WATERFRONT CAPITAL CORPORATION

Management's Discussion and Analysis

December 31, 2012

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DESCRIPTION OF BUSINESS AND OVERVIEW OF OPERATIONS AND FINANCIAL CONDITION

The following is management's discussion and analysis ("MD&A"), prepared as of April 2, 2013. This MD&A should be read in conjunction with the audited Consolidated Financial Statements for the year ended December 31, 2012 and the accompanying notes, 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 twelve months ended December 31, 2012 and for the subsequent period to the report date hereof:

Results of Operations

The following discussion addresses the operating results and financial condition of the Company for the three month period ended December 31, 2012 compared with the three month period ended December 31, 2011. The Management Discussion and Analysis should be read in conjunction with the Company's audited financial statements and the accompanying notes for the year ended December 31, 2012.

For the three month period ended December 31, 2012:

Net loss for the period

The Company had a net loss for the three month period ended December 31, 2012 of $14,766 (2011 - $273,612). The net decrease of $258,846 in the net loss for the three month period ended December 31, 2012 compared to the three month period ended December 31, 2011 was primarily due a $233,394 decrease in write downs of loans and receivables and a $41,073 decrease in general and administrative expenses as detailed below.

Revenue

During the three month period ended December 31, 2012, the Company reported revenue of $81,956 compared to $112,430 in the three month period ended December 31, 2011, items that caused the $30,474 reduction in revenue are noted in the following:

- Corporate and administrative services of $70,987 (2011 - $74,903) had decreased by $3,916 due to a reduction in administrative services provided to one of its clients. For the next 12 months, the Company anticipates its revenue from such services to drop to approximately $64,000 per quarter.
- Interest and other income of $10,969 (2011 - $37,527) had decreased by $26,558 directly due to a reduction in interest charged on the CFGI Holdings, Inc. (a subsidiary of World Famous Pizza Company Ltd.) loan written off as uncollectible. Both companies were formally related parties. The Company does not anticipate earning interest and other income over the next 12 months.

Other income (loss)

During the three month period ended December 31, 2012, the Company reported loss of $32,941 compared to $281,188 in the three month period ended December 31, 2011 from other sources of income. Items that caused the net cost in other items are noted in the following:

- Write-down on loan receivable of $0 (2011 - $191,353) had decreased by $191,353 due to a partial write-down on the CFGI Holdings, Inc. (a subsidiary of World Famous Pizza Company Ltd.) receivables at December 31, 2011. The remaining balance was deemed uncollectible and written down on September 30, 2012 in the amount of $250,000. Both companies were formerly related parties.
- Write-down on accounts receivable of $5,121 (2011 - $47,162) had decreased by $42,041 due to a partial write-down on World Famous Pizza Company Ltd. and Canadian Franchise Group Inc. receivables at December 31, 2011 (formerly related parties). The remaining balances were deemed uncollectible and written down on September 30, 2012 in the amount of $60,638.
- Unrealized loss on investments of $27,820 (2011 - $33,920) had decreased by $6,100 due to falling market values of securities held. The investments the Company holds comprise of securities held in related parties.
- Unrealized foreign exchange loss of $nil (2011 - $8,753) had decreased by $8,753. The exchange loss was due to the effects of the US dollar exchange rate on the loan balance due from CFGI Holdings, Inc. The loan has been written off in September 2013 and the Company does not have any remaining balances causing differences in foreign exchange.

Operating Expenses

General and administrative expenses of $63,781 (2011 - $104,854) are primarily comprised of consulting, management, administrative, professional fees, transfer agent fees and filing fees, and general office expenses. The net decrease was $41,073 when compared to the three month period ended December 31, 2011. Items that caused the net decrease are noted in the following:

In comparison to the three month period ended December 31, 2011:

- Consulting fees of $11,000 (2011 - $16,500) had decreased by $5,500 due to the elimination of services required from one Company's consultants for the three month period and a reduction of services required for two of the Company's consultants for the current quarter only, when compared to the prior period.
- Depreciation of $5,518 (2011 - $7,867) decreased by $2,349. Depreciation decreases each quarter are due to reduced unamortized carrying values as property and equipment are depreciated at annual rates using the declining balance method.
- Office and miscellaneous of $6,116 (2011 - $30,398) decreased by $24,282. The decrease is considered to be a permanent reduction as the Company has ceased to purchase shared office supplies which it recovered through its invoicing in revenues.
- Professional fees of $16,870 (2011 - $23,500) decreased by $6,630 due to a decrease in external accounting services required. The Company anticipates professional fees to remain fairly consistent to the current period during the next 12 months.
- Rent of $12,640 (2011 - $14,808) decreased by $2,168 due to adjustments in shared overhead costs. The Company anticipates rent to decrease substantially over the next 12 months as it ceases to provide certain services and utilizes less office space.
- Regulatory and transfer agent fees of $2,751 (2011 - $8,168) decreased by $5,417 due to a reduction of service offered to clients and recovered in its revenue source. The Company estimates that the fees will continue at the current amounts.
- Share-based payments of $5,886 (2011 - $3,613) increased by 2,273 due to the timing of the option issuances in each period when and if such options are options available.
- Wages and benefits of $3,000 (2011 - $nil) increased by $3,000 due to an adjustment in the cost allocation of administrative personnel. Consulting fees have been reduced to accommodate personnel costs.

For the twelve month period ended December 31, 2012:

Net loss for the year

The Company had a net loss for the year ended December 31, 2012 of $313,782 (2011 - $265,661). The net increase of $48,121 in the net loss for the year ended December 31, 2012 compared to the year ended December 31, 2011 was primarily due a $77,244 increase in write downs of loans and receivables, an increase in the loss on sale of investments of $18,487 offset by a $93,948 decrease in unrealized losses as detailed below.

Revenue

During the year ended December 31, 2012, the Company reported revenue of $333,016 compared to $447,351 for the year ended December 31, 2011; items that caused the $114,335 reduction in revenue are noted in the following:

- Corporate and administrative services of $289,132 (2011 - $307,764) had decreased by $18,632 due to a reduction in administrative services provided to one of its clients. For the next year, the Company anticipates its revenue from such services to drop to approximately $250,000 for the 2013 year based on its current billing for services.
- Interest and other income of $43,884 (2011 - $139,587) had decreased by $95,703 directly due to a reduction in interest charged on the CFGI Holdings, Inc. (a subsidiary of World Famous Pizza Company Ltd.) loan written off as uncollectible. Both companies were formally related parties. The Company does not anticipate earning interest and other income over the year.

Other income (loss)

During the year ended December 31, 2012, the Company reported loss of $353,229 compared to $351,516 for the year ended December 31, 2011 from other sources of income. Items that caused the net cost in other items are noted in the following:

- Write-down on loan receivable of $250,000 (2011 - $191,353) had increased by $58,647 due to a partial write-down on the CFGI Holdings, Inc. (a subsidiary of World Famous Pizza Company Ltd.) receivables at December 31, 2011. The remaining balance was deemed uncollectible and written down on September 30, 2012 in the amount of $250,000. Both companies were formally related parties.
- Write-down on accounts receivable of $65,759 (2011 - $47,162) had increased by $18,597 due to a partial write-down on World Famous Pizza Company Ltd. and Canadian Franchise Group Inc. receivables at December 31, 2011 (formerly related parties). The remaining balances were deemed uncollectible and written to $nil.
- Unrealized loss on investments of $19,063 (2011 - $123,302) had decreased by $104,239 due to falling market values of securities held. The investments the Company holds comprise of securities held in related parties.
- Unrealized foreign exchange loss of $nil (2011 - $10,229) had decreased by $10,229. The exchange loss was due to the effects of the US dollar exchange rate on the loan balance due from CFGI Holdings, Inc. The loan has been written off in September 2013 and the Company does not have any remaining balances causing differences in foreign exchange.

Operating Expenses

General and administrative expenses of $293,499 (2011 - $361,496) are primarily comprised of consulting, management, administrative, professional fees, transfer agent fees and filing fees, and general office expenses. The net decrease was $67,667 when compared to the year ended December 31, 2011. Items that caused the net decrease are noted in the following:

In comparison to the three month period ended December 31, 2011:

- Consulting fees of $43,167 (2011 - 52,700) had decreased by $9,533 due to the elimination of services required from one of the Company's consultants.
- Depreciation of $22,072 (2011 - $31,468) decreased by $9,396. Depreciation decreases each year are due to reduced unamortized carrying values as property and equipment are depreciated at annual rates using the declining balance method.
- Office and miscellaneous of $65,203 (2011 - $112,402) decreased by $47,199. The decrease is considered to be a permanent reduction as the Company has ceased to purchase shared office supplies which it recovered through its invoicing in revenues. The Company estimates its annual costs to drop to approximately $12,000 per year.
- Professional fees of $72,762 (2011 - $77,965) decreased by $5,203 due to a decrease in external accounting services required. The Company anticipates professional fees to remain fairly consistent to the current period during the next year.
- Rent of $51,333 (2011 - $51,627) remained fairly consistent. The Company anticipates rent to decrease substantially over the next year as it ceases to provide certain services and utilizes less office space.
- Regulatory and transfer agent fees of $26,478 (2011 - $31,544) decreased by $5,066 due to a reduction of service offered to clients and recovered in its revenue source.
- Share-based payments of $6,484 (2011 - $3,613) increased by 2,871 due to the timing of the option issuances in each period when and if such options are options available.
- Wages and benefits of $6,000 (2011 - $177) increased by $5,823 due to an adjustment in the cost allocation of administrative personnel. Consulting fees have been reduced to accommodate personnel costs.

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 December 31, 2012:

	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Total assets	$ 130,356	$ 148,276	$ 465,748	$ 491,471
Working capital	35,703	39,065	87,790	80,325
Shareholders' equity	87,733	96,613	400,856	398,909
Total Revenue	81,956	81,533	83,724	85,803
Operating expenses	63,781	64,825	81,368	83,525
Net income (loss) and comprehensive income (loss)	(14,766)	(304,841)	1,947	3,878
Basic income (loss) per share	(0.00)	(0.03)	0.00	0.00
Diluted income (loss) per share	(0.00)	(0.03)	0.00	0.00

	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Total assets	$ 480,386	$ 741,086	$ 695,170	$ 754,471
Working capital	70,929	170,482	174,541	206,614
Shareholders' equity	395,031	665,030	611,509	620,584
Total Revenue	112,430	106,983	117,686	110,252
Operating expenses	104,854	76,620	97,817	82,205
Net income (loss) and comprehensive income (loss)	(273,612)	53,521	(9,075)	(36,495)
Basic income (loss) per share	(0.03)	(0.00)	(0.00)	(0.00)
Diluted income (loss) per share	(0.03)	(0.00)	(0.00)	(0.00)

SELECTED ANNUAL INFORMATION

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

	Year Ended December 31, 2012	Year Ended December 31, 2011	Year Ended December 31, 2010
Revenues	333,016	447,351	744,489
Operating income	39,517	85,855	111,990
Net income (loss) and comprehensive income (loss)	(313,782)	(265,661)	130,813
Impairment charges	(315,759)	(238,515)	-
Basic earnings (loss) per share	(0.03)	(0.03)	0.01
Diluted earnings (loss) per share	(0.03)	(0.03)	0.01
Total assets	130,356	480,386	799,813

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.

The Company anticipates spending some of its capital resources on exploring new business opportunities over the next year. The Company does not expect that it will require further funding requirements over the next 12 months to cover the Company's general and administrative expenses which currently amount to approximately $14,000 per month (which includes consulting agreements totaling $6,000 per month).

The Company assesses its financing requirements and its ability to access equity or debt markets on an ongoing basis. The assessment considers: the stage and success of the Company's activities to date; the continued participation of the Company's larger investors; and financial market conditions. The Company last closed a private placement in 2007 and at that time raised $456,000 and has been self-funded since then from revenues from it business ventures. To expand its business opportunities, the Company may require additional sourced funding. It is possible that future economic events and global conditions may result in further volatility in the financial markets which could negatively impact the Company's ability to access equity or debt markets in the future.

As at December 31, 2012, the Company had working capital of $35,703 compared to a working capital of $70,929 as at December 31, 2011. As at December 31, 2012, the Company had cash of $28,625 compared to cash of $22,310 as at December 31, 2011.

Net cash used in operating activities for the year ended December 31, 2012 was $7,548 compared to $7,200 net cash provided during the same period in 2011.

Net cash provided by investing activities for the year ended December 31, 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 December 31, 2012 is $14,801 (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	December 31, 2012	December 31, 2011
0757292 BC Ltd.	Douglas L. Mason	$ -	$ 56
0910882 BC Ltd.	Douglas L. Mason	1	51
0957197 BC Ltd.	Douglas L. Mason	96	
Beachfront Enterprises Ltd	Douglas L. Mason	13	204
Black Panther Mining Corp.	Douglas L. Mason, Bruce E. Morley, Sead Hamzagic and Andrzej Kowalski	2,905	217
Bruce E. Morley Law Corporation	Bruce E. Morley	-	11
Columbia Yukon Explorations Inc.	Douglas L. Mason, Bruce E. Morley, Sead Hamzagic and Andrzej Kowalski	352	552
Criterion Capital Corp.	Douglas L. Mason	33	101
DMRC Properties Ltd.	Douglas L. Mason	429	277
International Bethlehem Mining Corp.	Douglas L. Mason, Bruce E. Morley, Sead Hamzagic and Andrzej Kowalski	490	379
Nick N Willy's Franchise Company LLC	Douglas L. Mason and Sead Hamzagic	-	627
Rainy Mountain Royalty Corp.	Douglas L. Mason, Bruce E. Morley, Sead Hamzagic and Andrzej Kowalski	7,322	435
Sead Hamzagic, Inc	Sead Hamzagic	2,050	27
VJS Consulting Corp	Valerie Samson	420	-
Waterfront Capital Partners Inc.	Douglas L. Mason	152	177
White Tiger Mining Corp.	Douglas L. Mason, Bruce E. Morley, Sead Hamzagic and Andrzej Kowalski	538	673
World Famous Pizza Company Ltd.	Douglas L. Mason, Bruce E. Morley and Sead Hamzagic (Note A)	-	43,456
		$ 14,801	$ 47,243

Note A: Effective September 7, 2012, Douglas Mason, Sead Hamzagic and Bruce Morley resigned from the Board of Directors of World Famous Pizza Company Ltd, and at the same time Sead Hamzagic also resigned as its Chief Financial Officer.

(b) Included in loans receivable at December 31, 2012 is $nil (December 31, 2011 - $250,000) due from CFGI Holdings, Inc. (a company with certain former common directors, namely, Douglas L. Mason and Sead Hamzagic: Effective September 7, 2012, Douglas Mason, Sead Hamzagic and Bruce Morley resigned from the Board of Directors of CFGI Holdings, Inc., and Sead Hamzagic also resigned as Chief Financial Officer). During the year ended December 31, 2012, the Company has not accrued or received any payments of any interest or principal. On December 31, 2011, the Company wrote down the loan by $191,353 to its estimated fair value at that time of $250,000. On September 30, 2012, the Company determined that the loan had a permanent impairment and that the Company may not be able to realize on the loan and as such wrote down the remaining $250,000.

(c) Included in accounts payable at December 31, 2012 is $628 (December 31, 2011 - $2,839) due to companies controlled by directors and/or directors as follows:

Name of Company/Director	Directors/Officers	December 31, 2012	December 31, 2011
Andrzej Kowalski	Andrzej Kowalski	$ 500	$ -
Beachfront Enterprises Ltd	Douglas L. Mason	-	2,839
Waterfront Communications Inc.	Douglas L. Mason, Bruce E. Morley and Sead Hamzagic	128	-
		$ 628	$ 2,839

(d) During the year ended December 31, 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	December 31, 2012	December 31, 2011
Beachfront Enterprises Limited Partnership (rent)	Douglas L. Mason	$ 51,333	$ 51,627
Bruce E. Morley Law Corporation (legal services)	Bruce E. Morley	30,000	32,000
Criterion Capital Corporation (consulting fees)	Douglas L. Mason	30,000	32,000
Sead Hamzagic, Inc. (consulting fees)	Sead Hamzagic	12,000	14,000
(Share-based payments)		4,903	3,613
Andrzej Kowalski (directors fees)	Andrzej Kowalski	1,167	-
(Share-based payments)		1,581	-
VJS Consulting (consulting fees)	Valerie Samson	-	2,000

(e) Included in deferred revenue at December 31, 2012 is $nil (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;

(f) During the year ended December 31, 2012, the Company received Corporate and Administrative service revenue of $272,861 (2011 - $284,595) from companies controlled by directors and/or companies with common directors, namely, Douglas L. Mason, Bruce E. Morley, Sead Hamzagic and Andrzej Kowalski;

(g) During the year ended December 31, 2012, the Company accrued/received interest revenue of $Nil (2011 - $95,714) from CFGI Holdings, Inc. (a company with certain common directors, namely, Douglas L. Mason and Sead Hamzagic).

(h) During the year ended December 31, 2012, the Company recorded $43,873 (2011 – $43,873) 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:

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 year ended December 31, 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 December 31, 2012 and 2011 in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
December 31, 2012				
Cash	$ 28,625	$ 28,625	$ -	$ -
Investments	$ 33,140	$ 33,140	$ -	$ -
December 31, 2011				
Cash	$ 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:

	2012	2011
Bank accounts	$ 28,625	$ 22,310
Investments	33,140	84,543
Loan receivable	-	250,000
Trade accounts receivable	14,948	48,008
	$ 76,713	$ 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 December 31, 2012, the Company had accounts payable and accrued liabilities of $42,623 (December 31, 2011 - $41,482). Based on the current funds held as at December 31, 2012, 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:

	December 31, 2012		
Due Date	Accounts Payable and Accrued Liabilities	Due to Related Parties	Total
0 – 90 days	$ 41,995	$ 628	$ 42,623

	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 April 2, 2013:

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
200,000	$ 0.10	November 1, 2016
75,000	$ 0.10	July 24, 2017
675,000	$ 0.10	February 15, 2018
950,000		

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