results

The following table sets out selected quarterly information for the eight most recent quarters ended December 31, 2011:

Quarters ended in 2011 fiscal year	**December 31** **$**	**September 30** **$**	**June 30** **$**	**March 31** **$**
Income (loss)	(20,340)	(37,664)	(64,106)	(80,062)
Income (loss) per common share	(0.00)	(0.00)	(0.00)	(0.01)
Quarters ended in 2010 fiscal year	**December 31** **$**	**September 30** **$**	**June 30** **$**	**March 31** **$**
Gain on disposal of mineral property	-	149,999	-	-
Income (loss)	(69,832)	90,589	(262,952)	(214,795)
Income (loss) per common share	(0.01)	0.01	(0.01)	(0.01)

EXCHEQUER RESOURCE CORP.

CORPORATE DATA

April 26, 2012

HEAD OFFICE

Exchequer Resource Corp.
430 – 580 Hornby Street
Vancouver, BC V6C 3B6
Tel: 604. 687.4456
Fax: 604. 687.0586
Email: **hemsworth@shawbiz.ca**

SOLICITOR

Hemsworth Schmidt
Barristers and Solicitors
430 – 580 Hornby Street
Vancouver, BC V6C 3B6
Tel: 604.687.4456
Fax: 604 687.0586

REGISTRAR & TRANSFER AGENT

Computershare Inc.
510 Burrard Street
Vancouver , BC
V6C 3B9

AUDITORS

MNP LLP
Chartered Accountants
2300, 1055 Dunsmuir Street
PO Box 49148
Vancouver, BC V7X 1J1
604.685.8408
604.685.8594 fax
jenny.lee@mnp.ca

DIRECTORS AND OFFICERS

H. Barry Hemsworth	President , CEO and Director
William E. Schmidt	Director
Gary F Zak	Director
Sandra Morton	Secretary
Kenneth C. Phillippe	CFO

INVESTOR CONTACTS

H. Barry Hemsworth
604.687.4456
604.687.0586 fax

CAPITALIZATION

Authorized:	Unlimited number of common shares, no par value
Issued:	28,016,632
Options:	460,000
Warrants:	Nil

LISTINGS

TSX Venture Exchange
Trading Symbol: EXQ.H
CUSIP #: 210755