WATERFRONT CAPITAL CORPORATION

Management's Interim Discussion and Analysis

For the six month period ended June 30, 2012

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DESCRIPTION OF BUSINESS AND OVERVIEW OF OPERATIONS AND FINANCIAL CONDITION

The following is management's interim discussion and analysis ("MD&A"), prepared as of August 15, 2012. This MD&A should be read in conjunction with the unaudited Consolidated Interim Financial Statements for the six months ended June 30, 2012, the Company's audited Consolidated Financial Statements and the accompanying notes for the year ended December 31, 2011, and the MD&A included in the Company's Annual Report, all as prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

This report includes certain statements that may be deemed "forward looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical facts that address such matters as future events or developments that the Company expects, are forward looking statements and, as such, are subject to risks, uncertainties and other factors of which are beyond the reasonable control of the Company. Such statements are not guarantees of future performance and actual results or developments may differ materially from those expressed in, or implied by, this forward looking information. With respect to forward-looking statements and information contained herein, we have made numerous assumptions including among other things, assumptions about economics and competition surrounding the services provided by the Company, anticipated costs and expenditures and the Company's ability to achieve its goals. Although management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that a forward-looking statement or information herein will prove to be accurate. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Factors that could cause actual results to differ materially from those in forward-looking statements include such matters as continued availability of capital and financing and general economic, market or business conditions. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Accordingly, readers should not place undue reliance on forward-looking statements or information. Any forward-looking statements are expressly qualified in their entirety by this cautionary statement. The information contained herein is stated as of the current date and subject to change after that date and the Company does not undertake any obligation to update publicly or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

Additional information related to the Company is available for view on SEDAR at www.sedar.com.

Description of Business

The Company offers a range of financial and communications services to companies in various industry sectors. The Company often serves as a company's strategic partner through the entire corporate "life-cycle", providing expertise in venture capital, initial public offerings, secondary financings, mergers and acquisitions, public market administration, as well as, media and investor relations. The Company's management has extensive financing and operating experience and assists promising companies that require infusions of capital, management and restructuring to realize the value of their underlying business.

The Company trades on the TSX Venture Exchange under the symbol WFG.

PERFORMANCE SUMMARY

The following is a summary of the significant events and transactions that occurred during the six months ended June 30, 2012 and for the subsequent period to the report date hereof:

Results of Operations

For the three month period ended June 30, 2012 compared with the three month period ended June 30, 2011:

Revenues from operations

During the three months ended June 30, 2012, the Company reported total revenue of $83,724 compared to total revenue of $117,686 for the three month period ended June 30, 2011. Rent and administrative revenues of $72,745 (2011 – $84,195) decreased by $11,450 from the same period in 2011 due to the elimination of wages expense recovery required as the Company no longer provides payroll processing function for the companies it services. The Company reported $10,979 in interest and other income compared to $33,491 in 2011, an decrease of $22,512 due to a decrease in interest income on the outstanding loan to CFGI Holdings Inc., of which the loan amount outstanding was written down to its expected fair value of $250,000 on December 31, 2011. No additional interest has been recorded on the loan.

Operating Expenses / Net Income (Loss) from operations

Operating expenses, which include wages and benefits, amortization of property and equipment costs, professional fees, and other related expenses, totaled $81,368 for the three month period ended June 30, 2011 and $97,817 for the same period in 2011. The net decrease of $16,449 is due largely to the following:

- Consulting fees of $10,500 (2011 - $15,200) decreased by $4,700 mainly due to decrease in consulting services required;
- Depreciation expense of $5,518 (2011 - $7,867) decreased by $2,349 mainly due to depreciated net book carrying values on equipment and software ;
- Office and general expenses of $17,262 (2011 - $34,155) decreased by $16,893 mainly due to decrease in office supplies purchased;
- Professional fees of $22,522 (2011 - $18,511) increased by $4,011 mainly due an increase in audit services;
- Regulatory and transfer agent fees of $12,926 (2011 - $9,970) increased by $2,956 mainly due to an increase in regulatory service costs;
- Rent of $12,640 (2011 - $12,274) remained fairly consistent;
- Wages and benefits recovery of $nil (2011 – recovery of $160) changed mainly due to elimination of payroll processing function for the companies it services.

The Company reports operating net income of $2,356 (2011 – $19,869) before unrealized loss on investments held for trading in the amount of $409 (2011 –$26,318) and unrealized foreign exchange loss of $nil (2011- $2,626) on the foreign loan receivable.

For the six month period ended June 30, 2012 compared with the six month period ended June 30, 2011:

Revenues from operations

During the six months ended June 30, 2012, the Company reported total revenue of $169,527 compared to total revenue of $227,938 for the six month period ended June 30, 2011. Corporate and administrative revenues of $147,580 (2011 – $161,586) decreased by $14,006 from the same period in 2011. The Company reported $21,947 in interest and other income compared to $66,352 in 2011, a decrease of $44,405 due to a decrease in interest income on the outstanding loan to CFGI Holdings Inc., of which the loan amount outstanding was written down to its expected fair value of $250,000 on December 31, 2011. No additional interest has been recorded on the loan.

Operating Expenses / Net Income (Loss) from operations

Operating expenses, which include wages and benefits, depreciation of property and equipment costs, professional fees, and other related expenses, totaled $164,893 for the six month period ended June 30, 2012 and $180,022 for the same period in 2011. The net decrease of $15,129 is due largely to the following:

- Consulting fees of $21,000 (2011 - $25,700) decreased by $4,700 mainly due to a decrease in consulting services required;
- Depreciation expense of $11,036 (2011 - $15,734) decreased by $4,698 mainly due to depreciated net book carrying values on equipment and software;
- Office and general expenses of $48,553 (2011 - $62,361) decreased by $13,808 mainly due to a decrease in office supplies purchased;
- Professional fees of $39,392 (2011 - $35,381) increased by $4,011 mainly due to an increase in audit services required;
- Regulatory and transfer agent fees of $18,859 (2011 - $16,122) increased by $2,737 mainly due to an increase in regulatory service costs;
- Rent of $26,053 (2011 - $24,547) increased by $1,506 mainly due to an adjustment of triple net costs;
- Wages and benefits expense of $Nil (2011 – $177) decreased by $177 mainly due to elimination of payroll processing function for the companies it services;

The Company reports operating net income of $4,634 (2011 – $47,916) before unrealized gain on investments in the amount of $19,668 (2011 loss – $82,801); unrealized foreign exchange loss of $nil (2011 – $10,695) on the foreign loan receivable; loss on sale of investments in the amount of $18,477 (2011 - $nil); and gain on sale of subsidiary of $nil (2011 - $10).

OFF BALANCE SHEET ARRANGEMENTS

The Company is not a party to any off-balance sheet arrangements or transactions.

PROPOSED TRANSACTIONS

The Company does not have any current proposed asset or business acquisition of dispositions; however, the Company continues to seek new business opportunities to raise capital.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of quarterly results of the Company for the eight most recently completed financial quarters ended June 30, 2012:

	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Total assets	$ 465,748	$ 491,471	$ 480,386	$ 741,086
Working capital	87,790	80,325	70,929	170,482
Shareholders' equity	400,856	398,909	395,031	665,030
Total Revenue	83,724	85,803	112,430	106,983
Operating expenses	81,368	83,525	104,854	76,620
Net income (loss) and comprehensive income (loss)	1,947	3,878	(273,612)	53,521
Basic income (loss) per share	0.00	0.00	(0.03)	(0.00)
Diluted income (loss) per share	0.00	0.00	(0.03)	(0.00)

	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
Total assets	$ 695,170	$ 754,471	$ 799,813	$ 714,687
Working capital	174,541	206,614	260,034	324,214
Shareholders' equity	611,509	620,584	657,079	543,062
Total Revenue	117,686	110,252	210,941	234,193
Operating expenses	97,817	82,205	172,970	141,604
Net income (loss) and comprehensive income (loss)	(9,075)	(36,495)	114,017	106,806
Basic income (loss) per share	(0.00)	(0.00)	0.01	0.01
Diluted income (loss) per share	(0.00)	(0.00)	0.01	0.01

SELECTED ANNUAL INFORMATION

Comparative information for periods from January 1, 2010 onwards has been restated in accordance with IFRS

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Revenues	447,351	744,489	549,807
Operating income (loss)	85,855	111,990	(80,490)
Net income (loss) and comprehensive income (loss)	(265,661)	130,813	717,473
Impairment charges	(238,515)	-	-
Basic earnings (loss) per share	(0.03)	0.01	0.07
Diluted earnings (loss) per share	(0.03)	0.01	0.07
Total assets	480,386	799,813	646,616

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to date primarily through the issuance of common shares, warrants and debenture financing. The Company continues to seek capital through various means including the issuance of equity and/or debt.

As at June 30, 2012, the Company had working capital of $87,790 compared to a working capital of $70,929 as at December 31, 2011. As at June 30, 2012, the Company had cash of $13,481 compared to cash of $22,310 as at December 31, 2011.

Net cash used in operating activities for the six months ended June 30, 2012 was $22,692 compared to $9,125 during the same period in 2011.

Net cash provided by investing activities for the six months ended June 30, 2012 was $13,863 compared to $10 during the same period in 2011 from proceeds on sale of investments.

TRANSACTIONS WITH RELATED PARTIES

(a) Included in receivables at June 30, 2012 is $63,108 (December 31, 2011 - $47,243) due from companies controlled by directors and/or companies with certain common directors as follows:

Name of Company	Directors/Officers	June 30, 2012	December 31, 2011
0757292 BC Ltd.	Douglas L. Mason	$ 51	$ 56
0910882 BC Ltd.	Douglas L. Mason	51	51
Beachfront Enterprises Ltd	Douglas L. Mason	71	204
Black Panther Mining Corp.	Douglas L. Mason, Bruce E. Morley and Sead Hamzagic	3,529	217
Bruce E. Morley Law Corporation	Bruce E. Morley	11	11
Columbia Yukon Explorations Inc.	Douglas L. Mason, Bruce E. Morley and Sead Hamzagic	165	552
Criterion Capital Corp.	Douglas L. Mason	633	101
DMRC Properties Ltd.	Douglas L. Mason	381	277
International Bethlehem Mining Corp.	Douglas L. Mason, Bruce E. Morley and Sead Hamzagic	328	379
Nick N Willy's Franchise Company LLC	Douglas L. Mason and Sead Hamzagic	627	627
Rainy Mountain Royalty Corp.	Douglas L. Mason, Bruce E. Morley and Sead Hamzagic	216	435
Sead Hamzagic, Inc	Sead Hamzagic	34	27
Waterfront Capital Partners Inc.	Douglas L. Mason	1,627	177
White Tiger Mining Corp.	Douglas L. Mason, Bruce E. Morley and Sead Hamzagic	618	673
World Famous Pizza Company Ltd.	Douglas L. Mason, Bruce E. Morley and Sead Hamzagic	54,766	43,456
		$ 63,108	$ 47,243

(b) Included in loans receivable at June 30, 2012 is $250,000 (December 31, 2011 - $250,000) due from CFGI Holdings, Inc. (a company with certain common directors, namely, Douglas L. Mason and Sead Hamzagic).

(c) During the six months ended June 30, 2012, the Company paid or accrued the following amounts to directors, companies or limited partnerships controlled by directors, and/or companies with common directors:

Name of Company	Directors/Officers	June 30, 2012	June 30, 2011
Beachfront Enterprises Limited Partnership (rent)	Douglas L. Mason	$ 26,053	$ 24,546
Bruce E. Morley Law Corporation (legal services)	Bruce E. Morley	15,000	15,000
Criterion Capital Corporation (consulting fees)	Douglas L. Mason	15,000	15,000
Sead Hamzagic, Inc. (consulting fees)	Sead Hamzagic	6,000	6,000

(d) Included in deferred revenue at June 30, 2012 is $21,937 (December 31, 2011 - $43,873) collected from companies with common directors to cover the cost of implementing new computer hardware and software systems and other expense recoveries;

(e) During the six months ended June 30, 2012, the Company received Corporate and Administrative service revenue of $138,883 (June 30, 2011 - $152,916) from companies controlled by directors and/or companies with common directors, namely, Douglas L. Mason, Bruce E. Morley and Sead Hamzagic;

(f) During the six months ended June 30, 2012, the Company accrued/received interest revenue of $Nil (June 30, 2011 - $44,416) from CFGI Holdings, Inc. (a company with certain common directors, namely, Douglas L. Mason and Sead Hamzagic).

(g) During the six months ended June 30, 2012, the Company recorded $21,947 (June 30, 2011 - $21,936) in other revenue (deferred revenue recognized) from companies with common directors (see item (c) above).

These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

COMMITMENTS AND CONTINGENCIES

The Company has entered into lease agreements for premises and equipment expiring through 2014. The minimum annual lease commitments under these leases are as follows:

2012	$	34,251
2013	$	8,771
2014	$	7,309

The Company has entered into three 5-year term renewable agreements with companies controlled by three directors of the Company for the provision of consulting and/or legal services at a cost of $2,500 per month ($30,000 per annum), $2,500 per month ($30,000 per annum) and $1,000 per month ($12,000 per annum), respectively. If any of such agreements are terminated without cause, or if there is a change in control of the Company, the Company is required to pay an amount equal to five times the annual fees payable there under.

The Company has entered into three agreements with certain directors/officers for services rendered in such capacities. If such agreements are terminated without consent of the director/officer or the director/officer resigns within 120 days following a change in control, the Company must pay $100,000 to such director/officer and allow any unvested stock options to vest.

CAPITAL MANAGEMENT

The Company manages its common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in 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.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities of 365 days or less from the original date of acquisition, selected with regard to the expected timing of expenditures from continuing operations.

To fund future operating activities the Company may need to raise funds through future share issuances, issue new debt or dispose of assets.

There have been no changes to the Company's approach to capital management during the six month period ended June 30, 2012. The Company is not subject to externally imposed capital requirements.

The Company expects its current capital resources will be sufficient to carry its corporate and administrative services and operations through its current operating period.

FINANCIAL INSTRUMENTS

Fair value

The Company classifies its cash and cash equivalents and short-term investments as fair value through profit or loss; accounts receivable, loans receivables; and accounts payable as other financial liabilities.

The carrying values of accounts receivable, loans receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company's measurement of fair value of financial instruments as at June 30, 2012 and December 31, 2011 in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
June 30, 2012				
Cash and cash equivalents	$ 13,481	$ 13,481	$ -	$ -
Investments	$ 71,870	$ 71,870	$ -	$ -
December 31, 2011				
Cash and cash equivalents	$ 22,310	$ 22,310	$ -	$ -
Investments	$ 84,543	$ 84,543	$ -	$ -

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and cash equivalents, trade accounts receivable and other receivables.

The Company's credit risk is primarily attributable to cash and short-term investments. Management believes that the credit risk concentration with respect to cash and short-term investments is remote as it maintains accounts with highly-rated financial institutions. Accounts receivable are due primarily from companies with common directors and/or officers.

Credit risk with respect to other receivables is considered to be moderate due to the balance being outstanding from related parties. Credit risk with respect to trade accounts receivable has been assessed as low from management, as the Company has strong working relationships with the parties involved.

The credit risk associated with cash and cash equivalents is minimized substantially by ensuring that these financial assets are placed with a major financial institution with strong investment-grade ratings by a primary ratings agency.

The Company's concentration of credit risk and maximum exposure thereto is as follows:

	June 30, 2012	December 31, 2011
Bank accounts	$ 13,481	$ 22,310
Investments	71,870	84,543
Loan receivable	250,000	250,000
Trade accounts receivable	63,793	48,008
	$ 399,144	$ 404,861

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At June 30, 2012, the Company had accounts payable and accrued liabilities of $42,955 (December 31, 2011 - $41,482). Based on the current funds held as at June 30, the Company has sufficient working capital to cover its current liabilities.

The amounts listed below are the remaining contractual maturities for financial liabilities held by the Company:

	June 30, 2012		
Due Date	Accounts Payable and Accrued Liabilities	Due to Related Parties	Total
0 – 90 days	$ 42,955	$ -	$ 42,955

	December 31, 2011		
Due Date	Accounts Payable and Accrued Liabilities	Due to Related Parties	Total
0 – 90 days	$ 38,643	$ 2,839	$ 41,482

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

Interest rate risk consists of two components:

(a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash and cash equivalents consist of cash held in bank accounts. Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values.

Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. Given the balance of the cash and equivalents, any fluctuations in the interest rate would lead to an immaterial change in the consolidated statements of comprehensive loss.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to other price risk with respect to its marketable securities, as they are carried at fair values based on quoted market prices, and investments, as they are carried at fair values based on quoted market prices.

SEGMENTED INFORMATION

The Company currently operates its business in one operating segment in Canada.

OUTSTANDING SHARE DATA as of August 15, 2012:

a) Authorized:
Unlimited Number of Common Shares without par value

b) Issued and outstanding:
9,654,066 common shares with a stated value of $7,459,938

c) Outstanding incentive stock options:

Number of Options	Exercise Price	Expiry Date
1,300,000	$ 0.15	September 10, 2012
100,000	$ 0.10	February 12, 2013
200,000	$ 0.10	November 1, 2016
75,000	$ 0.10	July 27, 2017
1,675,000		

d) Outstanding warrants: Nil

e) Shares in escrow or pooling agreements: Nil

OFFICERS AND DIRECTORS

Douglas L. Mason, President, CEO and Director
Sead Hamzagic, CFO and Director
Bruce E. Morley, Director and member of Audit Committee
Valerie Samson, Director and member of Audit Committee
Andrzej Kowalski, Director and member of Audit Committee