WATERFRONT CAPITAL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2010

DESCRIPTION OF BUSINESS AND OVERVIEW OF OPERATIONS AND FINANCIAL CONDITION

The following management's discussion and analysis, prepared as of April 21, 2011, should be read together with the audited annual consolidated financial statements for the year ended December 31, 2010 and the audited annual consolidated financial statements for the year ended December 31, 2009, and related notes attached thereto, which have been prepared in accordance with Canadian generally accepted accounting principles. 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 exploration, drilling, exploration activities, potential mineralization and resources and 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.

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's former subsidiary (see below), Churchill III Debenture Corp. ("CDC III"), was incorporated pursuant to the Canadian Business Corporations Act on January 5, 2005. Churchill III Real Estate Partnership ("Churchill III"), was established for the purpose of owning and operating a diversified portfolio of quality income-producing commercial, industrial and/or residential properties in strong growth markets across Canada. On February 8, 2005, CDC III and Churchill III received final receipt for an initial public offering prospectus, with each unit offered under the prospectus consisting of a maximum of 1,600 units, and having a price of $12,500 per unit, and one series A Debenture issued by CDC III in the principal amount of $10,000 bearing simple interest at 9% per annum and maturing on December 31, 2010. CDC III's objective, in terms of the Debentures, is to earn interest income under the Debenture Issuer Loan with Churchill III, to distribute that interest income to holders of the Debentures in accordance with the terms of the Debentures, and to repay the Debentures upon the repayment of the Debenture Issuer Loan by Churchill III. In connection therewith, CDC III will loan to Churchill III, by way of the Debenture Issuer Loan Agreement, an amount equal to, in aggregate, the net proceeds (less its prorata share of offering costs) received by the CDC III from subscriptions for Debentures. On April 22, 2005, CDC III announced its second and final closing pursuant to its prospectus and issued a total of 759 units for gross proceeds of $9,487,500. Each unit consists of one unit of Churchill III having a price of $2,500, and one Series A Debenture at a value of $10,000 per Debenture maturing on December 31, 2010 and bearing interest at a rate of 9% per annum, paid quarterly. Further information concerning the business and prospectus offering of CDC III and Churchill III are available on Sedar at www.Sedar.com.

The Company's former subsidiary (see below), Churchill IV Debenture Corp. ("CDC IV"), was incorporated pursuant to the Canadian Business Corporations Act on March 16, 2006. Churchill IV Real Estate Partnership ("Churchill IV"), was established for the purpose of owning and operating a diversified portfolio of quality income-producing commercial, industrial and/or residential properties in strong growth markets across Canada. On May 29, 2006, CDC IV, along with Churchill IV received final receipt for an initial public offering prospectus, with each unit offered under the prospectus consisting of one Limited Partnership Unit ("LPU"), and having a price of $2,500 per unit, and one series A Debenture issued by CDC IV in the principal amount of $10,000 bearing simple interest at 8% per annum and maturing on December 31, 2011. On July 11, 2006, CDC IV received final receipt for Amendment No. 1 dated July 6, 2006 to the Prospectus. Amendment No. 1 increased the maximum number Units to be sold to 2,400 Units. The primary business of the CDC IV is the offering of the Debentures and making the Debenture Issuer Loan to Churchill IV so as to allow the acquisition of certain real estate properties. CDC IV may also invest its surplus funds, if any, in other loans or interests in real estate properties. CDC IV's long-term objective in terms of the Debentures is to earn interest income from the Debenture Issuer Loan, to distribute that interest income to holders of the Debentures in accordance with the terms of the Debentures, and to repay the Debentures upon the repayment of the Debenture Issuer Loan by the Churchill IV. In connection therewith, CDC IV has loaned to Churchill IV, by way of the Debenture Issuer Loan Agreement, an amount equal to, in aggregate, the net proceeds (less its pro-rata share of offering costs) received by CDC IV from subscriptions for the Series A debentures. Further information concerning the business and prospectus offering of CDC IV and Churchill IV are available on Sedar at www.Sedar.com.

The Company's former subsidiary (see below), Churchill V Debenture Corp. ("CDC V"), was incorporated pursuant to the Canadian Business Corporations Act on January 4, 2007. Churchill V Real Estate Partnership ("Churchill V"), was established for the purpose of owning and operating a diversified portfolio of quality income-producing commercial, industrial and/or residential properties in strong growth markets across Canada. On March 9, 2007, CDC V, along with Churchill V filed a preliminary prospectus for an initial public offering, with each unit offered under the prospectus consisting of one Limited Partnership Unit ("LPU"), and having a price of $2,000 per unit, and one series A Debenture issued by CDC V in the principal amount of $1,000 bearing simple interest at 8% per annum and maturing on December 31, 2012. On April 18, 2007, CDC V along with Churchill V received the final receipt for an initial public offering to sell a minimum of 2,000 Units and a maximum of 24,000 Units at a price of $1,250 per Unit. The primary business of the CDC V is the offering of the Debentures and making the Debenture Issuer Loan to Churchill V so as to allow the acquisition of certain real estate properties. CDC V may also invest its surplus funds, if any, in other loans or interests in real estate properties. CDC V's long-term objective in terms of the Debentures is to earn interest income from the Debenture Issuer Loan, to distribute that interest income to holders of the Debentures in accordance with the terms of the Debentures, and to repay the Debentures upon the repayment of the Debenture Issuer Loan by the Churchill V. In connection therewith, CDC V has loaned to Churchill V, by way of the Debenture Issuer Loan Agreement, an amount equal to, in aggregate, the net proceeds (less its pro-rata share of offering costs) received by CDC V from subscriptions for the Series A debentures. Further information concerning the business and prospectus offering of CDC V and Churchill V are available on Sedar at www.Sedar.com.

Effective July 1, 2009, the Company disposed of three of its subsidiaries, namely, CDC III, CDC IV, and CDC V (the "Churchill Debenture Corporations"). In this regard, Churchill International Securities Corporation ("CISC") exercised its option to nominate another third party purchaser to acquire all of the shares in the capital of each of Churchill Debenture Corporations owned by the Company at a purchase price of $100 for each of the three subsidiaries.

Discontinued Operations

As referred to above, effective July 1, 2009, the Company disposed of the Churchill Debenture Corporations. In this regard, Churchill International Securities Corporation ("CISC") exercised its option to nominate another third party purchaser to acquire all of the shares in the capital of each of the Churchill Debenture Corporations owned by the Company at a purchase price of $100 for each of the three subsidiaries.

Gain on disposition of shares	July 1, 2009
Consideration	
Cash (proceeds on sale of shares)	$ 300
Assumption of:	
Accounts payable and accrued liabilities	88,870
Debenture interest payable	1,530,277
Debentures payable	49,388,216
Future income taxes	49,000
	51,056,663
Assets disposed	
Cash	163,282
Interest receivable from Limited Partnerships	1,744,038
Prepaid expenses	15,698
Fees receivable from Limited Partnerships	2,195,044
Loans due from Limited Partnerships	46,120,000
	50,238,062
Gain on sale of assets	818,601
Discontinued fees received from CDC III, IV and V	67,732
Gain on discontinued operations	$ 886,333

PERFORMANCE SUMMARY

The following is a summary of the significant events and transactions that occurred during the year ended December 31, 2010 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 year ended December 31, 2010 compared to the year ended December 31, 2009. The Management Discussion and Analysis should be read in conjunction with the Company's audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2010.

For the three month period ended December 31, 2010 compared with the three month period ended December 31, 2009:

Revenues from continued operations

During the three months ended December 31, 2010, the Company reported total revenue of $210,941 compared to total revenue of $100,283 for the three month period ended December 31, 2009. Rent and administrative revenues of $171,549 (2009 – $103,538) increased by $68,011 from the same period in 2009 due to increased services provided during the period. The Company reported $39,392 in interest and other income compared to loss of $3,255 in 2009, an increase of $42,647 due to the changes in foreign currency translation on foreign interest earned.

Operating Expenses / Net Income (Loss) from continued operations

Operating expenses, which include wages and benefits, interest and loan fees, amortization of offering costs, professional fees, and other related expenses, totaled $172,970 for the three month period ended December 31, 2010 and $133,177 for the same period in 2009. The net increase of $39,794 is due largely to the following:

- Amortization expense of $10,522 (2009 - $1,085) increased by $9,437 due to the acquisition of computer equipment and software in preparation for the new International Financial Reporting Standards (IFRS);
- Consulting fees of $23,312 (2009 - $13,352) increased by $9,960 due to recruitment fees paid during the period;
- Office and general expenses of $40,826 (2009 - $28,325) increased by $12,501 due to increase in office supplies purchased and printing costs required which provided increased revenue;
- Professional fees of $13,500 (2009 - $13,525) remained fairly consistent;
- Regulatory and transfer agent fees of $6,129 (2009 - $7,808) decreased by $1,679 due to the timing of the expenses;
- Rent of $12,273 (2009 - $14,925) decreased by $2,652 mainly due to adjustments to triple net costs;
- Wages and benefits of $66,408 (2009 - $54,156) increased by $12,252 mainly due to the timing of employee benefit claims.

The Company reports operating net income of $37,971 (2009 – loss of $32,893) before loss on sale of investments of $28,609 (2009 - $Nil), unrealized gain on investments held for trading in the amount of $116,802 (2009 – loss of $30,847), foreign exchange loss $Nil (2009 - $13,978) and unrealized foreign exchange loss of $12,147 (2009 – loss of $140) on the foreign loan receivable.

For the twelve month period ended December 31, 2010 compared with the twelve month period ended December 31, 2009:

Revenues from continued operations

During the twelve month period ended December 31, 2010, the Company reported total revenue of $744,489 compared to total revenue of $549,807 the twelve month period ended December 31, 2009. Rent and administrative revenues of $631,588 (2009 – $459,483) increased by $172,105 from the same period in 2009 due to increased services provided during the period. The Company reported $112,901 in interest and other income compared to $90,324 in 2009, an increase of $22,577 was mainly due to changes in foreign currency translation on foreign interest earned.

Operating Expenses / Net Income (Loss) from continued operations

Operating expenses, which include wages and benefits, interest and loan fees, amortization of offering costs, professional fees, and other related expenses, totaled $632,499 for the twelve month ended December 31, 2010 and $630,297 for the same period in 2009. The net increase of $2,202 is due largely to the following:

- Amortization expense of $37,504 (2009 - $3,989) increased by $33,515 due to the acquisition of computer equipment and software in preparation for the new International Financial Reporting Standards (IFRS);
- Consulting fees of $67,812 (2009 - $55,000) increased by $12,812 mainly due to recruitment fees paid during the period;
- Office and general expenses of $122,050 (2009 - $103,606) increased by $18,444 due to increase in office supplies purchased and printing costs required which provided increased revenue;
- Professional fees of $67,527 (2009 - $73,228) decreased by $5,701 mainly due to a reduction in accounting and audit services required;
- Regulatory and transfer agent fees of $30,046 (2009 - $30,427) remained fairly consistent;
- Rent of $49,977 (2009 - $58,634) decreased by $8,657 mainly due to adjustments to triple net costs;
- Stock based compensation of $Nil (2009 - $57,049) decreased mainly due to the timing of stock option grants and their vesting periods;
- Wages and benefits of $257,583 (2009 - $248,364) increased by $9,219 mainly due to the timing of employee benefit claims.

The Company reports operating net income of $111,990 (2009 – loss of $80,490) before loss on sale of investments in the amount of $28,609 (2009 – gain of $11,367), unrealized gain on investments held for trading in the amount of $63,997 (2009 – loss of $37,195), foreign exchange loss of $Nil (2009 – $4,432) and unrealized foreign exchange loss of $16,565 (2009 – $58,110) on the Company's foreign loan receivable. In general, the Company has been able to improve on its cost controlling measures during the twelve month period ended December 31, 2010 as compared to the same period in 2009.

Discontinued Operations

The income from discontinued operations in the amount of $Nil for the current year compared to $886,333 for the year ended December 31, 2009 was due to the disposition of the Churchill Debenture Corporations on July 1, 2009.

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, 2010:

	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Total assets	$ 799,813	$ 714,687	$ 605,950	$ 660,070
Working capital	260,034	324,214	185,921	260,208
Shareholders' equity (deficit)	657,079	543,062	436,256	487,204
Total Revenue	210,941	234,193	150,270	149,085
Operating expenses	172,970	141,604	152,448	165,477
Net income (loss) and comprehensive income (loss)	114,017	106,806	(50,948)	(39,062)
Basic income (loss) per share	0.01	0.01	(0.01)	(0.00)
Diluted income (loss) per share	0.01	0.01	(0.01)	(0.00)

	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Total assets	$ 646,616	$ 664,003	$ 50,963,458	$ 50,265,258
Working capital	293,434	391,193	707,365	652,092
Shareholders' equity (deficit)	526,266	556,483	(198,093)	(195,128)
Total Revenue	100,283	125,491	1,494,589	1,483,432
Operating expenses	133,176	144,029	1,459,973	1,499,061
Net income (loss) and comprehensive income (loss)	(30,216)	752,736	(2,966)	(2,081)
Basic income (loss) per share	(0.00)	0.08	(0.01)	(0.00)
Diluted income (loss) per share	(0.00)	0.08	(0.01)	(0.00)

SELECTED ANNUAL INFORMATION

	Year Ended December 31, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
Revenues	744,489	549,807	5,861,335
Operating income (loss)	111,990	(80,490)	(175,874)
Net income (loss) and comprehensive income (loss)	130,813	717,473	(1,420,158)
Impairment charges	-	-	(900,000)
Basic earnings (loss) per share	0.01	0.07	(0.15)
Diluted earnings (loss) per share	0.01	0.07	(0.15)
Total assets	799,813	646,616	50,020,968

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 December 31, 2010, the Company had working capital of $260,034 compared to a working capital of $293,434 as at December 31, 2009. As at December 31, 2010, the Company had cash of $15,100 compared to cash of $16,927 as at December 31, 2009.

Net cash provided by operating activities for the year ended December 31, 2010 was $14,581 compared to net cash used $233,493 during the same period in 2009. The increase of $248,074 is mainly due to cash provided by increased operating earnings during the year less changes in non-cash working capital items.

Net cash used in investing activities for the year ended December 31, 2010 was $16,408 compared to net cash used of $181,094 during the same period in 2009. Net cash used in the year ended December 31, 2010 consists of acquisition of property and equipment of $34,434 (2009 - $41,757), acquisition of investments for sale of $nil (2009 – $59,880), proceeds on sale of CDC III, IV, V of $Nil (2009 - $162,982 loss), repayment from notes receivable of $Nil (2009 - $52,117), and proceeds on sale of investments of $18,026 (2009 - $31,408).

Net cash provided in financing activities for the year ended December 31, 2010 was $nil (2009 - $13,125).

TRANSACTIONS WITH RELATED PARTIES

(a) Included in receivables at December 31, 2010 is $134,077 (2009 - $51,507) due from companies controlled by directors and/or companies with common directors. See following table:

Name of Company	Directors/Officers	2010	2009
0757292 BC Ltd.	Douglas L. Mason	$ 76	$ -
Beachfront Enterprises Ltd	Douglas L. Mason	168	-
Black Panther Mining Corp.	Douglas L. Mason, Bruce E. Morley and Sead Hamzagic	5,308	6,609
Bruce E. Morley Law Corporation	Bruce E. Morley	11	315
Canadian Franchise Group Inc.	Douglas L. Mason	3,706	3,706
Columbia Yukon Explorations Inc.	Douglas L. Mason, Bruce E. Morley and Sead Hamzagic	20,491	8,805
Criterion Capital Corp.	Douglas L. Mason	132	525
DMRC Properties Ltd.	Douglas L. Mason	4,762	-
International Bethlehem Mining Corp.	Douglas L. Mason, Bruce E. Morley and Sead Hamzagic	4,470	1,957
Nick N Willy's Franchise Company LLP	Douglas L. Mason and Sead Hamzagic	627	627
Rainy Mountain Royalty Corp.	Douglas L. Mason, Bruce E. Morley and Sead Hamzagic	18,962	10,350
Sead Hamzagic Inc	Sead Hamzagic	22	-
VJS Consulting	Valerie Samson	440	-
Waterfront Capital Partners Inc.	Douglas L. Mason	4,860	-
White Tiger Mining Corp.	Douglas L. Mason, Bruce E. Morley and Sead Hamzagic	8,891	7,588
World Famous Pizza Company Ltd.	Douglas L. Mason, Bruce E. Morley and Sead Hamzagic	61,151	11,025
		$ 134,077	$ 51,507

(b) During the year ended December 31, 2010, 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	2010	2009
Beachfront Enterprises Limited Partnership (rent)	Douglas L. Mason	$ 49,977	$ 58,634
Bruce E. Morley Law Corporation (legal services)	Bruce E. Morley	31,050	32,100
Criterion Capital Corporation (consulting fees)	Douglas L. Mason	30,000	30,000
Sead Hamzagic, Inc. (consulting fees)	Sead Hamzagic	11,500	7,000
VJS Consulting (consulting fees)	Valerie Samson	18,000	-

(c) Included in deferred revenue as at December 31, 2010 is $87,745 (2009 - $91,875) collected from companies with common directors to cover the cost of implementing new computer hardware and software systems as part of the Company's strategic plan in preparing for the adoption of IFRS;

(d) During the year ended December 31, 2010, the Company received Corporate and Administrative service revenue of $613,930 (2009 - $459,483) from companies controlled by directors and/or companies with common directors, namely, Douglas L. Mason, Bruce E. Morley and Sead Hamzagic;

(e) During the year ended December 31, 2010, the Company accrued/received interest revenue of $76,771 (2009 - $90,324) from Canadian Franchise Group Inc. and CFGI Holdings, Inc. (companies with common directors, namely, Douglas L. Mason, Bruce E. Morley and Sead Hamzagic).

(f) During the year ended December 31, 2010, the Company recorded $36,130 (2009 - $Nil) 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 2011. The minimum annual lease commitments under these leases are as follows:

Year	Amount
2011	$ 29,444
2012	$ 8,771
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.

SIGNIFICANT ACCOUNTING POLICIES

Future accounting changes

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's existing GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. For the Company, the transition date will be January 1, 2010 and this will require the restatement for comparative purposes of amounts reported by the Company for each of the quarters for the year ended December 31, 2010. The Company has completed the diagnostic phase of planning for the implementation of IFRS. It has determined that the principal areas of impact will be IFRS 1 – first time adoption; presentation of financial statements; share-based payments; loans receivable; impairment of long-lived assets and future income taxes. The Company expects its detailed analysis of relevant IFRS requirements and of IFRS 1 will be complete by the end of its fiscal quarter ending March 31, 2011, along with its determination of changes to accounting policies and choices to be made. The Company has not yet reached the stage where a quantified impact of conversion on its financial statements can be measured. The Company expects to complete its quantification of financial statement impacts by the end of its fiscal quarter ending March 31, 2011. The policy plan for transition is as follows:

Policy development and implementation policy decisions IFRS

Transition goal: Identify differences in relevant Canadian GAAP and IFRS accounting policies, selection of ongoing IFRS policies, selection of IFRS first-time adoption of IFRS choices, development of new financial statement format.

Status: We have identified the differences between accounting policies under Canadian GAAP and accounting policy choices under IFRS and are in the process of selecting accounting policies under IFRS.

Infrastructure modifications

Transition goal: Staff trained in IFRS requirements and new policies. Ensure accounting software selection, ledger accounts used and reporting procedures are sufficient to meet requirements of IFRS policy and reporting.

Status: Key employees and officers have been trained. Additional training for management, Board and other stakeholders will be ongoing throughout the convergence period.

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

FINANCIAL INSTRUMENTS

Fair value

The Company classified its cash and short-term investments as held-for-trading; accounts receivable and loan receivable as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

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

The fair values of the short-term investments are determined directly by reference to published price quotations in an active market at the reporting date.

The fair value of accounts receivable and loans receivable are determined by the amount of cash anticipated to be collected in the normal course of business from the financial asset, net of any direct costs on the conversion into cash.

As the carrying value of the Company's remaining financial instruments approximate their fair values, disclosure is not made of their level in the fair value hierarchy.

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

(a) Currency risk

The Company has a loan receivable outstanding in United States dollars and is subject to foreign currency fluctuations and inflationary pressures which may affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not consider the exposure to be significant.

(b) 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 short-term investments, trade accounts receivable and loan 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. Receivables are due primarily from companies with common directors and/or officers.

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

		2010		2009
Cash	$	15,100	$	16,927
Investments held for trading		207,845		190,483
	$	222,945	$	207,410

(c) 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. As at December 31, 2010, the Company had a cash balance of $15,100 (2009 - $16,927) and investments held for trading of $207,845 (2009 – $190,483) to settle current liabilities of $54,989 (2009 - $28,475). All of the Company's financial liabilities are subject to normal trade terms.

Based on the current cash, accounts receivable and investments held as at December 31, 2010, the Company has sufficient working capital.

(d) 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 manages its financial instruments with the objective of mitigating any potential interest rate risks. The interest rates on the loans receivable from related parties are fixed. Therefore, the Company is not exposed to any significant interest rate risk during their term to maturity.

(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 exchange risk. The Company is not exposed to significant other price risk.

OUTSTANDING SHARE DATA as of April 21, 2011:

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
1,400,000		

d) Outstanding warrants: Nil

OFFICERS AND DIRECTORS

Douglas L. Mason	President, CEO and Director
Sead Hamzagic, CGA	CFO, Director and member of the Audit Committee
Bruce E. Morley, LLB, B Comm.	Director and member of Audit Committee
Valerie Samson	Director and member of Audit Committee