EXCHEQUER RESOURCE CORP.

(A development stage company)

Condensed Interim Financial Statements

Nine months ended September 30, 2012

As expressed in Canadian dollars

[Unaudited – prepared by Management]

EXCHEQUER RESOURCE CORP.

Suite 430, 580 Hornby Street, Vancouver, BC V6C 3B6
Telephone (604) 687-4457

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"Kenneth C. Phillippe"

Kenneth C. Phillippe

Chief Financial Officer

EXCHEQUER RESOURCE CORP.
(A development stage company)

Condensed Interim Statements of Financial Position
As expressed in Canadian dollars
[Unaudited – prepared by management]

	September 30 2012	December 31 2011
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	87,061	26,549
Sales tax receivable	29,637	15,125
Marketable securities (Note 3)	12,500	37,500
Prepaid expenses	5,250	14,813
Total current assets	134,448	93,987
Investment and advancement (Note 4)	59,778	59,778
Total assets	194,226	153,765
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	30,506	7,274
Total current liabilities	30,506	7,274
SHAREHOLDERS' EQUITY		
Share capital	8,801,962	8,801,962
Reserves	95,880	95,880
Deficit	(8,734,122)	(8,751,351)
Total shareholders' equity	163,720	146,491
Total liabilities and shareholders' equity	194,226	153,765

Nature and Continuance of Operations (Note 1)

On behalf of the Board:

"H. Barry Hemsworth"
Director

"William E. Schmidt"
Director

The accompanying notes are an integral part of these condensed financial statements

EXCHEQUER RESOURCE CORP.
(A development stage company)

Condensed Interim Statements of Operations, Comprehensive Loss and Deficit
As expressed in Canadian dollars
[Unaudited – prepared by management]

	Three months ended September 30		Nine months ended September 30	
	2012	2011	2012	2011
			$	$
General and Administrative Expenses				
Consulting	15,000	-	15,000	-
Interest	-	-	3,883	-
Filing and transfer agent fees	2,032	2,047	12,143	11,013
Management	7,500	7,500	22,500	22,500
Office expenses	1,369	1,424	2,437	2,889
Professional fees	3,500	12,700	78,333	31,500
Rent	11,343	-	11,343	-
Travel and promotion	350	13,993	6,704	63,930
	41,094	37,664	152,343	131,832
Other item				
Recovery of prior year research and development expenditures	-	-	194,572	-
Loss on marketable securities	(12,500)	-	(25,000)	(50,000)
Net income (loss) and comprehensive income (loss) for the period	(53,594)	(37,664)	17,229	(181,832)
Deficit, beginning of period	(8,680,528)	(8,693,347)	(8,751,351)	(8,549,179)
Deficit, end of period	(8,734,122)	(8,731,011)	(8,734,122)	(8,731,011)
Basic and diluted loss per share	0.01	(0.01)	0.01	(0.01)
Weighted average number of common shares				
- Basic and diluted	28,016,632	28,016,632	28,016,632	28,016,632

The accompanying notes are an integral part of these condensed financial statements

EXCHEQUER RESOURCE CORP.
(A development stage company)

Condensed Interim Statements of Cash Flows
As expressed in Canadian dollars
[Unaudited – prepared by management]

	Three months ended September 30, 2012	Three months ended September 30, 2011	Nine months ended September 30, 2012	Nine months ended September 30, 2011
			$	$
Cash flows from (used in)				
Operating activities				
Income (loss) for the period	(53,594)	(37,664)	17,229	(181,832)
Less: Items not involving cash:				
Loss on marketable securities	12,500	-	25,000	50,000
Changes in non-cash working capital:				
Sales tax receivable	(2,925)	(2,756)	(14,512)	(8,463)
Prepaid expenses	(2,000)	-	9,563	
Accounts payable	(17,122)	(2,268)	23,232	(6,862)
	(63,141)	(42,688)	60,512	(147,157)
Investing activities				
Investment and advancement	-	-	-	(125,358)
Decrease in cash and cash equivalents	(63,141)	(42,688)	60,512	(272,515)
Cash and cash equivalents, beginning of period	150,202	97,954	26,549	327,781
Cash and cash equivalents, end of period	87,061	55,266	87,061	55,266
Supplemental Information				
Interest paid in cash	-	-	-	-
Income taxes paid in cash	-	-	-	-

The accompanying notes are an integral part of these condensed financial statements

EXCHEQUER RESOURCE CORP.
(A development stage company)

Condensed Interim Statement of Changes in Equity
As expressed in Canadian dollars
[Unaudited – prepared by management]

	Common shares		Reserves			
	Number	Amount	Equity Settled Employee Benefits	Warrants	Deficit	Total
		$	$	$	$	$
Balance, December 31, 2010	28,016,632	8,801,962	83,380	12,500	(8,549,179)	348,663
Net loss and comprehensive loss	-	-	-	-	(181,832)	(181,832)
Balance, September 30, 2011	28,016,632	8,801,962	83,380	12,500	(8,731,011)	166,831
Net income (loss) and comprehensive income (loss)	-	-	-	-	(20,340)	(20,340)
Balance, December 31, 2011	28,016,632	8,801,962	83,380	12,500	(8,751,351)	146,491
Net income (loss) and comprehensive income (loss)	-	-	-	-	17,229	17,229
Balance, September 30, 2012	28,016,632	8,801,962	83,380	12,500	(8,731,122)	163,720

The accompanying notes are an integral part of these condensed 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. 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.

The financial statements were approved by the Board of Directors of the Company on November 22, 2012.

These condensed 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.

	September 30 2012	December 31 2011
Deficit	$ (8,734,122)	$ (8,751,351)
Working capital	$ 103,942	$ 86,713

2. Significant Accounting Policies

Basis of presentation

These condensed interim financial statements are unaudited and have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the International Reporting Interpretations Committee (IFRIC). They do not include all of the information required for full annual financial statements.

The preparation of condensed interim financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

2. Significant Accounting Policies (cont'd…)

Basis of Presentation (cont'd...)

These condensed interim 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 interim 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 September 30, 2012.

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.

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.

2. Significant Accounting Policies (cont'd…)

Financial Instruments

Financial assets

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts payable and accrued liabilities. 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 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 are equal to their carrying value due to their short-term maturity.

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 comprises derivatives, or 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.

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.

2. Significant Accounting Policies (cont'd…)

Financial Instruments (cont'd…)

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, amounts due to related parties 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.

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 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;
- the inputs used in determining the various commitments and contingencies accrued in the statement of financial position;

Critical judgment exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements, includes management's determination that carrying value of assets capitalized may have future economic benefits and may be economically recoverable.

2. Significant Accounting Policies (cont'd…)

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred income tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Deferred income taxes are recorded using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that the substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future income tax asset will be recovered, it provides a valuation allowance against the excess.

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.

2. **Significant Accounting Policies** (cont'd…)

New accounting standards and interpretations not yet adopted (continued)

- 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.

- IFRS 7 'Financial Instruments: Disclosures' - effective for annual periods beginning on or after January 1, 2015, is amended to outline the disclosure required when initially applying IFRS 9 Financial Instruments.

- IFRS 32 'Financial Instruments: Presentation' - effective for annual periods beginning on or after January 1, 2014, is amended to provide guidance on the offsetting of financial assets and financial liabilities.

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 September 30, 2012 was $12,500 (December 31, 2011: $37,500). 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.

As expressed in Canadian dollars

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 September 30, 2012, the Company advanced money to Media Cloud of $59,778 (December 31, 2011: $59,778). The amount is unsecured, non-interest bearing and due on demand.

5. Share Capital

a. Authorized:

Unlimited number of common shares with no par value.

b. Issued and outstanding:

As at September 30, 2012 there are no share transactions and the total issued and outstanding share capital is 28,016,632 common shares (December 31, 2011: 28,016,632).

c. Warrants

As at September 30, 2012 the following warrants were outstanding:

	Number of warrants	**Weighted-average exercise price**
		$
Balance, December 31, 2010	1,000,000	0.10
Expired	(1,000,000)	0.10
Balance, December 31, 2011 and September 30, 2012	-	-

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

As expressed in Canadian dollars

5. Share Capital (cont'd…)

c. 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, December 31, 2010	728,458	0.11
Expired	(268,458)	0.11
Balance, September 30, 2011 and December 31, 2011	460,000	0.11
Expired	(460,000)	0.11
Balance, September 30, 2012	-	-

268,458 stock options expired unexercised on August 8, 2011.
460,000 stock options expired unexercised on September 21, 2012.

6. Related Party Transactions

During the nine months ended September 30, 2012, the Company entered into the following transactions with related parties:

a) Paid or accrued management fees of $22,500 (2011: $22,500) to a Director and Chief Executive Officer of the Company. Included within accounts payable and accrued liabilities as at September 30, 2012 is $8,850 (December 31, 2011: $Nil) owing thereto. Included within prepaid expenses was $Nil (December 31, 2011: $14,882) advanced thereto.

b) Paid or accrued professional fees of $12,250 (2011: $10,500) to the Company's Chief Financial Officer for providing accounting services. Included within accounts payable and accrued liabilities as at September 30, 2012 is $Nil (December 31, 2011: $Nil) owing thereto.

c) Paid or accrued professional fees of $Nil (2011: $Nil) to a law firm of which a director of the Company is a principal. Included within accounts payable and accrued liabilities as at September 30, 2012 is $nil (December 31, 2011: $3,140) owing thereto.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related party.

7. Financial Instruments

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's credit risk is primarily attributable to accounts receivable. 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 September 30, 2012, the Company had a cash and cash equivalents balance of $87,061 (December 31, 2011 - $26,549) to settle current liabilities of $30,506 (December 31, 2011 - $7,274). 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 September 30, 2012, 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.

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

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As at September 30, 2012, cash and cash equivalents and marketable securities are assessed to be Level 1 instruments.

8. 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 September 30, 2012, 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.