EXCHEQUER RESOURCE CORP.

Financial Statements

Years ended December 31, 2012 and 2011

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 Office	Chief Financial Office

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, 2012 and 2011, and the statements of operations and comprehensive loss, changes in equity, and cash flows for the years ended December 31, 2012 and 2011 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, 2012 and 2011, and its financial performance and its cash flows for the years ended December 31, 2012 and 2011 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 29, 2013

Chartered Accountants

EXCHEQUER RESOURCE CORP.

Statements of Financial Position

	December 31 2012	December 31 2011
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	46,210	26,549
Sales tax receivable	3,795	15,125
Marketable securities (Note 3)	15,000	37,500
Prepaid expenses	3,374	14,813
Total current assets	68,379	93,987
Investment and advancement (Note 4)	-	59,778
Total assets	68,379	153,765
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	22,241	7,274
Total current liabilities	22,241	7,274
SHAREHOLDERS' EQUITY		
Share capital	8,801,962	8,801,962
Reserves	95,880	95,880
Deficit	(8,851,704)	(8,751,351)
Total shareholders' equity	46,138	146,491
Total liabilities and shareholders' equity	68,379	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 financial statements

EXCHEQUER RESOURCE CORP.

Statements of Operations and Comprehensive Loss

	Year ended December 31 2012	Year ended December 31 2011
	$	$
General and Administrative Expenses		
Administration	30,000	-
Filing and transfer agent fees	15,543	12,888
Management	30,000	30,000
Office expenses	7,660	4,324
Professional fees	85,833	39,013
Rent	28,671	-
Provision for advancement	59,778	-
Travel and promotion	14,940	40,947
	272,425	127,172
Other item		
Recovery of prior year research and development expenditures	194,572	-
Loss on marketable securities	(22,500)	(75,000)
Net (loss) and comprehensive (loss) for the year	(100,353)	(202,172)
Basic and diluted earnings (loss) per share	(0.00)	(0.01)
Weighted average number of common shares - Basic and diluted	28,016,632	28,016,632

The accompanying notes are an integral part of these financial statements

EXCHEQUER RESOURCE CORP.

Statements of Cash Flows
As expressed in Canadian dollars

	Year ended December 31 2012	Year ended December 31 2011
	$	$
Cash flows from (used in)		
Operating activities		
Income (loss) for the year	(100,353)	(202,172)
Less: Items not involving cash:		
Provision of advancement	59,778	-
Loss on marketable securities	22,500	75,000
Changes in non-cash working capital:		
Sales tax receivable	11,330	(10,543)
Prepaid expenses	11,439	(14,813)
Accounts payable	14,967	(23,346)
	19,661	(175,874)
Investing activities		
Investment and advancement	-	(125,358)
Decrease in cash and cash equivalents	19,661	(301,232)
Cash and cash equivalents, beginning of year	26,549	327,781
Cash and cash equivalents, end of year	46,210	26,549
Supplemental Information		
Non-cash item (Note 8)	-	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.

Statement of Changes in Equity
As expressed in Canadian dollars

	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) 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
Net (loss) and comprehensive (loss) for the year	-	-	-	-	(100,353)	(100,353)
Balance, December 31, 2012	28,016,632	8,801,962	83,380	12,500	(8,851,704)	46,138

The accompanying notes are an integral part of these financial statements

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.

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 2012	December 31 2011
Deficit	$ (8,851,704)	$ (8,751,351)
Working capital	$ 46,138	$ 86,713

2. Significant Accounting Policies

Statement of Compliance

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

The financial statements were approved by the Board of Directors of the Company on April 29, 2013.

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, 2012 and December 31, 2011.

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 operation and comprehensive loss 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 liabilities 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 statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

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 statement of operations and comprehensive loss.

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 statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

*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.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:
a) significant financial difficulty of the issuer or counterparty; or
b) default or delinquency in interest or principal payments; or
c) it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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 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 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 taxes are recorded using the asset and liability method. Under the asset and liability method, deferred 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 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 deferred 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 deferred 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, 2015, 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.

- 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 re-measurements 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 shares were reverse split during current fiscal year on a 1 for 10 basis, resulting in 250,000 Auramex common shares being held as at December 31, 2012.The market value of the shares held by the Company, as at December 31, 2012 was $15,000 (December 31, 2011: $37,500). The loss in market value in the amount of $22,500 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") regarding 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. The amount is unsecured, non-interest bearing and due on demand. During the year ended December 31, 2012, a full provision of $59,778 was recorded based on the management's best estimation on this account.

5. Share Capital

a. Authorized:

Unlimited number of common shares with no par value.

b. Issued and outstanding:

As at December 31, 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 December 31, 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 December 31, 2012	-	-

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

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, December 31, 2011	460,000	0.11
Expired	(460,000)	0.11
Balance, December 31, 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 year ended December 31, 2012, the Company entered into the following transactions with related parties:

a) Paid management fees of $30,000 (2011: $30,000) to a Director and Chief Executive Officer of the Company. Included within prepaid expenses was $3,375 (December 31, 2011: $14,882) advanced to CEO for the operation expenses.

b) Paid professional fees of $15,750 (2011: $15,500) to the Company's Chief Financial Officer for providing accounting services.

c) Included within accounts payable and accrued liabilities as at December 31, 2012, $nil (December 31, 2011: $3,140) owed to a law firm of which a director of the Company is a principal.

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 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, 2012, the Company had a cash and cash equivalents balance of $46,210 (December 31, 2011 - $26,549) to settle current liabilities of $22,241 (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 December 31, 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 December 31, 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 December 31, 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.

9. Supplemental cash flow information

During the year ended December 31, 2011 the notes payable in the amount of $95,000 (December 31, 2012: $nil) were transferred to Media Cloud in full.

10. Income Taxes

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations for the years ended December 31, 2012 and 2011:

	2012	2011
Canadian basic statutory rate	25.00%	26.50%
Net income (Loss) before income taxes	$ (100,353)	$ (202,172)
Expected income tax (recovery)	(25,088)	(53,576)
Non-deductible items	12,249	23,199
Change in estimate	(1,040,192)	-
Change in deferred tax assets not recognized	1,053,032	30,377
Total income tax recovery	$ -	$ -

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

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax values. Deferred tax assets (liabilities) at December 31, 2012 and 2011 comprised of the following:

	2012	**2011**
Non-capital loss carry forwards	$ 504,352	$ 489,550
Capital losses	987,295	-
Financial instrument	41,222	-
Intangibles	9,713	-
	1,542,581	489,550
Deferred tax assets not recognized	1,542,581	489,550
Net Deferred tax assets (liabilities)	$ -	$ -

The Company has non capital loss carryforwards of approximately $2,017,200 (2011: 1,958,200) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

2014	$	173,000
2015	$	118,500
2026	$	115,400
2027	$	132,800
2028	$	112,200
2029	$	115,500
2030	$	1,135,200
2031	$	114,600
	$	2,017,200

In addition, the Company has capital loss of $7,958,134 (2011: $7,898,356), which may be carried forward indefinitely and apply to reduce future capital gains.

The deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that future taxable profit will be available against which the Company can utilize such deferred tax assets.