WATERFRONT CAPITAL CORPORATION

Management's Discussion and Analysis

For the year ended December 31, 2013

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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 February 7, 2014. This MD&A should be read in conjunction with the audited Financial Statements for the year ended December 31, 2013 and the accompanying notes, the Company's audited Financial Statements and the accompanying notes for the year ended December 31, 2012, 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 independent expertise and business advisory services in connection with venture capital markets, investor relations, initial public offerings and secondary financings, mergers and acquisitions, public market administration, as well as, media and marketing advice. 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 year ended December 31, 2013 and for the subsequent period to the report date hereof:

- On January 20, 2014 (further to the Company's news release of November 20, 2013), the Company announced the completion of a non-brokered private placement (the "Private Placement") and a convertible debenture financing (the "Debenture Financing") in which the Company raised an aggregate of $625,000. In connection with the Private Placement, the Company raised $25,000 by the issuance of 250,000 units (the "Units") at $0.10 per Unit. Each Unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share for a period of two years at an exercise price of $0.20. With regard to the Debenture Financing, the Company raised $600,000 through the issuance of one Debenture to Resource Income Partners Limited Partnership, part of the Sprott Group of Companies. The Debenture pays an interest rate of 12% per annum and is convertible into common shares at $0.25 per share. The Debenture is also convertible into preferred shares (at the same conversion rate of $0.25 per share) and such preferred shares will have a cumulative dividend of 12% per annum. The Company does not currently have such preferred shares within its share capital, however, the Company will seek any required shareholder and/or regulatory approvals to create and authorize a class of preferred shares to facilitate the Debenture Financing. All of the securities issued pursuant to the Private Placement and the Debenture Financing are subject to a hold period expiring on May 18, 2014.

- On November 20, 2013 (further to the Company's news release of October 2, 2013), the Company announced that, subject to regulatory approval, the Company intends to proceed with a non-brokered private placement and a convertible debenture financing to raise up to an aggregate of $800,000. In connection with the private placement (the "Private Placement"), the Company intends to raise up to $200,000 by the issuance of 2,000,000 units (the "Units") at $0.10 per Unit. Each Unit to consist of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share for a period of two years at an exercise price of $0.20. With regard to the convertible debenture financing (the "Debenture Financing"), the Company intends to raise up to $600,000 through the issuance of one Debenture that will have an interest rate of 12% per annum and will be convertible into common shares at $0.25 per share and will also be convertible into preferred shares at the same conversion rate and such preferred shares will have a cumulative dividend of 12% per annum. The Company does not currently have such preferred shares within its share capital, however, the Company intends to seek any required shareholder and/or regulatory approvals to create and authorize a class of preferred shares to facilitate this proposed Debenture transaction. With respect to the Private Placement, the Company may pay finders' fees in the amount of 10% (payable in cash or Units), based on the sale of the Units purchased by subscribers introduced to the Company by such finders. The Company intends to use the proceeds from the Private Placement and Debenture Financing to expand its business and capital markets advisory services and for general working capital purposes.

- On October 2, 2013, the Company announced that, subject to regulatory approval, the Company intends to proceed with a non-brokered private placement to raise up to $500,000 by the issuance of 5,000,000 non-flow through units (the "Units") at $0.10 per Unit. Each Unit to consist of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share for a period of two years at an exercise price of $0.20. With respect to this private placement, the Company may pay finders' fees in the amount of 10% (payable in cash or Units), based on the sale of the Units purchased by subscribers introduced to the Company by such finders. The Company intends to use the proceeds from this private placement for financing and expanding its business and capital markets advisory services and for general working capital purposes.

- On September 30, 2013, the Company announced the appointment of Rick Peterson, as President and a Director, and Steven Low, as VP Business Development. In connection with the advisory business services that are presently provided, the Company also announced that it will be expanding its business services to potentially include the distributions of exempt market securities, and in connection therewith, intends to proceed with an application to the British Columbia Securities Commission for registration as an "Exempt Market Dealer" in accordance with National Instrument 31-103 Registration Requirements and Exemptions ("NI 31-103").

- On April 18, 2013, the Company announced the approval by its board of directors of an advance notice policy (the "Policy"). The purpose of the Policy is to (i) facilitate an orderly and efficient annual general or, where the need arises, special meeting, process, (ii) ensure that all shareholders receive adequate notice of the director nominations and sufficient information regarding all director nominees, and (iii) allow shareholders to register an informed vote after having been afforded reasonable time for appropriate deliberation. The Policy, among other things, includes a provision that requires advance notice to the Company in certain circumstances where nominations of persons for election to the board of directors are made by shareholders of the Company. The Policy fixes a deadline by which director nominations must be submitted to the Company prior to any annual or special meeting of shareholders and sets forth the information that must be included in the notice to the Company for the notice to be in proper written form. In the case of an annual meeting of shareholders, notice to the Company must be made not less than 30 days nor more than 65 days prior to the date of the annual meeting, provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement. In the case of a special meeting of shareholders, which is not also an annual meeting, called for the purpose of electing directors (whether or not called for other purposes), notice to the Company must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made. The Policy was adopted as of April 18, 2013. Pursuant to the terms of the Policy, the Company sought shareholder ratification of the Policy at its annual general and special meeting of shareholders (the "Meeting") held on June 12, 2013, and at such Meeting, the shareholders ratified and approved the Policy. The full text of the Policy is available under the Company's profile at www.sedar.com and on the Company's website (www.waterfrontgroup.com) or upon request by contacting the Company's Corporate Affairs Manager, Valerie Samson at 604-922-2030.

Results of Operations

The following discussion addresses the operating results and financial condition of the Company for the three and twelve months ended December 31, 2013 compared with the three and twelve months period ended December 31, 2012. The Management's 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, 2013.

For the three month period ended December 31, 2013:

Net income for the period

The Company had a net loss for the three month period ended December 31, 2013 of $37,689 (2012 - $14,766). The net increase of $22,923 in the net loss for the three month period ended December 31, 2013 compared to the three month period ended December 31, 2012 was primarily due to a $8,315 increase in general and administrative expenses and a $36,035 decrease in revenue offset by a decrease in other loss of $21,427.

Revenue

During the three month period ended December 31, 2013, the Company reported revenue of $45,921 compared to $81,956 in the three month period ended December 31, 2012. Items that caused the $36,035 reduction in revenue are noted in the following:

- Corporate and administrative services of $45,921 (2012 - $70,987) decreased by $25,066 due to a reduction in administrative services provided to its clients.
- Other income of $nil (2012 - $10,969) decreased by $10,969 directly due to a reduction in deferred revenue recognized from companies with common directors.

Other income (loss)

During the three month period ended December 31, 2013, the Company reported a loss in other items of $11,514 compared to $32,941 in the three month period ended December 31, 2012. Item that caused the net change in other items is noted in the following:

- Unrealized loss on investments of $11,514 (2012 - $27,820) decreased by $16,306 due to market values of securities held. The investments the Company holds comprise of securities held in related parties.
- Write-down of accounts receivable of $nil (2012 - $5,121) decreased by $5,121 due to losses on assets in prior year.

Operating Expenses

General and administrative expenses of $72,096 (2012 - $63,781) are primarily comprised of consulting, management, administrative, professional fees, transfer agent fees and filing fees, and general office expenses. The net increase was $8,315 when compared to the three month period ended December 31, 2012. Items that caused the net increase are noted in the following:

In comparison to the three month period ended December 31, 2012:

- Consulting fees of $40,500 (2012 - $11,000) increased by $29,500 mainly due to the appointment of a new president and a director in connection with the advisory business services, which resulted in an increase in consulting fees for services rendered in such capacities.
- Depreciation of $3,871 (2012 - $5,518) decreased by $1,647. 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 $2,228 (2012 - $6,116) decreased by $3,888. 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 $9,484 (2012 - $16,870) decreased by $7,386. The decrease was due to an increase of $7,114 in legal fees in relation to setting up and expanding the advisory business services in the last quarter of the current year offset by a decrease of $14,500 in audit and audit related costs.
- Regulatory and transfer agent fees of $4,090 (2012 - $2,751) increased by $1,339 due to the increased filing fees in relation to the private placement activities anticipated in early 2014.
- Rent of $1,500 (2012 - $12,640) decreased by $11,140. The Company ceased to provide certain services, utilizes less office space. It is anticipated that the rent costs for the following year will be $2,662 per month.
- Share-based payments of $8,423 (2012 - $5,886) increased by $2,537 due to the timing of the option issuances in each period when and if such options are available.
- Wages and benefits of $2,000 (2012 - $3,000) decreased by $1,000 due to a reduction of administrative personnel and cost allocations due to the reduction.

For the twelve month period ended December 31, 2013:

Net income for the year

The Company had a net loss for the year ended December 31, 2013 of $6,548 (2012 - $313,782). The net decrease of $307,234 in the net loss for the year ended December 31, 2013 compared to the year ended December 31, 2012 was primarily due a $87,327 decrease in general and administrative expenses and a decrease in loss in other items of $329,102, offset by a decrease in revenue of $109,195.

Revenue

During the year ended December 31, 2013, the Company reported revenue of $223,821 compared to $333,016 in the year ended December 31, 2012. Items that caused the $109,195 reduction in revenue are noted in the following:

- Corporate and administrative services of $223,821 (2012 - $289,132) decreased by $65,311 due to a reduction in administrative services provided to one of its clients.
- Other income of $nil (2012 - $43,884) decreased by $43,884 directly due to a reduction in deferred revenue recognized from companies with common directors.

Other income (loss)

During the year ended December 31, 2013, the Company reported a loss of $24,197 compared to $353,299 in the year ended December 31, 2012 from other items. Items that caused the net decrease in loss in other items are noted in the following:

- Loss on sale of investments of $nil (2012 - $18,477) decreased by $18,477 due to losses on investments sold in prior year.
- Unrealized loss on investments of $24,197 (2012 - $19,063) increased by $5,134 due to falling market values of securities held. The investments the Company holds comprise of securities held in related parties.
- Write-down of loan receivable of $nil (2012 - $250,000) decreased by $250,000 due to losses on assets in prior year.
- Write-down of accounts receivable of $nil (2012 - $65,759) decreased by $65,759 due to losses on assets in prior year.

Operating Expenses

General and administrative expenses of $206,172 (2012 - $293,499) are primarily comprised of consulting, management, administrative, professional fees, transfer agent fees and filing fees, and general office expenses. The net decrease was $87,327 when compared to the year ended December 31, 2012. Items that caused the net decrease are noted in the following:

In comparison to the year ended December 31, 2012:

- Consulting fees of $78,000 (2012 - $43,167) increased by $34,833 due to an increase with a certain director/officer for services rendered in such capacities and the appointment of a new president and a director in connection with the advisory business services in the last quarter of the current year.
- Depreciation of $15,484 (2012 - $22,072) decreased by $6,588. 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 $4,338 (2012 - $65,203) decreased by $60,865. 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 $58,040 (2012 - $72,762) decreased by $14,722. The decrease was due to an increase of $8,888 in legal fees in relation to setting up and expanding the advisory business services in the last quarter of the current year offset by a decrease of $23,610 in audit and audit related costs.
- Regulatory and transfer agent fees of $18,791 (2012 - $26,478) decreased by $7,687 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.
- Rent of $6,000 (2012 - $51,333) decreased by $45,333. The Company ceased to provide certain services, utilizes less office space. It is anticipated that the rent costs for the following year will be $2,662 per month.
- Share-based payments of $14,819 (2012 - $6,484) increased by $8,335 due to the timing of the option issuances in each year when and if such options are available.
- Wages and benefits of $10,700 (2012 - $6,000) increased by $4,700 due to an adjustment in the cost allocation of administrative personnel.

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, 2013:

	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Total assets	$ 136,825	$ 160,620	$ 131,267	$ 154,047
Working capital	59,458	84,853	62,306	55,945
Shareholders' equity	96,004	125,270	106,594	104,104
Total Revenue	45,921	59,100	59,100	59,700
Operating expenses	72,096	45,201	44,152	44,723
Net income (loss) and comprehensive income (loss)	(37,689)	18,263	1,991	10,887
Basic income (loss) per share	0.00	0.00	0.00	0.00
Diluted income (loss) per share	0.00	0.00	0.00	0.00

	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

SELECTED ANNUAL INFORMATION

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

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Revenues	223,821	333,016	447,351
Operating income	17,649	39,517	85,855
Net income (loss) and comprehensive income (loss)	(6,548)	(313,782)	(265,661)
Impairment charges	-	(315,759)	(238,515)
Basic earnings (loss) per share	0.00	(0.03)	(0.03)
Diluted earnings (loss) per share	0.00	(0.03)	(0.03)
Total assets	136,825	130,356	480,386

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 during the year in expanding its business services to potentially include the distributions of exempt market securities, and in connection therewith, intends to proceed with an application to the British Columbia Securities Commission for registration as an "Exempt Market Dealer" in accordance with National Instrument 31-103 Registration Requirements and Exemptions ("NI 31-103"). Currently, general and administrative expenses amount to approximately $15,000 per month (which includes consulting agreements totaling $7,500 per month), however, the expansion to its business advisory services (and to potentially include the distributions of exempt market securities) will cause the general and administrative expenses to increase substantially.

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 current business operations and opportunities, on January 20, 2014, the Company announced the completion of a non-brokered private placement (the "Private Placement") and a convertible debenture financing (the "Debenture Financing") in which the Company raised an aggregate of $625,000. In connection with the Private Placement, the Company raised $25,000 by the issuance of 250,000 units (the "Units") at $0.10 per Unit. Each Unit consists of one common share and one share purchase warrant, with each warrant entitling the holder to purchase an additional common share for a period of two years at an exercise price of $0.20. With regard to the Debenture Financing, the Company raised $600,000 through the issuance of one Debenture to Resource Income Partners Limited Partnership, part of the Sprott Group of Companies. 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, 2013, the Company had working capital of $59,458 compared to a working capital of $35,703 as at December 31, 2012. As at December 31, 2013, the Company had cash of $15,746 compared to cash of $28,625 as at December 31, 2012.

Net cash used in operating activities for the year ended December 31, 2013 was $12,879 compared to $7,548 in year ended December 31, 2012.

Net cash provided by investing activities for the year ended December 31, 2013 was $nil compared to $13,863 in year ended December 31, 2012 from proceeds on sale of investments.

TRANSACTIONS WITH RELATED PARTIES

(a) Included in accounts receivable at December 31, 2013 is $63,721 (2012 - $14,801) due from companies controlled by directors and/or companies with certain common directors as follows:

Name of Company	Directors/Officers	2013	2012
0910882 BC Ltd.	Douglas L. Mason	$ -	$ 1
0957197 BC Ltd.	Douglas L. Mason	-	96
Beachfront Enterprises Limited Partnership	Douglas L. Mason (majority unit holder)	-	13
Black Panther Mining Corp.	Douglas L. Mason, Bruce E. Morley, Sead Hamzagic and Andrzej Kowalski	35,370	2,905
Columbia Yukon Explorations Inc.	Douglas L. Mason, Bruce E. Morley, Sead Hamzagic and Andrzej Kowalski	-	352
Criterion Capital Corp.	Douglas L. Mason	-	33
DMRC Properties Ltd.	Douglas L. Mason	-	429
International Bethlehem Mining Corp.	Douglas L. Mason, Bruce E. Morley, Sead Hamzagic and Andrzej Kowalski	3,150	490
Rainy Mountain Royalty Corp.	Douglas L. Mason, Bruce E. Morley, Sead Hamzagic and Andrzej Kowalski	6,300	7,322
Sead Hamzagic, Inc	Sead Hamzagic	-	2,050
VJS Consulting Corp.	Valerie Samson	-	420
Waterfront Capital Partners Inc.	Douglas L. Mason	-	152
Waterfront Capital Land Corp.	Douglas L. Mason	1	-
White Tiger Mining Corp.	Douglas L. Mason, Bruce E. Morley, Sead Hamzagic and Andrzej Kowalski	18,900	538
		$ 63,721	$ 14,801

(b) Included in prepaid expenses at December 31, 2013 is $10,000 (2012 - $nil) as a deposit paid to Waterfront Communications Inc., a company with certain common directors, to cover shared employee payroll and office costs.

(c) Included in accounts payable at December 31, 2013 is $525 (2012 - $628) due to companies controlled by directors and/or directors as follows:

Name of Company/Director	Directors/Officers	2013	2012
Gorand Enterprises Inc.	Andrzej Kowalski	$ 525	$ 500
Waterfront Communications Inc.	Douglas L. Mason, Bruce E. Morley, Sead Hamzagic and Valerie J. Samson	-	128
		$ 525	$ 628

(d) During the year ended December 31, 2013, 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		2013		2012
Beachfront Enterprises Limited Partnership (rent)	Douglas L. Mason (majority unit holder)	$	-	$	51,333
Bruce E. Morley Law Corporation (legal services)	Bruce E. Morley		35,000		30,000
Criterion Capital Corporation (consulting fees)	Douglas L. Mason		35,000		30,000
Sead Hamzagic, Inc. (consulting fees)	Sead Hamzagic		26,000		12,000
Gorand Enterprises Inc. (director's fee)	Andrzej Kowalski		2,000		1,167
Waterfront Communications Inc. (rent)	Douglas L. Mason, Bruce E. Morley, Sead Hamzagic and Valerie J. Samson		6,000		-

(e) During the year ended December 31, 2013, the Company issued 600,000 stock options to key management as share-based payments, with vesting provisions from the prior year, the fair market value of the share-based payments to key management amounted to $13,320 (2012 - $6,484).

(f) During the year ended December 31, 2013, the Company received corporate and administrative service revenue of $209,480 (2012 - $272,861) 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, 2013, the Company recorded $nil (2012 - $43,873) in other revenue (deferred revenue recognized) from companies with common directors to cover other expense recoveries.

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:

2014	$	26,929

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) each. 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 and stock options 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, 2013. 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 short-term investments as fair value through profit or loss; accounts receivable as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of accounts 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, 2013 and 2012 in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
December 31, 2013				
Cash	$ 15,746	$ 15,746	$ -	$ -
Investments	$ 9,044	$ 9,044	$ -	$ -
December 31, 2012				
Cash	$ 28,625	$ 28,625	$ -	$ -
Investments	$ 33,140	$ 33,140	$ -	$ -

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, short-term investments, and accounts receivable.

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 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:

	2013	2012
Bank accounts	$ 15,746	$ 28,625
Investments	9,044	33,140
Trade accounts receivable	65,056	14,948
	$ 89,846	$ 76,713

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, 2013, the Company had accounts payable and accrued liabilities of $40,821 (2012 - $42,623). Based on the current funds held as at December 31, 2013, 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, 2013		
Due Date	Accounts Payable and Accrued Liabilities	Due to Related Parties	Total
0 – 90 days	$ 40,296	$ 525	$ 40,821

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

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 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

Management's Responsibility for Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgements and have been properly reflected in the financial statements.

OUTSTANDING SHARE DATA as of February 7, 2014:

a) Authorized:
unlimited number of common shares without par value

b) Issued and outstanding:
9,904,066 common shares with a stated value of $7,484,938

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:
250,000 warrants exercisable at $0.20 per share and expiring January 17, 2016

e) Shares in escrow or pooling agreements: Nil

OFFICERS AND DIRECTORS

Douglas L. Mason, CEO and Director (Chairman)
Rick Peterson, President and Director
Sead Hamzagic, CFO and Director
Bruce E. Morley, Director
Valerie Samson, Director
Andrzej Kowalski, Director
Steven Low, VP Business Development