EXCHEQUER RESOURCE CORP.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Fiscal Quarter Ended December 31, 2010

General

The following discussion and analysis should be read in conjunction with the financial statements and notes for fiscal years ended December 31, 2010 and 2009. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. The date of the Management Discussion and Analysis is April 29, 2011. Additional information relating to the Company can be found on the SEDAR website at www.sedar.com

Forward-Looking Statements

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

Overview

Exchequer Resource Corp. is primarily in the mineral exploration business. The Company had one active property, the Georgia River property. 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 fair value of the Auramex shares was $0.06 per share for a total of $150,000 on that date. The market value of the shares held by the Company as at December 31, 2010 was $112,500. The loss in market value has been recorded in the Statements of Operations in accordance with the Company's designation of the marketable securities as held for trading assets.

On September 18, 2009 the Company entered into a letter agreement with Kofi Obiri-Yeboah ("Kofi"), Megasoft Engineering Corporation ("Megasoft") and Megasoft Digital Video Broadcast Services Corp. ("MDVB") pursuant to which the Company agreed to assist and fund and potentially acquire the business of creating an environment for broadcasting digital video content over the internet to Internet Protocol Television. The terms of the agreement included the payment of $50,000 upon execution of the agreement (paid) and the additional funding over a six month period of up to $400,000 (fully paid subsequent to December 31, 2009) by way of non-interest bearing loans to MDVB to support the operational and developmental program of such technologies, such loans being repayable one year from the date of the agreement. Subject to a due diligence, the Company will, for a period of up to one year, has in its sole discretion, the exclusive right to negotiate a legally binding agreement for the acquisition of the technologies, which is contemplated to consist of the issuance by the Company of 15,000,000 shares to the current shareholders of MDVB in exchange for 100% of their shares and the additional payment of $150,000 to Kofi. As at December 31, 2010, the Company had advanced funding of $740,554 (2009: $307,563) pursuant to the above.

The costs incurred prior to and after the agreement were determined to be the in-process research and development costs, which were expensed as at December 31, 2010 and 2009.

As a result of the termination by management of all agreements and/or contracts with regard to the MDVB project, the Company has deconsolidated this entity as of December 31, 2010. The statements of operations, comprehensive loss and deficit for the year ended December 31, 2010, included the financial results of MDVB up to December 31, 2010, which is the point of termination. Upon the termination of

agreement / contract with MDVB, the net liability of MDVB was assigned to the Company which the Company recognized $Nil loss/gain upon the termination and deconsolidation of MDVB.

The Company signed a Memorandum of Understanding ("MOU") in fiscal year 2010 for the negotiation of the potential acquisition of Media Link Technology Corporation ("Media Link"). Media Link, 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.

Media Link has filed a US patent application for the technology which was a condition of the signing of the MOU. The Company and Media Link intend to continue to negotiate a binding Letter of Intent whereby the Company will acquire all of the shares of Media Link.

Selected Annual Information

	2010	2009	2008
Sales or Revenue	$ -	$ -	$ -
Loss before Non Controlling Interest	456,990	470,040	119,671
Net Loss	456,990	455,039	119,671
Total Assets	474,283	153,538	2,796

Interest in Mineral Property

Georgia River Mineral Property

As at December 31, 2009, the Company owned twenty mineral claims in the Georgia River gold property located in the Skeena Mining Division, British Columbia which is recorded at a nominal carried value of $1.

During the fiscal year ended December 31, 2010 the Company sold a 100% undivided interest in its Georgia River Property to Auramex Resource Corp. The consideration for its interest is 2.5 million shares of Auramex Resource Corp. at the fair value of $0.06 per share.

Results of Operations

During the fiscal year ended December 31, 2010, the Company had a net loss of $(456,990) or $(0.02) per share compared with a loss of $(455,039) or $(0.04) per share for the fiscal year ended December 31, 2009. During fiscal 2010 the Company realized a gain from the disposition of its Georgia River Property which it carried at a nominal value of $1 for 2.5 million shares of Auramex Resource Corp. at a fair value of $150,000. A subsequent decline in the market value of these shares resulted in an unrealized loss on marketable securities in the amount of $37,500.

During the fourth quarter ended December 31, 2010, the Company had a net loss of $69,832 compared with a loss of $393,614 for the fourth quarter ended December 31, 2009. A decline in the market value of securities in the fourth quarter of fiscal 2010 resulted in an unrealized loss on marketable securities in the amount of $25,000.

Operating Expenses

Amounts by major sub-category are as follows:

	Fiscal year Ended December 31		Fiscal Quarter Ended December 31	
	2010	**2009**	**2010**	**2009**
General and Administrative Expenses	**$**	**$**	**$**	**$**
Consulting	65,500	10,000	3,500	10,000
Filing and transfer agent fees	11,710	15,253	3,058	6,248
Licenses and permits	166	4,096	-	-
Management fees	30,000	30,000	7,500	7,500
Office expenses	4,000	2,082	442	796
Professional fees	85,534	47,619	4,622	29,548
Rent	13,200	-	2,200	-
Research and development	294,041	349,077	-	349,077
Secretarial	10,000	-	10,000	-
Travel and promotion	55,338	11,913	13,510	5,446
	(569,489)	(470,040)	(44,832)	(408,615)
Other income (expenses)				
Loss on marketable securities	(37,500)	-	(25,000)	-
Gain on disposition of mineral claims	149,999	-	-	-
	(456,990)	(470,040)	(69,832)	(408,615)
Non-controlling interest	-	15,001	-	15,001
Net income (loss) and comprehensive income (loss) for the period	(456,990)	(455,039)	(69,832)	(393,614)

Fiscal years ended December 31, 2010 and 2009
Certain expenses were comparable between the current and prior year, such as for filing and transfer fees, management fees, and office expenses. Filing and transfer fees relate to submissions to the regulatory authorities and to the maintenance of the share records by the Company’s transfer agent. Management fees are paid or accrued to the Company’s Chief Executive Officer for management services he provides to the Company. Office expenses were incurred for maintenance of the Company’s office.

During the comparative fiscal year ended December 31, 2009, licences and permits included annual permit fees paid for the maintenance of the Company`s Georgia River Mineral Property claims. These claims were disposed of in fiscal 2010 and no permit fees were paid in this current fiscal period.

In connection with the exclusive right to acquire the technology and consolidation of Megasoft Digital Video Broadcast Services Corp. (“MDVB”) and in pursuit of additional business opportunities the Company engaged consultants, incurred increased professional fees beyond those required for audit and accounting services ($85,534 compared to $47,619 incurred in same fiscal period in 2009), incurred $294,041 toward research and development costs (2009: $349,077), rented office premises, engaged secretarial services and incurred additional travel expenditures. Travel and promotion that relate to the Company’s efforts to explore business opportunities and to raise financings increased to $55,338 (2009: $11,913).

Fourth quarter ended December 31, 2010 and 2009
Certain expenses were comparable between the current and prior year, such as for filing and transfer fees, management fees, and office expenses. Filing and transfer fees relate to submissions to the regulatory authorities and to the maintenance of the share records by the Company’s transfer agent. Management fees

are paid or accrued to the Company`s Chief Executive Officer for management services he provides to the Company. Office expenses were incurred for maintenance of the Company's office.

In connection with the exclusive right to acquire the technology and consolidation of Megasoft Digital Video Broadcast Services Corp. ("MDVB"), during fiscal 2009 the Company engaged consultants, incurred additional legal costs, and commenced research and development activities.

In connection with the pursuit of additional business opportunities including the proposed acquisition of Medial Link, the Company engaged consultants, rented office premises, engaged secretarial services and incurred additional travel and promotion expenditures relate to the Company's efforts to explore such business opportunities and to raise funds through financings.

Critical Accounting Policies and Estimates

These financial statements have been prepared in accordance with generally accepted accounting principles with the assumption that the Company 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. Continued operations of the Company are 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 2010	December 31 2009
Deficit	$ (8,549,179)	$ (8,092,189)
Working capital	$ 319,243	$ 101,872

Basis of presentation

The Company's financial statements are presented in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The financial statements include the accounts and operations of the Company and its Variable Interest Entity as follows:

Megasoft Digital Video Broadcast Services Corp. ("MDVB") was incorporated under the laws of British Columbia on July 15, 2009 and was a variable interest entity to the Company. This was determined by the management of the Company as the Company was considered to be the primary beneficiary of MDVB. All significant inter-company accounts and transactions have been eliminated upon consolidation.

As a result of the termination by management of all agreements and /or contracts with regard to the MDVB project, the Company has deconsolidated this entity as of December 31, 2010. The statements of loss and comprehensive loss, for the year ending December 31, 2010, include the financial results of MDVB up to December 31, 2010, which is the point of termination. Upon the termination of agreement / contract with MDVB, the net liability of MDVB was assigned to the Company which the Company recognized $Nil loss/gain upon the termination and deconsolidation of MDVB.

Estimates, assumptions and measurement uncertainty

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Areas requiring significant management estimates relate to the determination of impairment of mineral properties, expected tax rates for future income tax recoveries, fair value of stock-based payments and useful lives for amortization of long-lived assets.

Cash and cash equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents. There were no cash equivalents as at December 31, 2010 and 2009.

Marketable securities

Marketable securities are classified as held for trade securities and are recorded at market value. Unrealized holding gains and losses on hold for trade securities are included in the statement of operations in accordance with the Company's designation of marketable securities as held for trading assets

Stock based compensation

The Company is required to expense, over the vesting period, the fair value of the options and awards granted. Accordingly, the fair value of the options at the date of grant is accrued and charged to operations, with a corresponding credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

Comprehensive income

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income comprises items recognized in comprehensive income, but excluded from net income calculated in accordance with Canadian GAAP.

Future income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future 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. Future 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 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 tax asset will be recovered, it provides a valuation allowance against the excess.

Loss per share

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

Research and development costs

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

Mineral property

All costs related to the acquisition, exploration and development of mineral properties, less option payments received, are capitalized by property. If economically recoverable reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If the Company transfers its right, title and interest in a property to a third party, a disposition is recorded. The proceeds less the accumulated costs related to the acquisition, exploration and development of the property is recognized as a gain or loss.

Deferred exploration costs

The Company records deferred exploration costs, which consist of costs attributable to the exploration of mineral property interests, at cost. All costs relating to the exploration of these mineral property interests are capitalized until the mineral property interests to which they relate to are placed into production, the mineral property interests are disposed of through sale or where management has determined there to be an impairment. If a mineral property interest is abandoned, the related deferred exploration costs will be written off to operations in the period of abandonment. General exploration costs not attributable to specific mineral property interests are written off at the end of each year

Impairment of long-lived assets

The Company follows the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3063, "Impairment of Long-Lived Assets". Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company currently does not have any significant asset retirement obligations.

Variable Interest Entity ("VIE")

A VIE is defined as an entity which either does not have sufficient equity at risk to finance its activities without additional subordinated financial support or where the holders of the equity at risk lack the characteristics of a controlling financial interest. The Company consolidates a VIE when the Company has a variable interest that absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, in compliance with the Accounting Standards Board's ("AcSB") Accounting Guideline 15 ("AcG15") "Consolidation of Variable Interest Entities".

Recently issued accounting pronouncements

International Financial Reporting Standards ("IFRS")

On February 13, 2008, Canada's Accounting Standard Board confirmed January 1, 2011 as the effective date for complete convergence of Canadian GAAP to International Financial Reporting Standards ("IFRS"). While the conceptual framework for IFRS and Canadian GAAP are similar, there are significant differences in recognition, measurement and disclosure requirements. The Company has completed its assessment of IFRS accounting policies. The implementation phase, which includes updating its data systems, internal controls over financial reporting and business activities such as financing and compensation arrangements, has been completed and the Company is in position to prepare IFRS compliant financial statements for its quarter ended March 31, 2011.

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

The CICA concurrently issued Section 1601 “Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests” which replace Section 1600 “Consolidated Financial Statements. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 “Business Combinations”.

Multiple Deliverable Revenue Arrangements

In December 2009, the CICA issued EIC 175, Multiple Deliverable Revenue Arrangements, replacing EIC 142, Revenue Arrangements with Multiple Deliverables. This abstract was amended to: (1) provide updated guidance on whether multiple deliverables exist, how the deliverables in an arrangement should be separated, and the consideration allocated; (2) require, in situations where a vendor does not have vendor specific objective evidence (“VSOE”) or third-party evidence of selling price, that the entity allocate revenue in an arrangement using estimated selling prices of deliverables; (3) eliminate the use of the residual method and require an entity to allocate revenue using the relative selling price method; and (4) require expanded qualitative and quantitative disclosures regarding significant judgments made in applying this guidance.

IFRS

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

The Company has completed its IFRS transition assessment which highlighted several key areas of difference between existing Canadian GAAP and IFRS, specifically, presentation of financial statements, the treatment of asset retirement obligations, impairment of assets and share-based payments.

The Company developed an IFRS project plan assigning responsibilities and outlining the proposed timing of execution of key IFRS conversion projects. The Company’s IFRS project plan stipulates several project phases. The first phase includes initial training and education for key finance staff. This phase is currently underway and was completed by the end of the Company’s fiscal quarter ending December 31, 2010, with key members of the IFRS project team attending external courses, as well as conducting self-study training.

The Company has completed the “impact assessment” phase, whereby the project team reviewed each of the significant areas of difference highlighted by the initial diagnostic. In this phase, the project team determined the potential qualitative differences between Canadian GAAP and IFRS and assessed the impact of these differences on the Company’s accounting policies, information systems, internal controls over financial reporting and other business processes. To-date, the Company has identified the following key areas of potential difference with respect to the accounting for:

Mineral Properties, Exploration and Development Costs

IFRS currently allows exploration and evaluation expenses to be either capitalized or expensed. The Company expects to maintain its new policy of expensing exploration and evaluation expenses.

Impairment of Mineral Properties

Canadian GAAP provides for a 2 step test with no impairment being required if the undiscounted future expected cash flows relating to an asset are higher than the carrying value of that asset. Under IFRS, the undiscounted cash flows are not considered and an impairment is recorded when the recoverable amount (defined as the higher of ‘value in use’ and `fair value less costs to sell’) is below the asset’s carrying value.

The Company will be required to adopt the discounted future cash flow approach with respect to impairment analysis of its mineral properties. Impairment under this approach may generate a greater likelihood of write-down in future.

Write down to net realizable value can be reversed under IFRS if the conditions of impairment ceased to exist. This difference in approach between Canadian GAAP and IFRS could result in potentially significant volatility in earnings.

Assets retirement obligations

IFRS defines asset retirements obligations ("ARO") as legal or constructive obligations. Under IFRS, ARO is calculated using a current pre-tax discount rate (which reflects current market assessment of the time value of money and the risk specific to the liability) and is revised every reporting period to reflect changes in assumptions or discount rates. Under Canadian GAAP, ARO is calculated using a current credit-adjusted, risk-free rate for upward revisions and the original credit-adjusted, risk-free rate for downward revisions. The original liability is not adjusted for changes in current discount rate. The change in calculation of ARO and the discounting process will likely generate some changes in the value of ARO on transition.

Stock based compensation

Under IFRS, each installment is to be treated as a separate share option grant with graded-vesting features, forfeitures are to be estimated at time of grant and revised if actual forfeitures are likely to differ from previous estimates and options granted to parties other than employees are measured on the date the goods or services received. The concept of employees and other providing similar services under IFRS is a broader concept under IFRS. The Company is currently recording its stock based compensation expenses on a straight line basis over the vesting period and forfeitures as they occur. The transition to IFRS would likely result in more variability in the compensation expenses.

The Company continues to monitor IFRS standards development as issued by the International Accounting Standard Board and the regulators which may affect the timing, nature and disclosure of the Company's adoption of IFRS.

On changing to IFRS, the Company will be eligible to make elections under the standard for the transition to IFRS, namely IFRS 1 – First Time Adoption. In some cases, the changes that would otherwise have been retrospective are, with election, applicable from the date of transition and prospectively; in a number of other cases, there is a mandatory approach to deal with the effects of the changes. Where an election is available, the Company is currently reviewing the selection of a suitable option. Typically, IFRS requires significantly more disclosure than is the case under current Canadian GAAP, particularly with respect to the notes to the financial statements. The Company, as part of the Plan, will be reviewing its data collection and reporting systems to ensure that the requisite information will be available and reliable.

The above changes are not expected to have a significant impact on the Company's information and data systems, business processes, internal controls over financial reporting, disclosure controls and business activities.

The Company has completed its assessment of IFRS accounting policies and has reviewed its elections with its auditors. The implementation phase, which includes updating its data systems, internal controls over financial reporting and business activities such as financing and compensation arrangements, has been completed and the Company is in position to prepare IFRS compliant financial statements for its quarter ended March 31, 2011.

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

Fair value

The Company's financial instruments consist of cash and cash equivalents, marketable securities, investment and advancement, accounts payable and accrued liabilities and notes payable. The Company has designated its cash and cash equivalents and marketable securities as held-for-trading, which is measured at fair value. Investment and advancement are classified as loans and receivables and are measured at amortized costs. Accounts payable and accrued liabilities and notes payable are classified as other financial liabilities, which are measured at amortized cost. The carrying value of cash and cash equivalents, marketable securities, accounts payable and accrued liabilities and note payable are equal to their fair value due to their short-term maturity. Cash and cash equivalents and marketable securities have been valued based on level one of the fair value hierarchy. The carrying value of investment and advancement approximates its fair value based on the discounted cash flow at market rate.

Credit risk

Credit risk is the risk of loss associated with a payee's inability to fulfill its payment obligations to the Company. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and marketable securities. The Company's credit risk with respect to its cash and marketable securities are minimal as they are held with high-credit quality financial institutions. The receivables owed to the Company are owed from the Federal Government of Canada as a result of sales tax refunds. 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, 2010, the Company had a cash and cash equivalent balance of $327,781 (2009: $151,466) to settle current liabilities of $125,620 (2009: $51,665). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

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

(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, 2010 and 2009, 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.

For the years ended December 31, 2010 and 2009, cash and cash equivalents and marketable securities are assessed to be Level 1 instruments.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue its intended business opertions 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, 2010, the Company has not entered into any debt financing.

The Company is dependent on the capital markets as its sole source of operating capital.

Outstanding Share Data

(a) Authorized:

Unlimited number of common shares with no par value.

(b) Issued and outstanding:

	Number of Shares	Stated Capital
		$
Balance, December 31, 2008	9,222,832	7,518,151
Shares issued for cash	11,760,000	575,500
Balance, December 31, 2009	20,982,832	8,093,651
Shares issued for cash	1,000,000	100,000
Shares issued upon exercise of stock options	40,000	4,400
Shares issued upon exercise of warrants	5,993,800	599,380
Reallocated from contributed surplus	-	4,531
Balance, December 31, 2010	28,016,632	8,801,962

On January 28, 2009 the Company issued 250,000 units at a price of $0.05 per unit pursuant to a non-brokered private placement. Each unit consisting of one common share and one share purchase warrant entitling the holder to acquire one additional common share at a price of $0.10 per share, exercisable on or before January 28, 2010. The Company applied the residual approach which allocates the net proceeds to

the common shares up to their fair value and the balance to the attached warrants. Based on this, the Company allocated $10,000 to common shares and $2,500 to warrants.

On May 1, 2009 the Company issued 500,000 units at a price of $0.05 per unit pursuant to a non-brokered private placement. Each unit consisting of one common share and one share purchase warrant entitling the holder to acquire one additional common share at a price of $0.10 per share, exercisable on or before May 1, 2010. The Company applied the residual approach which allocates the net proceeds to the common shares up to their fair value and the balance to the attached warrants. Based on this, the Company allocated $15,000 to common shares and $10,000 to warrants.

On July 20, 2009 the Company issued 500,000 units at a price of $0.05 per unit pursuant to a non-brokered private placement. Each unit consisting of one common share and one share purchase warrant entitling the holder to acquire one additional common share at a price of $0.10 per share, exercisable on or before July 20, 2010. The Company applied the residual approach which allocates the net proceeds to the common shares up to their fair value and the balance to the attached warrants. All of the proceeds from the above private placement have been allocated to the common shares.

On November 17, 2009, the Company issued 10,510,000 units at a price of $0.05 per unit for proceeds of $525,500. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire one additional common share at a price of $0.10 per share, exercisable on or before November 17, 2010, subject to early expiry if the shares trade at $0.30 or more for ten consecutive days. The Company applied the residual approach which allocates the net proceeds to the common shares up to their fair value and the balance to the attached warrants. All of the proceeds from the above private placement have been allocated to the common shares.

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

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

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

Stock options:

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

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

A summary of stock option activity for the period subsequent to the year ended December 31, 2010 is as follows:

	Number of options	Weighted Average exercise price
Balance, December 31, 2009 and 2008	785,002	$ 0.11
Expired	(16,544)	0.10
Exercised	(40,000)	0.10
Balance, December 31, 2010	728,458	$ 0.11

Stock Options outstanding and exercisable as at December 31, 2010:

Number of Options	Exercise Price per Option	Expiry Date
268,458	0.11	August 8, 2011
460,000	0.11	September 24, 2012
728,458		

Warrants:

As at December 31, 2010 the following warrants were outstanding:

	Number of warrants	Weighted-average exercise price
		$
Balance, December 31, 2008	375,000	0.11
Expiring during the year	(375,000)	0.11
Issued and expiring on or before January 28, 2010	250,000	0.10
Issued and expiring on or before May 1, 2010	500,000	0.10
Issued and expiring on or before July 20, 2010	500,000	0.10
Issued and expiring on or before November 17, 2010	10,510,000	0.10
Balance, December 31, 2009	11,760,000	0.10
Issued and expiring on or before January 8, 2011	1,000,000	0.10
Expired	(5,766,200)	0.10
Exercised	(5,993,800)	0.10
Balance, December 31, 2010	1,000,000	0.10

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

Related Party Transactions

During the fiscal year ended December 31, 2010, the Company entered into the following transactions with related parties:

a) Paid or accrued management fees of $30,000 (2009 - $30,000) to a Director and Chief Executive Officer of the Company. Included within accounts payable and accrued liabilities is $14,882 owing to him as at December 31, 2010 (2009 - $18,479).

b) Paid or accrued professional fees of $12,988 (2009 - $6,967) to a law firm of which directors of the Company are partners. Included within accounts payable and accrued liabilities is $1,582 owing to the law firm as at December 31, 2010 (2009 - $Nil).

c) Paid professional fees of $10,000 (2009 - $10,000) to the Company's Chief Financial Officer for providing accounting services.

d) Included in investment and advancement, $29,420 (2009 - $Nil) was cash advanced to a company whose major shareholder is a director and officer of the Company. Such amount was unsecured, non-interest bearing, and due on demand.

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 parties.

Liquidity and Capital Resources

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

As at December 31, 2010, the Company had working capital of $319,243 compared to working capital of $101,872 as at December 31, 2009.

Cash provided by issuance of new common shares during the 2010 fiscal period was $798,780. During the fiscal year ended December 31, 2009 cash provided by subscriptions to new common shares was $588,000, net of share issuance costs.

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

Subsequent Events

Subsequent to December 31, 2010, 1,000,000 warrants expired unexercised. See "warrants" above for details.

Risks and Uncertainties

The Company has limited financial resources and there is no assurance that additional funding will be available to it for further exploration and 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.

Summary of Quarterly Results

The following table sets out selected quarterly information for the eight most recent quarters ended December 31, 2010

Quarters ended in 2010 fiscal year	December 31 $	September 30 $	June 30 $	March 31 $
Gain on disposal of mineral property	-	149,999	-	-
Income (loss)	(69,832)	90,589	(262,952)	(214,795)
Income (loss) per common share	(0.01)	0.01	(0.01)	(0.01)
Quarters ended in 2009 fiscal year	**December 31 $**	**September 30 $**	**June 30 $**	**March 31 $**
Revenue	-	-	-	-
(Loss)	(393,614)	(25,516)	(17,873)	(18,036)
Loss per common share	(0.04)	(0.00)	(0.00)	(0.00)

EXCHEQUER RESOURCE CORP.

CORPORATE DATA

April 29, 2010

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Gary F Zak	Director
Sandra Morton	Secretary
Kenneth C. Phillippe	CFO

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CAPITALIZATION

Authorized:	Unlimited number of common shares, no par value
Issued:	28,016,632
Options:	728,458
Warrants:	Nil

LISTINGS

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

DATED: April 29, 2011