EXCHEQUER RESOURCE CORP.

(A development stage company)

Condensed Interim Financial Statements

Three months ended March 31, 2011

As expressed in Canadian dollars

[Unaudited – prepared by Management]

EXCHEQUER RESOURCE CORP.

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NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

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

"Kenneth C. Phillippe"

Kenneth C. Phillippe

Chief Financial Officer

EXCHEQUER RESOURCE CORP.

(A development stage company)

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

	March 31 2011	December 31 2010	January 1 2010
	$	$	$
ASSETS			(Note 12)
Current assets			
Cash and cash equivalents	216,592	327,781	151,466
Sales tax receivable	8,781	4,582	2,071
Marketable securities (Note 3)	87,500	112,500	-
Total current assets	312,873	444,863	153,537
Investment and advancement (Note 4)	104,778	29,420	-
Mineral property (Note 5)	-	-	1
Total assets	417,651	474,283	153,538
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	54,050	30,620	51,665
Notes payable (Note 7)	95,000	95,000	-
Total current liabilities	149,050	125,620	51,665
SHAREHOLDERS' EQUITY			
Share capital	8,801,962	8,801,962	8,093,651
Reserves	95,880	95,880	100,411
Deficit	(8,629,241)	(8,549,179)	(8,092,189)
Total shareholders' equity	268,601	348,663	101,873
Total liabilities and shareholders' equity	417,651	474,283	153,538

Nature and Continuance of Operations (Note 1)

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

EXCHEQUER RESOURCE CORP.
(A development stage company)

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

	Three months ended March 31, 2011	Three months ended March 31, 2010
	$	$
General and Administrative Expenses		
Filing and transfer agent fees	6,065	3,410
Management	7,500	7,500
Office expenses	918	374
Professional fees	18,800	17,873
Research and development	-	181,977
Travel and promotion	21,779	3,661
	55,062	214,795
Other item		
Loss on marketable securities	(25,000)	-
Net loss and comprehensive loss for the period	(80,062)	(214,795)
Deficit, beginning of period	(8,549,179)	(8,092,159)
Deficit, end of period	(8,629,241)	(8,306,984)
Basic and diluted loss per share	(0.01)	(0.01)
Weighted average number of common shares - Basic and diluted	28,016,632	21,905,054

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

EXCHEQUER RESOURCE CORP.
(A development stage company)

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

	Three months ended March 31, 2011	2010
	$	$
Cash flows from (used in)		
Operating activities		
Loss for the period	(80,062)	(214,795)
Less: Items not involving cash:		
Loss on marketable securities	25,000	-
Changes in non-cash working capital:		
Sales tax receivable	(4,199)	(670)
Accounts payable	23,430	(13,861)
	(35,831)	(229,326)
Investing activities		
Investment and advancement	(75,358)	-
Financing activities		
Issuance of common shares for cash (net)	-	100,000
Decrease in cash and cash equivalents	(111,189)	(129,326)
Cash and cash equivalents, beginning of period	327,781	151,466
Cash and cash equivalents, end of period	216,592	22,140
Supplemental Information		
Interest paid in cash	-	-
Income taxes paid in cash	-	-

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

EXCHEQUER RESOURCE CORP.
(A development stage company)

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

	Common shares		Reserves			
	Number	Amount	Equity Settled Employee Benefits	Warrants	Deficit	Total
		$	$	$	$	$
Balance, January 1, 2010	20,982,832	8,093,651	87,911	12,500	(8,092,189)	101,873
Shares issued for cash pursuant to a private placement						
- at a price of $0.10 per unit	1,000,000	100,000	-	-	-	100,000
Net loss and comprehensive loss	-	-	-	-	(214,795)	(214,795)
Balance, March 31, 2010	21,982,832	8,193,651	87,911	12,500	(8,306,984)	(12,922)
Shares issued for cash pursuant to the exercise of stock options:						
- at a price of $0.11 per share	40,000	4,400	-	-	-	4,400
Shares issued for cash pursuant to the exercise warrants						
- at a price of $0.10 per share	5,993,800	599,380	-	-	-	599,380
Reallocated from contributed surplus on the exercise of stock options	-	4,531	(4,531)	-	-	-
Net loss and comprehensive loss	-	-	-	-	(242,195)	(242,195)
Balance, December 31, 2010	28,016,632	8,801,962	83,380	12,500	(8,549,179)	348,663
Net loss and comprehensive loss	-	-	-	-	(80,062)	(80,062)
Balance, March 31, 2011	28,016,632	8,801,962	83,380	12,500	(8,629,241)	268,601

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

These condensed financial statements have been prepared using accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The recoverability of capitalized costs is uncertain and dependent upon projects achieving commercial production or sale. The ability of the Company to carry out its business objectives dependent on the Company's ability to receive continued financial support from related parties, to obtain public equity financing, or to generate profitable operations in the future.

	March 31 2011	December 31 2010	January 1 2010
Deficit	$ (8,629,241)	$ (8,549,179)	$ (8,092,189)
Working capital	$ 163,823	$ 319,243	$ 101,872

2. Significant Accounting Policies

Statement of Compliance and Conversion to International Financial Reporting Standards

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.

These are the Company's first IFRS condensed interim financial statements for part of the period covered by the first IFRS annual financial statements to be presented in accordance with IFRS for the year ended December 31, 2011. IFRS 1 – First-time Adoption of International Financial Reporting has been applied.

2. Significant Accounting Policies (cont'd…)

Statement of Compliance and Conversion to International Financial Reporting Standards (cont'd...)

Previously the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles (CAGAAP). In preparing these financial statements, management has amended certain accounting and measurement methods previously applied in the Canadian GAAP financial statements to comply with IFRS. Note 12 contains reconciliations and descriptions of the effect of the transition from Canadian GAAP to IFRS on equity, loss and comprehensive loss along with line-by-line reconciliations of the statements of financial position as at December 31, 2010 and January 1, 2010 and the statement of comprehensive loss for the year ended December 31, 2010.

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.

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

Basis of Presentation

These condensed interim financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at their fair value as explained in the accounting policies set out below. In addition, these interim financial statements have been prepared using the accrual basis of accounting except cash flow information.

These condensed financial statements include the accounts and operations of the Company and its special purpose 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 special purpose entity to the Company. This was determined by the management of the Company as the Company was considered to have control, where control is defined as the power to govern financial and operating policies.

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 MDVB 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.

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 March 31, 2011, December 31, 2010 and January1, 2010.

2. Significant Accounting Policies (cont'd…)

Marketable securities

Marketable securities are classified as fair value through profit or loss (FVTPL) because the Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities. Unrealized holding gains and losses related to FVTPL securities are included in the statement of income and comprehensive income in each period.

Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral interests. Accordingly, once a license to explore an area has been secured, the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of exploration and evaluation assets and crediting all revenues received against the cost of the related interests. Such costs, include, but are not limited to, geological and geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable resources. The aggregate costs, related to abandoned exploration and evaluation assets are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

The recoverability of amounts shown for exploration and evaluation assets is dependent up on the discovery of economically recoverable resources, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognized as income any costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

Upon transfer of exploration and evaluation costs into mine development, all subsequent expenditures on the construction, installation or completion of infrastructure facilities is capitalized within mine development. After production starts, all assets included in mine development costs are transferred to producing mines.

Impairment of non-financial assets

The Company reviews and evaluates its property, including exploration and evaluation assets, property and equipment for indications of impairment when events or changes in circumstances indicate that the related carrying amount may not be recoverable or at least at the end of each reporting period. The asset's recoverable amount is estimated if an indication of impairment exists.

Impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

2. Significant Accounting Policies (cont'd…)

Impairment of non-financial assets (cont'd…)

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.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales tax or duty. The following specific recognition criteria must also be met before revenue is recognized:

Government grants

Revenue from government grants related to the acquisition and development of exploration and evaluation assets is credited against the cost of the related asset when there is reasonable assurance that the Company will comply with the conditions attached to the grant and that the grant will be received.

Interest income

Revenue is recognized as interest accrues using the effective interest rate, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Financial Instruments

Financial assets

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts payable and accrued liabilities. Cash and cash equivalents and marketable securities are classified as fair value through profit or loss and recorded at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. The fair value of cash and cash equivalents, marketable securities, accounts payable and accrued are equal to their carrying value due to their short-term maturity.

2. Significant Accounting Policies (cont'd…)

Financial Instruments (cont'd…)

Financial assets (cont'd…)

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement.

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the income statement.

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the income statement.

All financial assets, except those at fair value through profit or loss, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence that a financial asset or a group of financial assets is impaired. Different criteria are applied for each category of financial assets described above to determine impairment.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement.

*Other financial liabilitie*s – This category includes notes payable, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

2. Significant Accounting Policies (cont'd…)

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'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.

Stock Option Plan

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.

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.

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.

2. Significant Accounting Policies (cont'd…)

Significant Accounting Judgments and Estimates

The preparation of interim financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities , in the event that actual results differ from assumptions made, relate to , but are not limited to, the following:

- the carrying value of the investment and advancement, and the estimated annual gains or losses recorded on the investment, and the recoverability of the carrying value which are included in the statement of financial position;
- the estimated value of the exploration and development costs which is recorded in the statement of financial position and the assessment of indications of impairment of each mineral property and related determination of the net realizable value and write-down of those properties where applicable.
- the inputs used in accounting for share based payments expense in the statement of comprehensive loss;
- the composition of deferred income tax assets and liabilities included in the notes to financial statements;
- the inputs used in determining the various commitments and contingencies accrued in the statement of financial position;

Income taxes

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

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

2. Significant Accounting Policies (cont'd…)

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

Certain new accounting standards and interpretations have been published that are not mandatory for the January 1, 2010 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- IFRS 9 – Financial Instruments: effective for accounting periods commencing on or after January 1, 2013. The standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39. It divides all financial assets that are currently in the scope of IAS 39 into two classifications: amortized cost and those measured at fair value. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

- IFRS 7 - Financial Instruments—Disclosures: Amendments to IFRS 7 were issued by adding "Disclosures — Transfers of Financial Assets" in October 2010. This amendment requires disclosure information to enable users of financial statements to (a) understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities, and (b) evaluate the nature of, and risks associated with, the continuing involvement in derecognized financial assets. This amendment is required to be applied for annual periods beginning on or after July 1, 2011 with earlier adoption permitted. The Company has not yet assessed the impact of the amendment or determined whether it will adopt the amendment early.

- IFRS 12 - Amendments to IAS 12 were issued by adding "Deferred Tax: Recovery of Underlying Assets" issued in December 2010. This amendment illustrates circumstances where the tax base of an asset or liability is not immediately apparent. With certain limited exceptions, a deferred tax liability (asset) shall be recognized whenever recovery or settlement of the carrying amount of and asset or liability would make future tax payments larger (smaller) than they would be if such recovery or settlement were to have no tax consequences. Circumstances are illustrated when, for example, the tax base of an asset or liability depends on the expected manner of recovery or settlement. This amendment is required to be applied for annual periods beginning on or after January 1, 2012 with earlier adoption permitted. The Company has not yet assessed the impact of the amendment or determined whether it will adopt the amendment early.

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 are recorded at fair value of $0.06 per share for a total of $150,000. The market value of the shares held by the Company, as at March 31, 2011 was $87,500 (December 31, 2010: $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 fair value through profit or loss.

4. Investment and Advancement

In fiscal year 2010, the Company signed a Memorandum of Understanding ("MOU") 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. As at March 31, 2011, the Company advanced money to Media Link of $104,778 (December 31, 2010: $29,420 and January 1, 2010: $Nil). A major shareholder of Media Link is a director and officer of the Company. The amount is unsecured, non-interest bearing and due on demand.

5. Georgia River Mineral Property

As at January 1, 2010, the Company owned twenty mineral claims, located in the Skeena Mining Division, British Columbia. The claims were recorded at a nominal carried value of $1. During the fiscal year ended December 31, 2010 the Company disposed of the claims and recorded a gain on disposal of $149,999. (Also see Note 3)

6. Research and Development

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

On December 31, 2010, management terminated any and all agreements and/or contract with regard to this project.

7. Notes Payable

The notes payable are non-interest bearing, unsecured and due on demand.

8. Share Capital

a. Authorized:

Unlimited number of common shares with no par value.

b. Issued and outstanding:

As at March 31, 2011 there is no share transactions and the total issued and outstanding share capital is 28,016,632 common shares (December 31, 2010: 28,016,632, and January 1, 2010: 20,982,832).

Transactions for the year ended December 31, 2010

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.

c. Warrants

As at March 31, 2011 the following warrants were outstanding:

	Number of warrants	Weighted-average exercise price
		$
Balance, January 1, 2010	11,760,000	0.10
Expired	(250,000)	0.10
Issued and expiring on or before January 8, 2011	1,000,000	0.10
Balance, March 31, 2010	12,510,000	0.10
Expired	(5,516,200)	0.10
Exercised	(5,993,800)	0.10
Balance, December 31, 2010	1,000,000	0.10
Expired	(1,000,000)	0.10
Balance, March 31, 2011	-	-

8. Share Capital (cont'd…)

c. Warrants

11,760,000 warrants were issued during the fiscal year ended December 31, 2009.

In fiscal year ended December 31, 2010, there were 5,766,200 warrants expired unexercised and 5,993,800 warrants exercised at $0.10 per warrant. See Note 8b for details.

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

d. Stock Options

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

A summary of stock option activity is as follows:

	Number of options	Weighted-average exercise price
Balance, January 1, 2010	785,002	$ 0.11
Expired	(16,544)	0.10
Exercised	(40,000)	0.11
Balance, December 31, 2010 and March 31, 2011	728,458	$ 0.11

The Company has the following options outstanding and exercisable:

Expiry Date	Weighted average exercise price	Weighted Average Number of Shares	Weighted Average Remaining Contractual Life (Years)
August 8, 2011	$ 0.11	268,458	0.36
September 24, 2012	$ 0.11	460,000	1.49
	$ 0.11	728,458	1.07

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.

9. Related Party Transactions

During the three months ended March 31, 2011, the Company entered into the following transactions with related parties:

a) Paid or accrued management fees of $7,500 (2010: $7,500) to a Director and Chief Executive Officer of the Company. Included within accounts payable and accrued liabilities as at March 31, 2011 is $20,221 (December 31, 2010: $14,882) owing thereto.

b) Paid or accrued professional fees of $3,500 (2010: $2,500) to the Company's Chief Financial Officer for providing accounting services. Included within accounts payable and accrued liabilities as at March 31, 2011 is $3,920 (December 31, 2010: $Nil) owing thereto.

c) Paid or accrued professional fees of $Nil (2010: $3,133) to a law firm of which a director of the Company is a principal. Included within accounts payable and accrued liabilities as at March 31, 2011 is $nil (December 31, 2010: $1,582) owing thereto.

d) See Note 4.

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.

10. Financial Instruments

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and commodity price risk.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to accounts receivable. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2011, the Company had a cash and cash equivalents balance of $216,592 (December 31, 2010 - $327,781 and January 1, 2010 - $151,466) to settle current liabilities of $149,050 (December 31, 2010 - $125,620 and January 1, 2010 - $51,665). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

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

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

(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, 2011, the Company's expenditures are in Canadian dollars, any future equity raised is expected to be predominantly in Canadian dollars. The Company believes it has no significant foreign exchange rate risk.

The Company does not hold balances in foreign currencies which would give rise to exposure to foreign exchange risk.

Fair value hierarchy

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For the three months ended March 31, 2011, cash and cash equivalents and marketable securities are assessed to be Level 1 instruments.

11. 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 March 31, 2011, the Company has not entered into any debt financing.

11. Capital Management (Cont'd...)

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.

12. Transition to International Financial Reporting Standards

As stated In Note 2, these are the Company's first interim financial statements prepared in accordance with IFRS.

The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards ("IFRS 1"). The first date at which IFRS was applied was January 1, 2010 ("Transition Date"). IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

IFRS 1 requires that the same policies are applied for all periods presented in the first IFRS financial statements and that those policies comply with IFRSs in effect as at the end of the first IFRS annual reporting period. Accordingly, the opening IFRS statement of financial position, 2010 comparatives and current year financial statements have been prepared using the same policies. The previously presented 2010 Canadian GAAP financial information has been reconciled to the IFRS information as part of this transition note in accordance with the requirements of IFRS 1.

Further, the policies applied have been done so on a full retrospective basis unless an alternative treatment is permitted or required by an IFRS 1 election or exception. These are discussed below.

Elections upon first-time adoption of IFRS

The IFRS 1 exemptions applied by the Company in the conversion from Canadian GAAP to IFRS are as follows:

(i) Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 (2008) *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 (2008) to only those business combinations that occurred on or after the Transition Date and such business combinations have not been restated. As a result of this election, no adjustments were required to the Company's statement of financial position as at the Transition Date.

(ii) Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless those estimates were in error. The Company's IFRS estimates as at the Transition Date are consistent with its Canadian GAAP estimates as at that date.

12. Transition to International Financial Reporting Standards (Cont'd...)

Reconciliations of Canadian GAAP to IFRS

IFRS 1 requires an entity to reconcile equity and comprehensive income for prior periods presented under Canadian GAAP to IFRSs as of the same date. In addition, an explanation is required for any material adjustments to cash flows to the extent that they exist. The analysis which follows represents the reconciliations from Canadian GAAP to IFRS for the respective periods noted:

(iii) Share-based payment transactions

IFRS 1 permits the Company to apply IFRS 2 *Share-based Payment* only to awards granted on or after the transition date. The Company is also required to apply IFRS 2 to equity instruments that were granted on or after November 7, 2002 that vest after the date of transition to IFRS.

IFRS 2, similar to Canadian GAAP, requires the Company to measure share-based compensation related to share purchase options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options. However, under IFRS 2, the recognition of such expense must be done with a "graded vesting" methodology as opposed to the straight-line vesting method allowed under Canadian GAAP. In addition, under IFRS, forfeitures estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods; while under Canadian GAAP, forfeitures of awards are recognized as they occur.

All of the stock options granted by the Company vested before January 1, 2010. As a result, the adoption of IFRS had no impact on the share-based payment transactions as the Company has elected this exemption under IFRS 1.

(iv) Reclassification within equity section

Under Canadian GAAP, a balance within contributed surplus existed to record the issuance of warrants and equity-settled employee benefits. Upon adoption of IFRS, the balances in these accounts have been reclassified to "Reserves – Equity Settled Employee Benefits" and "Reserves – Warrants".

Changes to accounting policies

The Company has changed certain accounting policies to be consistent with IFRS as is expected to be effective or available for early adoption on December 31, 2011, the Company's first annual IFRS reporting date. However, these changes to its accounting policies have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS:

12. Transition to International Financial Reporting Standards (Cont'd...)

i) Impairment of (Non-financial) Assets

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no impact on the unaudited condensed interim financial statements.

Transition date unaudited condensed statement of financial position

The Company's Transition Date IFRS unaudited statement of financial position is included as comparative information in the unaudited condensed interim statements of financial position in these financial statements. The changes in accounting policies resulting from the Company's adoption of IFRS had no impact on the unaudited interim statement of financial position as at the transition date of January 1, 2010.

Reconciliation of comprehensive loss and equity

The changes in accounting policies resulting from the Company's adoption of IFRS had no impact on the Company's comprehensive loss and equity as at December 31, 2010.

Presentation

Certain amounts on the unaudited condensed statement of financial position, statement of loss and comprehensive loss and statement of cash flows have been reclassified to conform to the presentation adopted under IFRS.

13. Comparative Figures

Certain 2010 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2011.