WATERFRONT CAPITAL CORPORATION

Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

For the three month period ended March 31, 2011

Contact Information:

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WATERFRONT CAPITAL CORPORATION

Dated June 29, 2011

Management's Comments on Unaudited Interim Financial Statements

The accompanying unaudited interim financial statements of Waterfront Capital Corporation for the three months ended March 31, 2011 and 2010 have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company.

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the three month period ended March 31, 2011.

WATERFRONT CAPITAL CORPORATION

Interim Consolidated Balance Sheets

(Unaudited - Expressed in Canadian Dollars, except for share amounts)

	March 31, 2011 Unaudited	December 31, 2010 Unaudited (Note 3)	January 1, 2010 Unaudited (Note 3)
ASSETS			
Current			
Cash	$ 40,665	$ 15,100	$ 16,927
Accounts receivable	110,693	134,585	54,078
Loan receivable (Note 5)	-	-	59,075
Investments held for trading (Note 6)	151,363	207,845	190,483
Prepaid expenses	4,875	1,365	1,346
	307,596	358,895	321,909
Loan receivable (Note 5)	349,172	335,348	216,067
Property and equipment (Note 7)	97,703	105,570	108,640
	$ 754,471	$ 799,813	$ 646,616
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	$ 57,110	$ 54,989	$ 28,475
Deferred revenue (Note 8)	43,872	43,872	45,937
	100,982	98,861	74,412
Deferred revenue (Note 8)	32,905	43,873	45,938
	133,887	142,734	120,350
Shareholders' equity			
Capital stock (Note 9)	7,459,938	7,459,938	7,459,938
Contributed surplus	231,674	231,674	231,674
Deficit	(7,071,028)	(7,034,533)	(7,165,346)
	620,584	657,079	526,266
	$ 754,471	$ 799,813	$ 646,616

Nature and continuance of operations (Note 1)
Commitments and contingencies (Note 11)

On behalf of the Board:

"Douglas L. Mason" Director *"Sead Hamzagic"* Director

The accompanying notes are an integral part of these consolidated financial statements.

WATERFRONT CAPITAL CORPORATION

Interim Consolidated Statements of Operations

(Unaudited - Expressed in Canadian Dollars, except for share amounts)

	Three month period ended March 31, 2011	Three month period ended March 31, 2010
		(Note 3)
REVENUE		
Corporate and administrative services	$ 77,391	$ 124,441
Interest and other income	32,861	24,644
	110,252	149,085
EXPENSES		
Depreciation	7,867	8,527
Consulting fees	10,500	12,000
Office and general	28,206	37,694
Professional fees	16,870	18,094
Regulatory and transfer agent fees	6,152	6,255
Rent	12,273	13,157
Wages and benefits	337	69,750
	82,205	165,477
Income (loss) and comprehensive income (loss) before other items	28,047	(16,392)
OTHER ITEMS		
Gain on sale of subsidiary (Note 4(a))	10	-
Unrealized gain (loss) on investments held for trading	(56,483)	(14,520)
Unrealized foreign exchange loss	(8,069)	(8,150)
Net loss and comprehensive loss for the period	**$ (36,495)**	**$ (39,062)**
Basic and diluted loss per common share	$ (0.00)	$ (0.00)
Weighted average shares used in computation of basic and diluted earnings (loss) per common share	9,654,066	9,654,066

The accompanying notes are an integral part of these consolidated financial statements.

WATERFRONT CAPITAL CORPORATION

Interim Consolidated Statements of Shareholders' Equity

(Unaudited - Expressed in Canadian Dollars, except for share amounts)

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Total Equity
Authorized Capital:					
Unlimited number of common shares without par value					
Issued:					
Balance, January 1, 2010	**9,654,066**	**$ 7,459,938**	**$ 231,674**	**$ (7,165,346)**	**$ 526,266**
Net loss for the period	-	-	-	(39,062)	(39,062)
Balance, March 31, 2010	**9,654,066**	**7,459,938**	**231,674**	**(7,204,408)**	**487,204**
Net income for the period	-	-	-	169,875	169,875
Balance, December 31, 2010	**9,654,066**	**7,459,938**	**231,674**	**(7,034,533)**	**657,079**
Net loss for the period	-	-	-	(36,495)	(36,495)
Balance, March 31, 2011	**9,654,066**	**7,459,938**	**231,674**	**$ (7,071,028)**	**620,584**

The accompanying notes are an integral part of these consolidated financial statements.

WATERFRONT CAPITAL CORPORATION
Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars, except for share amounts)

	Three month period ended March 31, 2011	Three month period ended March 31, 2010
		(Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (36,495)	$ (39,062)
Items not affecting cash:		
Depreciation	7,867	8,527
Amortization of deferred revenue	(10,968)	(7,650)
Accrued interest income included in loan receivable	(21,893)	-
Gain on sale of subsidiary	(10)	-
Unrealized foreign exchange loss	8,069	8,150
Unrealized loss on investments held for trading	56,483	14,520
	3,053	(15,515)
Changes in non-cash working capital items:		
Decrease (increase) in accounts receivable	23,892	(47,995)
Increase in prepaid expenses	(3,510)	(3,351)
Increase in accounts payable and accrued liabilities	2,120	60,165
Net cash provided by (used in) operating activities	25,555	(6,696)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	-	(3,190)
Proceeds on sale of subsidiary shares (Note 4(a))	10	-
Net cash used in investing activities	10	(3,190)
Increase (decrease) in cash for the period	25,565	(9,886)
Cash, beginning of period	15,100	16,927
Cash, end of period	$ 40,665	$ 7,041

Supplemental disclosures with respect to cash flows (Note 10)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Nature of operations

The Company was incorporated under the laws of Alberta and was continued into British Columbia during the year ended December 31, 2000. The Company's principal business activity is merchant banking and providing reporting and financial services and investment assistance to public and non-public companies.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company expects its current capital resources will be sufficient to carry its operations through the next twelve months. The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. These consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Management is actively engaged in the review and due diligence of its revenue and expenses and may seek to raise the necessary capital to meet new funding requirements. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies applied in these interim financial statements are based on IFRS issued and outstanding as of June 29, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS that are given effect in the annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim financial statements, including the transition adjustments recognized on change-over to IFRS.

These are the Company's first IFRS consolidated interim financial statements for part of the period covered by the Company's first IFRS consolidated annual financial statements for the year ending December 31, 2011. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

2. BASIS OF PREPARATION (Continued)

Statement of compliance (Continued)

As these are the Company's first set of interim consolidated financial statements in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual consolidated financial statements prepared in accordance with Canadian GAAP. In 2011 and beyond, the Company may not provide the same amount of disclosure in the Company's interim consolidated financial statements under IFRS as the reader will be able rely on these and the annual consolidated financial statements which will be prepared in accordance with IFRS.

Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 4. The comparative figures presented in these interim consolidated financial statements are in accordance with IFRS.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the interim consolidated financial statements are disclosed in Note 4.

In preparing these interim consolidated financial statements, the significant judgements made by management applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

3. FIRST TIME ADOPTION OF IFRS

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Under IFRS 1 (First time Adoption of International Financial Reporting Standards), the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to deficit unless certain exemptions are applied.

The Company elected to take the following IFRS 1 transition elections and accounting policy choices:

Business combinations

The Company has elected to not apply IFRS 3 to business combinations that occurred before the date of transition to IFRS, which is an election permitted on first-time adoption of IFRS. IFRS 3 is applicable for business combinations occurring on or after January 1, 2010.

Share-based payments

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 to Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010.

IFRS mandatory exception respecting estimates

Hindsight is not used to create or revise estimates. Estimates previously made by the Company under Previous GAAP were not revised upon adoption of IFRS except where necessary to reflect any differences in accounting policies.

(Unaudited - Expressed in Canadian Dollars, except for share amounts)

3. FIRST TIME ADOPTION OF IFRS (Continued)

IFRS employs a conceptual framework that is similar to Canadian GAAP. The adoption has resulted in minimal changes to the reported balance sheets, results of operations, and cash flows of the Company. Presented below are reconciliations prepared by the Company to reconcile to IFRS the assets, liabilities, equity,
net loss and cash flows of the Company from those reported under Canadian GAAP.

Below is the Company's consolidated balance sheet as at the transition date of January 1, 2010 under IFRS:

	As at January 1, 2010		
	GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current			
Cash	$ 16,927	$ -	$ 16,927
Accounts receivable	54,078	-	54,078
Loan receivable	59,075	-	59,075
Investments held for trading	190,483	-	190,483
Prepaid expenses	1,346	-	1,346
	321,909	-	321,909
Loan receivable	216,067	-	216,067
Property and equipment	108,640	-	108,640
	$ 646,616	$ -	$ 646,616
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	$ 28,475	$ -	$ 28,475
Deferred revenue	45,937	-	45,937
		-	
	74,412	-	74,412
Deferred revenue	45,938	-	45,938
	120,350	-	120,350
Shareholders' equity			
Capital stock	7,459,938	-	7,459,938
Contributed surplus	231,674	-	231,674
Deficit	(7,165,346)	-	(7,165,346)
	526,266	-	526,266
	$ 646,616	$ -	$ 646,616

(Unaudited - Expressed in Canadian Dollars, except for share amounts)

3. FIRST TIME ADOPTION OF IFRS (Continued)

Reconciliation of assets, liabilities and shareholder's equity:

	As at March 31, 2010		
	GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current			
Cash	$ 7,041	$ -	$ 7,041
Accounts receivable	102,073	-	102,073
Loan receivable	59,075	-	59,075
Investments held for trading	175,963	-	175,963
Prepaid expenses	4,697	-	4,697
	348,849	-	348,849
Loan receivable	207,918	-	207,918
Property and equipment	103,303	-	103,303
	$ 660,070	$ -	$ 660,070
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	$ 88,641	$ -	$ 88,641
Deferred revenue	84,225	-	84,225
	172,866	-	172,866
Shareholders' equity			
Capital stock	7,459,938	-	7,459,938
Contributed surplus	231,674	-	231,674
Deficit	(7,204,408)	-	(7,204,408)
	487,204	-	487,204
	$ 660,070	$ -	$ 660,070

(Unaudited - Expressed in Canadian Dollars, except for share amounts)

3. FIRST TIME ADOPTION OF IFRS (Continued)

Reconciliation of assets, liabilities and shareholder's equity:

	As at December 31, 2010		
	GAAP	Effect of transition to IFRS	IFRS
ASSETS			
Current			
Cash	$ 15,100	$ -	$ 15,100
Accounts receivable	134,585	-	134,585
Loan receivable	-	-	-
Investments held for trading	207,845	-	207,845
Prepaid expenses	1,365	-	1,365
	358,895	-	358,895
Loan receivable	335,348	-	335,348
Property and equipment	105,570	-	105,570
	$ 799,813	$ -	$ 799,813
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	$ 54,989	$ -	$ 54,989
Deferred revenue	43,872	-	43,872
		-	
	98,861	-	98,861
Deferred revenue	43,873	-	43,873
	142,734	-	142,734
Shareholders' equity			
Capital stock	7,459,938	-	7,459,938
Contributed surplus	231,674	-	231,674
Deficit	(7,034,533)	-	(7,034,533)
	657,079	-	657,079
	$ 799,813	$ -	$ 799,813

(Unaudited - Expressed in Canadian Dollars, except for share amounts)

3. FIRST TIME ADOPTION OF IFRS (Continued)

Reconciliation of net loss and comprehensive loss:

	Three months ended March 31, 2010		
	GAAP	Effect of transition to IFRS	IFRS
REVENUE			
Corporate and administrative services	$ 124,441	$ -	$ 124,441
Interest and other income	24,644	-	24,644
	149,085	-	149,085
EXPENSES			
Depreciation	8,527	-	8,527
Consulting fees	12,000	-	12,000
Office and general	37,694	-	37,694
Professional fees	18,094	-	18,094
Regulatory and transfer agent fees	6,255	-	6,255
Rent	13,157	-	13,157
Wages and benefits	69,750	-	69,750
	165,477	-	165,477
Income (loss) and comprehensive income (loss) before other items	(16,392)	-	(16,392)
OTHER ITEMS			
Unrealized loss on investments held for trading	(14,520)	-	(14,520)
Unrealized foreign exchange loss	(8,150)	-	(8,150)
Net loss and comprehensive loss for the period	$ (39,062)	-	$ (39,062)
Basic and diluted loss per common share	$ (0.00)		$ (0.00)
Weighted average shares used in computation of basic and diluted earnings (loss) per common share	9,654,066		9,654,066

(Unaudited - Expressed in Canadian Dollars, except for share amounts)

3. FIRST TIME ADOPTION OF IFRS (Continued)

Reconciliation of cash flows:

	Three months ended March 31, 2010		
	GAAP	Effect of transition to IFRS	IFRS
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the period	$ (39,062)	-	$ (39,062)
Items not affecting cash:			
Depreciation	8,527	-	8,527
Amortization of deferred revenue	(7,650)	-	(7,650)
Unrealized foreign exchange loss	8,150	-	8,150
Unrealized loss on investments held for trading	14,520	-	14,520
	(15,515)	-	(15,515)
Changes in non-cash working capital items:			
Increase in accounts receivable	(47,995)	-	(47,995)
Increase in prepaid expenses	(3,351)	-	(3,351)
Increase in accounts payable and accrued liabilities	60,165	-	60,165
Net cash provided by (used in) operating activities	(6,696)	-	(6,696)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	(3,190)	-	(3,190)
Net cash used in investing activities	(3,190)	-	(3,190)
Increase (decrease) in cash for the period	(9,886)	-	(9,886)
Cash, beginning of period	16,927	-	16,927
Cash, end of period	$ 7,041	-	$ 7,041

4. SIGNIFICANT ACCOUNTING POLICIES

The following are a list of significant accounting policies used by the Company.

(a) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company transactions and balances have been eliminated. During the period ended March 31, 2011, the Company sold its 100% interest in Waterfront Communications Corporation.

(b) Cash and cash equivalents

Cash and cash equivalents includes highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(c) Financial instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

Financial assets (Continued)

Transactions costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

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

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

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

Other financial liabilities: This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(e) Property and equipment

Property and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property and equipment are depreciated at the following annual rates:

Computer equipment	30% declining balance
Computer software	30% declining balance
Furniture and fixtures	20% declining balance

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property and equipment (Continued)

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statement of comprehensive income or loss.

Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company compares the carrying value of property and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

(g) Impairment

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(h) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Share based payment transactions

The Company's stock option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The fair value of the options is accrued and charged either to operations or mineral properties, with the offset credit to contributed surplus, over the vesting period. If and when the stock options are exercised, the applicable amounts from contributed surplus are transferred to capital stock.

The Black-Scholes option valuation model used by the Company to determine fair values of options and similar financial instruments requires the input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

(j) Revenue recognition

Security transactions are recorded on a settlement date basis. Realized gains and losses on disposal of investments held for trading and unrealized gains and losses in the value of investments held for trading are reflected in the consolidated statements of operations and are calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition. All transaction costs are expensed to the consolidated statements of operations as incurred.

Consulting, rent and administration fees are recognized when the services are rendered and collection is reasonably assured. Deposits received in advance of services rendered are recorded as deferred revenue.

Interest income is recorded on an accrual basis. Loan commitment fees are recorded over the term of the loans. Annual loan fees are recorded quarterly based on the terms of the loan agreement and adjusted to the amount agreed to by the parties. Reasonable assurance of collectability is also required for recognition as revenue.

(k) Earnings (loss) per share

Earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings (loss) per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Income taxes

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it provides a valuation allowance against that excess.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(m) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

(n) New accounting standards and interpretations not yet adopted

At the date of authorization of these financial statements, the IASB and IFRIC have issued a number of new and revised standards and interpretations which are not yet effective for the relevant reporting periods.

The Company has not early adopted these standards, amendments and interpretations. However the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided for annually at the following rates:

Computer equipment	30% declining balance
Computer software	30% declining balance
Furniture and fixtures	20% declining balance

Comparative figures

Certain comparative figures have been reclassified in order to conform to the current year's presentation.

5. LOAN RECEIVABLE

	March 31, 2011 Unaudited	December 31, 2010 Unaudited
Loan receivable in United States dollars, payable in monthly installments of US$9,892, including interest (25.3% effective rate of interest per annum) due December 31, 2012.	$ 349,172	$ 335,348
Less: Current portion	-	-
	$ 349,172	$ 335,348

With respect to the above referenced loan, payment installments have not been received from the borrower for the three month period ended March 31, 2011. The Company is negotiating revised payment terms for the loan with the borrower. Until revised payment terms on the loan are renegotiated, interest is accrued and added to the principal of the loan. The loan is due from a company with common directors.

(Unaudited - Expressed in Canadian Dollars, except for share amounts)

6. INVESTMENTS HELD FOR TRADING

Investments are marketable securities comprised of common shares in publicly traded companies as follows:

		March 31, 2011 Unaudited		December 31, 2010 Unaudited
Black Panther Mining Corp. 2011 – 82,000 common shares (December 31, 2010 – 82,000 common shares)	$	9,020	$	9,840
Columbia Yukon Explorations Inc. 2011 – 300,000 common shares (December 31, 2010 – 400,000 common shares)		42,000		51,000
Ikon Laser Eye Centres Inc. 2011 – 25,123 common shares (December 31, 2010 – 25,123 common shares)		2		2
International Bethlehem Mining Corp. 2011 – 600,000 common shares (December 31, 2010 – 600,000 common shares)		48,000		75,000
White Tiger Mining Corp. 2011 – 93,250 common shares (December 31, 2010 – 93,250 common shares)		29,840		34,503
World Famous Pizza Company Ltd. 2011 – 1,500,000 common shares (December 31, 2010 – 1,500,000 common shares)		22,500		37,500
	$	151,362	$	207,845

All of the investee companies other than Ikon Laser Eye Centre have common directors with the Company.

7. PROPERTY AND EQUIPMENT

	March 31, 2011						December 31, 2010					
		Cost		Accumulated Depreciation		Net Book Value		Cost		Accumulated Depreciation		Net Book Value
Computer equipment	$	54,178	$	36,229	$	17,949	$	54,178	$	34,774	$	19,404
Computer software		114,313		36,484		77,829		114,313		30,174		84,139
Furniture and fixtures		45,127		43,202		1,925		45,127		43,100		2,027
	$	213,618	$	115,915	$	97,703	$	213,618	$	108,048	$	105,570

8. RELATED PARTY TRANSACTIONS

(a) Included in accounts receivable at March 31, 2011 is $109,920 (December 31, 2010 - $134,077) due from companies controlled by directors and/or companies with common directors;

(b) Included in accounts payable at March 31, 2011 is $18,957 (December 31, 2010 - $nil) due to companies controlled by directors and/or companies with common directors;

(c) Included in deferred revenue at March 31, 2011 is $76,777 (December 31, 2010 - $87,745) 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;

(Unaudited - Expressed in Canadian Dollars, except for share amounts)

8. RELATED PARTY TRANSACTIONS (Continued)

(d) During the three month period ended March 31, 2011, the Company paid or accrued the following amounts to directors, companies or limited partnerships controlled by directors and/or companies with common directors:

	March 31, 2011	March 31, 2010
Consulting fees	$ 10,500	$ 11,500
Professional fees	7,500	8,025
Rent	12,273	13,157

(e) During the three month period ended March 31, 2011, the Company received or accrued the following amounts from companies controlled by directors and/or companies with common directors:

	March 31, 2011	March 31, 2010
Interest and other income	$ 32,861	$ 24,644
Corporate and administrative services revenue	72,957	118,930

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.

9. STOCK OPTIONS AND WARRANTS

Stock Options

The Company has a stock option plan to grant options to directors, officers, employees and consultants to acquire up to 1,800,000 common shares in the capital of the Company. The exercise price of each option granted under the plan is determined by the directors but cannot be less than the closing price of the Company's shares on the day proceeding the day of which the directors grant such options, less any discount allowed by the TSX Venture Exchange. The options can be granted for a maximum term of 5 years and are subject to vesting over an 18 month period, with one-quarter of the options vesting on the date of grant and an additional one-quarter vesting at each subsequent 6 month interval.

As at March 31, 2011, the following incentive stock options were outstanding:

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		

(Unaudited - Expressed in Canadian Dollars, except for share amounts)

9. STOCK OPTIONS AND WARRANTS (Continued)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, December 31, 2010 and March 31, 2011	1,400,000	$ 0.15
Number of options exercisable, December 31, 2010 and March 31, 2011	1,400,000	$ 0.15

Warrants

There were no warrants outstanding as at March 31, 2011 and December 31, 2010.

10. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

There were no non-cash financing or investing transactions during the three month period ended March 31, 2011 and March 31, 2010.

11. COMMITMENTS AND CONTINGENCIES

(a) 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:

2011	$ 29,444
2012	$ 8,771
2013	$ 8,771
2014	$ 7,309

(b) 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.

(c) 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.

12. 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 operations and exploration activities the Company will 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 period ended March 31, 2011. 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.

13. 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 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. Cash is carried at fair value using Level 1 of the fair value hierarchy.

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 loan 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.

13. FINANCIAL INSTRUMENTS (Continued)

Fair value (Continued)

The carrying values and fair values of financial assets and liabilities as at March 31, 2011 and December 31, 2010 are summarized as follows:

	March 31, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Held-for-trading	$ 151,363	$ 151,363	$ 207,845	$ 207,845
Loans and receivables	459,865	459,865	469,933	469,933
Other liabilities	(133,886)	(133,886)	(142,734)	(142,734)
	$ 477,342	$ 477,342	$ 535,044	$ 535,044

The Company's measurement of fair value of financial instruments as at March 31, 2011 in accordance with the fair value hierarchy is as follows:

	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities	$ 151,363	$ 151,363	$ -	$ -
Loan receivable	$ 349,172	$ -	$ 349,172	$ -

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

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.

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:

	March 31, 2011	December 31, 2010
Cash	$ 40,665	$ 15,100
Investment held for trading	151,363	207,845
	$ 192,028	$ 222,945

(Unaudited - Expressed in Canadian Dollars, except for share amounts)

13. FINANCIAL INSTRUMENTS (Continued)

Credit risk (Continued)

The Company is exposed to credit risk on its receivables. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	March 31, 2011	December 31, 2010
Trade accounts receivable	$ 110,693	$ 134,585
Loan receivable	349,172	335,348
	$ 459,865	$ 469,933

Credit risk with respect to the loan receivable is considered to be high due to the balance being outstanding from one vendor (see Note 5). Credit risk with respect to trade accounts receivables has been assessed as low from management, as the Company has strong working relationships with the parties involved.

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 March 31, 2011, the Company had accounts payable and accrued liabilities of $57,109 (December 31, 2010 - $54,989). Based on the current funds held as at March 31, 2011, the Company has sufficient working capital.

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

	March 31, 2011		
Due Date	Accounts Payable and Accrued Liabilities	Due to Related Parties	Total
0 – 90 days	$ 38,152	$ 18,957	$ 57,109

	December 31, 2011		
Due Date	Accounts Payable and Accrued Liabilities	Due to Related Parties	Total
0 – 90 days	$ 54,989	$ -	$ 54,989

13. FINANCIAL INSTRUMENTS (Continued)

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 consists 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.

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 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 indirectly on quoted market prices.

The Company is not exposed to significant foreign currency risk.

(Unaudited - Expressed in Canadian Dollars, except for share amounts)

14. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes for the year ended December 31, 2010 is as follows:

		2010
Income (loss) for the year from continuing operations	$	130,813
Expected income tax (recovery)		37,000
Non deductible items		(1,000)
Deductible costs and other items		7,000
Unrecognized benefits of non-capital losses		(43,000)
Future income taxes	$	-

The tax effects of temporary differences that give rise to significant components of future income tax assets for the year ended December 31, 2010 are as follows:

		2010
Future income tax assets:		
Non-capital losses available for future years	$	121,000
Investments and other assets		81,000
Net capital losses available for future years		606,000
Financing costs		1,000
		809,000
Valuation allowance		(809,000)
Net future income tax liability	$	-

The Company and its subsidiaries have incurred non-capital losses of approximately $500,000, which, if un-utilized, will expire through to 2029. The Company also has net capital losses of approximately $2,423,000 available to reduce taxable capital gains of future years. Future tax benefits which may arise as a result of these losses and other tax assets have not been recognized in these financial statements and have been offset by a valuation allowance.

15. SEGMENTED INFORMATION

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