

# EXCHEQUER RESOURCE CORP.

## Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal quarter ended March 31, 2014

### General

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The following discussion and analysis should be read in conjunction with the unaudited financial statements for the three months ended March 31, 2014 and the audited financial statements and notes for fiscal years ended December 31, 2013 and 2012. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional information relating to the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).

The Management Discussion and Analysis was approved by the Board of Directors of the Company on May 27, 2013.

The head office and principal address of the Company is located at 916 Plain Road, Castlegar, BC, V1N 4P7.

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.

All amounts are in Canadian dollars unless otherwise stated.

### Forward-Looking Statements

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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.

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown risks, uncertainties and other factors, many of which are beyond the Company's ability to predict or control could cause actual results to differ materially from those contained in the forward-looking statements. which include, without limitation, commodity price volatility, changes in debt and equity markets, increases in costs, interest rate and exchange rate fluctuations, general economic conditions, the ability of the Company to receive continued financial support from related parties and to obtain public equity financing, the ability to generate profitable operations in the future, and the receipt of regulatory approvals on acceptable terms. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements.

### Overview

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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. 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.

### Going Concern

The Company draws attention to 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. 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 ability of the Company to carry out its business objectives dependent on the Company's ability to receive continued financial support from related parties and to obtain public equity financing and to identify, evaluate and negotiate an acquisition of, a participation in, or an investment of an interest and to generate profitable operations in the future. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. These financial statements do not reflect the adjustments to the carrying value of assets and liabilities, or the impact on the statement of operations and comprehensive loss and financial position classifications that would be necessary were the going concern assumption not appropriate.

	<b>March 31 2013</b>	<b>December 31 2013</b>
Deficit	\$ (9,000,387)	\$ (8,995,846)
Working capital (deficiency)	\$ (50,597)	\$ (75,504)

### Selected Annual Information

	<b>2013</b>	<b>2012</b>	<b>2011</b>
	\$	\$	\$
Sales or Revenue	-	-	-
Net Loss	144,142	100,353	202,172
Loss per share	0.01	0.00	0.01
Total Assets	6,380	68,379	153,765

During the fiscal year ended December 31, 2010 the Company disposed of its Mineral Property and received marketable securities in exchange, recorded at a fair market value of \$150,000. The shares were disposed of during the fiscal year ended December 31, 2013 (see "Marketable Securities" below). The market value of the shares held by the Company as of December 31, 2012 was \$15,000 (2011 -\$37,500).

During the fiscal year ended December 31, 2012 the loss in market value in the amount of \$22,500 (2011 - \$75,000) 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 at December 31, 2011, the Company advanced money to Media Cloud Systems Inc. of \$59,778. The amount was unsecured, non-interest bearing and due on demand. During the year ended December 31, 2012, management recorded a full provision of \$59,778. Also during the fiscal year ended December 31, 2012 the Company recovered \$194,572 of research and development costs that had been expensed in prior fiscal years.

## 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 on a 1 for 10 basis, resulting in 250,000 Auramex common shares being held after the split. The market value of the shares held by the Company, as at December 31, 2012 was \$15,000). During the fiscal years ended December 31 2010 to December 31, 2012 the cumulative loss in market value in the amount of \$135,000 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. During the fiscal year ending December 31, 2013 the shares were disposed for \$6,877, resulting in a loss of \$ 8,123.

## Results of Operations

During the fiscal year ended March 31, 2014, the Company had net loss of \$4,541 or \$(0.00) per share compared with a loss of \$40,801 or \$(0.00) per share for the fiscal quarter ended March 31, 2013.

Administrative services relate to office and secretarial services provided to the Company. Management fees are paid or accrued to the Company's Chief Executive Officer for management services provided 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. Interest charges were accrued with respect to outstanding legal fees. Office expenses and rent were incurred for maintenance of the Company's office. Professional fees are incurred for general maintenance of the Company's records and for filings with regulatory authorities. Office rent was incurred with respect to maintenance of the Company's office. Travel and promotion expenses were incurred with respect to the Company's search for new business projects.

## Operating Expenses

	Three months ended March 31,	
	2014	2013
	\$	\$
<b>General and Administrative Expenses</b>		
Administration	-	15,000
Filing and transfer agent fees	839	3,011
Interest	3,662	-
Management	-	7,500
Office and miscellaneous	40	2,832
Rent	-	11,519
Travel and promotion	-	1,939
	4,541	40,801
<b>Net loss and comprehensive loss for the period</b>	<b>(4,541)</b>	<b>(40,801)</b>

## Fiscal Quarter Ended December 31, 2013

During the fiscal quarter ended March 31, 2014 the Company scaled back operations, whilst it prepares for a restructuring of its finances. No administrative, management fee, rent or travel and promotion expenditures were incurred. The Company recorded \$3,662 of interest charges related to outstanding legal fees payable to the Company's lawyers. This amount when combined with other outstanding legal fees amounted to a balance payable at February 24, 2014 of \$51,948. On February 24, 2014, it is agreed that the \$51,948 debt owing to Anfield Sujir Kennedy and Durno LLP ("ASKD") by the Company to be assigned to Barry Hemsworth in exchange for 200,000 common shares of OnBase DB system Inc. and a warrant entitling ASKD to purchase an additional 200,000 common shares of OnBase DB System Inc. at a price of \$0.10 each for a period of two years. On February 25, 2014 Barry Hemsworth signed a release, whereby, Barry Hemsworth release, remise and forever discharge the amount assigned to him, in consideration of \$1.00 paid by the Company.

## Summary of Quarterly Results

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The following table sets out selected quarterly information for the eight most recent quarters ended March 31, 2014:

<b>Quarters ended in 2014 fiscal year</b>	<b>December 31</b>	<b>September 30</b>	<b>June 30</b>	<b>March 31</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sales or Revenue				-
Income (loss)				(4,541)
Income (loss) per common share				(0.00)
<b>Quarters ended in 2013 fiscal year</b>	<b>December 31</b>	<b>September 30</b>	<b>June 30</b>	<b>March 31</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sales or Revenue	-	-	-	-
Income (loss)	(30,816)	(22,975)	(49,551)	(40,800)
Income (loss) per common share	0.00	(0.00)	(0.00)	(0.00)
<b>Quarters ended in 2012 fiscal year</b>	<b>December 31</b>	<b>September 30</b>	<b>June 30</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	
Sales or Revenue	-	-	-	
Income (loss)	(117,582)	(53,594)	104,231	
Income (loss) per common share	(0.00)	(0.00)	0.00	

During the first three quarters of fiscal the fiscal year ended December 31, 2013 the Company accrued management fees to the CEO in the amount of \$7,500 per quarter. During the fourth quarter of fiscal 2013 no management fees were accrued. During the first quarter of fiscal 2013 the Company incurred administration fees of \$15,000 and during the second quarter \$5,000. No administration fees were recorded for the third and fourth quarters of fiscal 2013. During the first quarter of fiscal 2013 the Company incurred rent expense of \$11,519 and during the second quarter \$8,381. No administration fees were recorded for the third and fourth quarters of fiscal 2013. In the second quarter of fiscal 2013 the Company recorded professional fees related to its annual audit and other related services in the amount of \$ 19,000. In the fourth quarter of fiscal 2013 the Company recorded interest charges of \$21,930.

During the first quarter of 2013 professional fees of \$17,280 were recorded with respect to audit and related services. During the second quarter ended June 30, 2012 the Company recovered \$194,572 of research and development costs that had been expensed in prior fiscal years. Also, during the second quarter, the Company recorded professional fees in the amount of \$51,803 for legal fees. During the third and fourth quarters of 2012 the Company incurred administration fees of \$15,000 per quarter. Rent was also incurred in the amount of \$11,343 for the third and \$17,328 fourth quarters. As at December 31, 2011, the Company advanced money to Media Cloud Systems Inc. of \$59,778. The amount was unsecured, non-interest bearing and due on demand. During fourth quarter ended December 31, 2012, management recorded a full provision of \$59,778.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

### Statement of Compliance

The 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.

## **Basis of Presentation**

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The 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**

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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 March 31, 2014 and December 31,

## **Marketable securities**

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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**

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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.

## **Significant accounting judgments and estimates**

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When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are discussed below.

### *Share-based payments*

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes option pricing model.

#### *Deferred tax liabilities and assets*

Deferred tax liabilities and assets are measured at tax rates expected in the period during which the asset is realized or the liability is settled, based on tax rates (and tax laws) that are enacted or substantively enacted at the end of the reporting period of the financial information. The measurement of liabilities and deferred tax assets reflects the tax consequences that result from the manner in which the Company expects, at the end of the reporting period of the financial information, to recover or settle the carrying amount of its assets and liabilities.

#### *Measurement of financial instruments at fair value*

The Company measures certain of its financial instruments at fair value. The determination of such fair value is based on the most readily available market data. When no readily available data is available, management is required to estimate the fair value of the instrument using various inputs that are either, directly or indirectly observable, or not based on observable market data.

Significant areas of critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the statements of financial position are:

#### *Going concern*

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the three months ended March 31, 2014 and for the years ended December 31, 2013 and 2012. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded there are significant doubt as to the ability of the Company to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

#### **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 2 Share-based payment*

The amendments to IFRS 2, issued in December 2013 clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014.

#### *IAS 16 Property, plant and equipment and IAS 38 Intangible assets*

The amendments to IAS 16 and IAS 38, issued in December 2013, clarify how an entity calculates the gross carrying amount and accumulated depreciation when a revaluation is performed. The amendments are effective for annual periods beginning on or after July 1, 2014.

#### *IAS 24 Related party disclosures*

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.



## **New accounting standards and interpretations adopted as of January 1, 2014**

The following amendments will only affect disclosure and are effective for annual periods beginning with the Company's current fiscal year commencing on January 1, 2014.

IFRS 7 Financial instruments: disclosures and IAS 32 Financial instruments: presentation  
Financial assets and financial liabilities may be offset, with the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and when there is either an intention to settle on a net basis or to realize the asset and settle the liability simultaneously. The amendments to IAS 32, issued in December 2011, clarify the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

### *IAS 36 Impairment of assets*

The amendments to IAS 36, issued in May 2013, require:

- Disclosure of the recoverable amount of impaired assets; and
- Additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014

### *IAS 39 Financial Instruments: Recognition and measurement*

The amendments to IAS 39, issued in June 2013, clarify that innovation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations, does not terminate hedge accounting. The amendments are effective for annual periods beginning on or after January 1, 2014.

## **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, and 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, and accounts payable and accrued liabilities 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 March 31, 2014, the Company had a cash and cash equivalents balance of \$1,320 (December 31, 2013 - \$2,236) to settle current liabilities of \$56,103 (December 31, 2013 - \$81,884). 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 March 31, 2014, 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 March 31, 2014 and December 31, 2013, cash and cash equivalents and marketable security are assessed to be Level 1 instruments.

**Capital Management**

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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, 2013, 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

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a. Authorized:

Unlimited number of common shares with no par value.

b. Issued and outstanding:

During the three months ended March 31, 2014 and the fiscal years ended December 31, 2013 and 2012 there have been no share transactions and the total issued and outstanding share capital is 28,016,632 common shares (December 31, 2013 and March 31, 2013: 28,016,632 common shares).

### Warrants:

As at March 31, 2014 and 2013 and as at December 31, 2013 there were no warrants issued and outstanding.

### 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.

As at March 31, 2014 and 2013 and as at December 31, 2013 there were no stock options granted nor outstanding.

## Related Party Transactions

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During the three months ended March 31, 2014, the Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$Nil (2013: \$7,500) to a Director and former Chief Executive Officer of the Company

On February 24, 2014, it is agreed that the \$51,948 debt owing to Anfield Sujir Kennedy and Durno LLP ("ASKD") by the Company to be assigned to Barry Hemsworth in exchange for 200,000 common shares of OnBase DB system Inc. and a warrant entitling ASKD to purchase an additional 200,000 common shares of OnBase DB System Inc. at a price of \$0.10 each for a period of two years. On February 25, 2014 (as amended May 13, 2014), Barry Hemsworth signed a release, whereby, Barry Hemsworth release, remise and forever discharge the amount assigned to him.

Included within accounts payable and accrued liabilities as at March 31, 2014 is \$25,471 (December 31, 2013: \$2,971) owing thereto.

- b) Paid or accrued professional fees of \$nil (2013: \$Nil) to the Company's Chief Financial Officer for providing accounting services. Included within accounts payables was \$12,075 (December 31, 2013: \$12,075) owed to the CFO for professional fees and related sales taxes incurred on behalf of the Company.

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.

## Liquidity and Capital Resources

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

As at March 31, 2014 the Company had working capital deficiency of \$(50,597) compared to working capital deficiency of \$(75,504) as at December 31, 2013.

Cash provided by issuance of new common shares during the three months ended March 31, 2014 and during the fiscal years ended December 31, 2013 and 2012 were \$Nil.

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 TSX Venture 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. 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**

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The Company has scheduled an Special and Annual General Meeting of the shareholders for June 25, 2014, whereby the Shareholders will be asked to approve special resolutions to replace its articles, change its name and consolidate its issued shares (the "Consolidation"). The Consolidation ratio will be a minimum of seven old shares for one new share resulting in 3,857,714 issued shares to a maximum of ten old shares for one new share resulting in 2,801,663 issued shares.

The Company has proposed a private placement of a 12 month convertible loan to raise up to \$150,000 with an interest rate of 20% per annum payable on a semi-annual basis.

### **Risks and Uncertainties**

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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.

# EXCHEQUER RESOURCE CORP.

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## CORPORATE DATA

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May 27, 2014

### HEAD OFFICE

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Kenneth C. Phillippe  
H. Barry Hemsworth

Director, CEO  
Director, CFO, Secretary  
Director

### INVESTOR CONTACTS

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### CAPITALIZATION

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

### LISTINGS

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