

VR INTERACTIVE CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
THREE MONTHS ENDED DECEMBER 31 2011

The discussion and analysis contains forward-looking statements, which involve risks and uncertainties. Actual events could differ from those anticipated in these forward-looking statements. While this MD&A reflects the financial results for the 3 month period ended December 31, 2011 it also addresses key events that have occurred up to and including the writing on February 17, 2012.

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The following is a discussion and analysis of the results and operations and financial condition of VR Interactive Corporation (the "Corporation") for the three months ended December 31, 2011, along with certain factors that may affect the Corporation's prospective financial conditions and results of operations.

Readers are also referred to SEDAR at sedar.com for additional information.

GOING CONCERN

These financial statements have been prepared on a going concern basis which assumes the Corporation will be able to realize its assets and discharge its liabilities in the normal course of operations. As discussed in Note 1 to the financial statements the Corporation has incurred significant losses for a period of several years and has both a working capital and shareholders' deficiency. Accordingly, the ability of the Corporation to continue as a going concern is uncertain and is dependent upon obtaining sufficient levels of financing, achieving profitable operations and continued support from its shareholders. These financial statements do not include any adjustments to the amounts or classification of financial statement items that might be necessary if the Corporation was unable to continue as a going concern. No adjustment has been made in these financial statements to reflect liquidation values of assets on a non-going concern basis as any such adjustment, if required, would not have a material affect on the Corporation's balance sheet.

Readers are also referred to Note 14 to the financial statements for a discussion of subsequent events material to this discussion

OVERVIEW

The Corporation has discontinued the development of the 360-degree imaging technologies and is currently seeking other business opportunities. Management is pursuing all options with the objective to maximize the preservation of shareholder value. Although management remains optimistic; the failure to attract additional capital represents significant business risk. The principal source of funding in the period was by shareholder loans. The lack of capital is now to a point where it is negatively impacting operations. Assuming we are able to resolve the pressure on our finances, we will continue to review emerging opportunities to preserve and enhance shareholder value.

A proposal for the restructuring of the Corporation was presented and approved at an Annual and Special Meeting of Shareholders held on February 10, 2012. Complete details of the various restructuring transactions are contained in a Management Information Circular filed on SEDAR.COM.

Overall performance for the three months ended December 31, 2011

The following discussion addresses the operating results and financial condition of VRI for the three months ended December 31, 2011. This discussion and analysis is qualified in its entirety by reference to and read in conjunction with the Corporation's audited consolidated financial statements for the year ended March 31, 2011, and the related notes thereto, as well as reference to the forward looking statements within this report. All results in this report are presented in Canadian dollars, unless otherwise indicated.

Results of continuing operations for the three months ended December 31, 2011

Net loss for the three months ended December 31, 2011, was \$13,441 (\$0.000 per share) compared to a net loss of \$51,788 (\$0.002 per share) for the same period in the prior year. The results for the current period reflect a reduction in interest on shareholder loans as discussed below in "Loans from Shareholders and Directors" and in Note 5 to the financial statements. The current period reflects the elimination of the interest accretion on the ACOA loans as discussed in Note 7 to the financial statements. The loss for the prior year included \$27,382 interest on shareholder loans and \$13,069 in interest accretion on the ACOA loans.

Revenues have yet to become meaningful and the Corporation continues to focus on opportunities to capitalize on its investment through strategic alliances and possible business combinations or other strategic alternatives.

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Three Months Ended December 31 2011

General and Administrative Expense

For the three months ended December 31, 2011 the Corporation had General and Administrative Expenses of \$11,280 compared to \$10,850 in the three months ended December 31, 2010. The Corporation continues to minimize the costs associated with administrative overhead.

Research and Development Expense

For the three months December 31, 2011, the Corporation had net Research and Development expenses of \$nil compared to \$nil for the three months December 31, 2010. VRI has expended in excess of \$1.5 million in Research and Development costs since inception, all of which has been expensed as incurred.

Amortization

For the three months December 31, 2011, the Corporation had amortization expenses of \$309, and for the three months December 31, 2010, the Corporation had amortization expenses of \$414.

Provision for Income Taxes

The Corporation uses the liability method of tax allocation. Under this method, future tax assets and liabilities are recognized for the estimated tax recoverable or payable, which would arise if assets and liabilities were recovered and settled at the financial statement carrying amounts. Future tax assets and liabilities are measured using tax rates expected to apply to taxable income in the quarters in which temporary differences are expected to be recovered or settled. Changes to these balances are recognized in income in the period in which they occur. No recognition of future income tax assets has been reflected in these financial statements as the Corporation has yet to achieve profitable operations.

Selected Consolidated Financial Information

Selected items from the Consolidated Balance Sheets as at December 31, 2011, December 31, 2010 and December 31, 2009

	31-Dec-11	31-Dec-10	31-Dec-09
Balance Sheet Item	\$'s	\$'s	\$'s
Cash	634	488	101
Accounts Receivable	-	-	-
Accounts Payable	45,857	42,130	58,050
Directors and Shareholder advances	1,429,033	1,286,653	1,139,040
Long term debt due within one year	-	171,174	55,730
Long term debt due	-	327,105	391,283
Shareholders Equity (Deficiency)	(1,470,015)	(1,820,950)	(1,636,526)

All assets are located in Nova Scotia.

Quarterly Financial Data

The table below presents selected financial data of the Corporation for each of the eight quarters ended December 31, 2011.

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	31-Dec 2011	30-Sep 2011	30-Jun 2011	31-Mar 2011	31-Dec 2010	30-Sep 2010	30-Jun 2010	31-Mar 2010
Revenue	-	-	-	435,155	-	-	-	-
COGS	-	-	-	-	-	-	-	-
Gross Profit	-	-	-	435,155	-	-	-	-
Expenses								
Gen & Admin	11,280	11,290	7,602	6,956	10,850	11,286	8,093	(6,944)
R&D	-	-	-	-	-	-	295	910
Depreciation	309	333	358	385	414	445	479	515
Interest	1,851	1,836	1,837	40,183	40,524	40,385	39,088	38,084
Total Expenses	13,440	13,459	9,797	47,524	51,788	52,116	47,955	32,565
Net income (Loss)	(13,440)	(13,459)	(9,797)	387,631	(51,788)	(52,116)	(47,955)	(32,565)
Income (Loss) per share	(\$0.000)	(\$0.000)	(\$0.000)	\$0.014	(\$0.002)	(\$0.002)	(\$0.002)	(\$0.001)

Liquidity and Capital Resources

The Corporation has historically funded its activities through the sale of common shares and government assistance relating to research and development activities and the sales and marketing operations. During the most recent fiscal year, all capital expenditures, research and development and sales and marketing efforts were funded from shareholder loans.

The Corporation believes that outside sources for debt and additional equity capital, if needed, will be available to finance ongoing operations and expansion. The form of any financing will vary depending upon prevailing market and other conditions, and may include short or long-term borrowings from financial institutions, or the issuance of additional equity or debt securities. However, there can be no assurance that funds will be available on terms acceptable to the Corporation and its actions with respect to these activities will be guided accordingly.

Long-Term Debt

The Corporation had interest-free repayable contributions outstanding from the Atlantic Canada Opportunities Agency (“ACOA”) in the amount of \$ nil as at December 31, 2011 (2010 \$488,674). The initial repayment of these contributions had been extended to August 1, 2009, was further extended to August 1, 2010, and was repayable in forty-eight consecutive monthly installments of \$10,146 and one final payment in the amount of \$1,577. The Corporation also had a provisional repayable contribution repayable to ACOA in the amount of \$ nil as at December 31, 2011 (2010 \$111,982). The contribution was repayable in annual installments calculated as a percentage of the product and service sales related to the VR Showcase and other resulting products. The Corporation entered into settlement negotiations with ACOA which resulted in an agreement as of March 31, 2011 whereby the Corporation made full and final payment of the loans in the form of a cash payment of \$75,000 and the forfeiture of \$1,577,129 in unclaimed research and development expenses and tax losses carried forward. The forfeiture represented the tax value attributed to the gain on the settlement of the debt.

Please refer to Note 7 to the December 31, 2011 Interim Financial Statements for a discussion on the gain resulting from this settlement.

Share Capital

	Number of Shares	Amount
Authorized:		
Unlimited number of common shares		
Balance outstanding December 31, 2011 and March 31, 2011	26,983,333	\$ 2,638,509

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Stock-based Compensation Plan

The Board of Directors has established a stock option plan under which options to purchase common shares are granted to directors, officers, and key employees of the Corporation. This plan when adopted was approved by the shareholders of the Corporation. Options to acquire common shares are granted at exercise prices equal to the market price of the common shares on the date of the grant and expire between one and five years from the date of the grant. Market price is the closing price of the shares on the day prior to the notice date of the transaction, unless the weighted average share price for the 10 days prior to the closing date exceeds the closing share price by more than 10%; then the market price used is the weighted average price.

The Corporation has reserved 2,698,333 common shares pursuant to the stock option plan. There are 1,900,000 options to acquire common shares outstanding under the plan as at December 31, 2011. Any unexercised options that expire or are forfeited become available again for issuance under the plan. Compensation costs of options granted under the stock option plan are measured at the grant date, based upon a fair value of the award and are recognized over the related service period.

In July 2007, 1,900,000 options were granted to Directors, Officers, and employees under the stock purchase plan at an exercise price of \$0.10. These options vested immediately.

On September 26 2008, 400,000 options expired and were cancelled.

There were no stock options issued in 2011 or in 2010.

The fair value of the options issued in 2007 was estimated at the date of grant using the Black-Scholes pricing model with the following weighted average assumptions; risk free interest rates of 2.97% ; dividend yields of nil ; volatility factor of 185%; and a weighted average expected life of the option of 5 years.

Options issued and outstanding as at December 31, 2011;

Grant Date	Expiry Date	Exercise Price	Issued	Exercisable
July 27, 2007	July 27, 2012	.10	1,900,000	1,900,000
Dec 31, 2011	Cancelled		400,000	400,000
Total outstanding			1,500,000	1,500,000

	2011	2010
Contributed Surplus	\$	\$
Balances beginning of year, as reported	108,300	108,300
Stock-based compensation	-	-
Balance, end of year	108,300	108,300

Please refer to Note 14 of the Financial Statements regarding the adoption of a new stock option plan

Loans From Shareholders and Directors

To facilitate the settlement with ACOA discussed under Long Term Debt, a shareholder advanced \$75,000 with interest at 9%, repayable upon the closing of any re-organization of the Corporation's operations. Other loans from directors and shareholders are unsecured, due on demand, accrue interest at 8.75% and have no specific terms of repayment. No repayments on these loans are anticipated in the next 12 months.

It is anticipated that, upon any re-organization of the Corporation, shareholders would be asked to approve the conversion of existing directors and shareholder loans to equity. Management has determined that March 31, 2011

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would be the appropriate date to fix the balances to be converted and has therefore discontinued accruing interest on those loans.

Please refer to Note 14 regarding the approval of the conversion of debt to equity.

Summary of Securities issued and options granted during the three months December 31, 2011

Capital Stock

Authorized unlimited number of common shares.

Issued and Outstanding

There were no common shares issued during the three months December 31, 2011 or the year ended March 31, 2011

	Number of Shares	Amount
Issued and Outstanding as at December 31, 2011 and March 31, 2011	26,983,333	\$2,638,509

CRITICAL ACCOUNTING POLICIES

General

The accounting policies have been reviewed with the Corporation's Audit Committee and are as described in Note 2 and Note 3 to the interim consolidated financials statements.

Critical Accounting Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect: the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates and assumptions used in preparing its consolidated financial statements are reasonable and prudent; however, actual results could differ from those estimates. Following is a list of critical accounting estimates and assumptions that the Corporation believes could impact its reported financial position, results of operations and cash flows.

Financial Instruments

Under the new standards all financial assets and liabilities are classified into one of the following five categories: held-for-trading, held to maturity, loans and receivables, available-for-sale financial assets and other financial liabilities. Refer to the following table for the treatment of each item:

Asset/Liability	Classification	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost using Effective Interest Method
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost using Effective Interest Method
Loans from Shareholders	Held for trading	Fair Value
Long Term Debt	Loans and receivables	Amortized cost using Effective Interest Method

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Management of Capital

The Corporation defines capital that it manages as the aggregate of its loans from shareholders, ACOA long-term debt, share capital, contributed surplus and deficit. Its objectives when managing capital are to ensure that the Corporation will continue as a going concern, so that it can provide returns to its shareholders.

The Corporation manages its capital structure and makes adjustments to it in light of economic conditions. The Corporation, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Corporation is not subject to any externally imposed capital requirements or debt covenants, and does not presently utilize any quantitative measures to monitor its capital. The Corporation's overall strategy with respect to management of capital remains unchanged from the year ended June 30, 2010.

Changes in accounting policies

International Financing Reporting Standards (IFRS)

The Corporation has completed the conversion to IFRS and there were no changes required to the opening balance sheet as at April 1, 2010.

The conversion to IFRS is discussed in detail in Note 3 to the interim financial statements for the three months ended December 31, 2011.

Stock-based compensation

The fair value of stock options is estimated at the grant date using the Black-Scholes option pricing model. This model requires the input of a number of assumptions including, dividend yields, expected stock price volatility, expected time until exercise and risk-free interest rates. Although the assumptions used reflect management's best estimate, they involve inherent uncertainties based on current market conditions generally outside the control of the Corporation.

RISK FACTORS

Legal Proceedings

There are no outstanding legal proceedings against the Corporation. Additional risk factors are discussed in Note 13 to the December 31, 2011 interim financial statements.

Market for Securities

The Common Shares of the Corporation are listed and posted for trading on the TSX Venture Exchange NEX under the trading symbol "VRI.H".

Cash Flow Requirements

There are no long-term debt repayments or payments under various operating leases for the next five years.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

As required by Multilateral Instrument 52-109 issued by the Canadian Securities Exchange Administrators ("MI52-109"), the Corporation's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) will be filing annual certificates of disclosure concurrent with the completion of the filing of its annual filings.

The Board of Directors together with an independent and qualified audit committee provide direct oversight responsibilities for the review of the quarterly and annual financial statements.

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Additional Information

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interest of insiders in material transactions, if applicable, is contained in the Corporation's information circular for its most recent annual meeting of shareholders, and in the Corporation's comparative financial statements for its most recently completed financial year.

This document may contain forward-looking statements, which may include sales, earnings, and profitability comments. These statements may contain words such as "anticipated", "expected", "could", "should", "may", "plans", "will", or similar expressions that are based on and arise out of our experience, our perception of trends, current conditions and expected future developments as well as other factors. These statements are not a guarantee of future performance. By their very nature, forward-looking statements involve uncertainties and risks that the forecasts and targets will not be achieved.

Readers are cautioned not to place undue reliance on forward looking statements as a number of important factors, as disclosed herein and in the Corporation's other continuous disclosure documents, could cause actual results to differ materially from those expressed in such forward looking statements. The Corporation includes in publicly available documents filed from time to time with securities commissions, and the TSX Venture Exchange, a thorough discussion of the risk factors that can cause the Corporation's anticipated outcomes to differ from actual outcomes. The Corporation disclaims any intention or obligation to update or revise forward-looking statements.

CORPORATE PROFILE

Board Of Directors

J. Paul Allingham
David J. Hennigar
C.H. (Bert) Loveless
Francis H. MacKenzie
Jean-Marc MacKenzie
Paul R. Snelgrove
K. Barry Sparks
E. Christopher Stait-Gardner

Corporate Officers

David J. Hennigar, Chairman
Francis H. MacKenzie, President & Chief Executive Officer
C.H. (Bert) Loveless, Vice President
Lorne S MacFarlane, Secretary & Chief Financial Officer

Corporate Head Office

VR Interactive Corporation
Attn: K. Barry Sparks
1470 – 141 Adelaide Street West
Toronto, ON M5H 3L5
Fax Number: (902) 484-7599
Phone Number: (902) 499-7150

Corporate Information

Bankers	Royal Bank of Canada, Main Branch, Halifax, Nova Scotia
Lawyers	RBC Law, Halifax, Nova Scotia
Auditors	Collins Barrow Toronto LLP
Transfer Agent & Registrar	Canadian Stock Transfer Corporation, Calgary, Alberta

Stock Exchange

TSX Venture Exchange NEX
Trading Symbol: VRI.H

Shareholder Information

Contact Person:	Francis H. MacKenzie
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Contact E-Mail Address:	francis@ns.sympatico.ca