VR INTERACTIVE CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

THIRD QUARTER ENDED DECEMBER 31, 2010

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 three-month period ended December 31, 2010 it also address key events that have occurred up to and including the writing on February 25 , 2010.

The following is a discussion and analysis of the results and operations and financial condition of VRI Interactive Corporation (VRI) for the third quarter ended December 31 2010, along with certain factors that may affect the corporation's prospective financial conditions and results of operations.

These financial statements have been prepared on a going concern basis which assumes VR Interactive Corporation (the "Corporation") will be able to realize its assets and discharge its liabilities in the normal course of operations. The Corporation has incurred significant losses for a period of several years and has both a working capital and shareholders' deficiency. In addition, repayment of certain loans from the Atlantic Canada Opportunity Agency (ACOA)(refer to note 7 and note 10) were scheduled to commence on August 1, 2010 and the Corporation was not in a position to make the scheduled repayment. Management has commenced negotiations with ACOA to secure an acceptable solution or settlement. Management can provide no assurance that negotiations will be successful or alternatively that additional funding can be secured to meet these loan obligations. Accordingly, the ability of the Corporation to continue as a going concern is uncertain and is dependent upon obtaining sufficient levels of financing 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.

OVERVIEW

The Corporation has discontinued the development of the 360-degree imaging technologies and is currently seeking other non related business opportunities to enhance shareholder value.

The principal source of funding in the year was by shareholder loans. The lack of capital is now to a point where it is negatively impacting operations.

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. Assuming we are able to resolve the pressure on our finances, we will continue to review emerging opportunities to preserve and enhance shareholder value.

Management remains optimistic that a restructuring opportunity will become available and presented to shareholders in the fourth quarter of fiscal 2011 or at the latest in the first quarter of fiscal 2012.

Overall performance for the third quarter ended December 31 2010

The following discussion addresses the operating results and financial condition of VRI for the three months ended December 31, 2010. 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 twelve months ended March 31 2010, 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 third quarter ended December 31 2010

Net loss for the third quarter ended December 31, 2010, was $51,789 ($0.002 per share) compared to a net loss of $34,576 ($0.002 per share) for the third quarter ended December 31, 2009 the 2009 loss included an expense recovery of $27,246 from an account payable written off by a creditor.

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

General and Administrative Expense

For the quarter ended December 31, 2010, the Corporation had General and Administrative Expense of $10,851 and for the third quarter ended December 31, 2009 the Corporation had General and Administrative Expense recovery of $4,625 which included the expense recovery of $27,246 mentioned above. VRI continues to minimize the costs associated with administrative overhead.

Research and Development Expense

For the third quarter ended December 31, 2010, the Corporation had net Research and Development expenses of $ nil, and for the third quarter ended December 31, 2009, the Corporation had net Research and Development expenses of $2,286. 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 third quarter ended December 31 2010, the Corporation had amortization expenses of $414, and for the third quarter ended December 31, 2009, the Corporation had amortization expenses of $554.

Provision for Income Taxes

The Corporation follows Section 3465 of the Canadian Institute of Chartered Accountants (CICA) Handbook regarding accounting 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.

Quarterly Financial Data

Amounts in Accordance with Canadian GAAP

The table below presents selected financial data of the Corporation for each of the eight quarters ended December 31, 2010.

	31-Dec 2010	30-Sep 2010	30-Jun 2010	31-Mar 2010	31-Dec 2009	30-Sep 2009	30-Jun 2009	31-Mar 2009
Revenue	-	-	-	-	-	-	-	-
COGS	-	-	-	-	-	-	-	-
Gross Profit	-	-	-	-	-	-	-	-
Expenses								
Gen & Admin	10,851	11,286	8,093	(6,944)	(4,625)	2,330	3,893	9,703
R&D	-	-	295	910	2,286	3,217	3,556	1,724
Depreciation	414	445	479	515	554	597	642	691
Interest	40,525	40,385	39,088	38,084	36,361	35,036	33,753	34,406
Total Expenses	51,789	52,116	47,955	32,565	34,576	41,180	41,844	46,524
Net Loss	(51,789)	(52,116)	(47,955)	(32,565)	(34,576)	(41,180)	(41,844)	(46,524)
Loss per share	($0.002)	($0.002)	($0.002)	($0.001)	($0.002)	($0.002)	($0.002)	($0.002)

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 has interest-free repayable loans outstanding from the Atlantic Canada Opportunities Agency (“ACOA”) in the amount of $487,366 as at December 31, 2010 (2009 $488,674). The repayment of these loans was scheduled to commence 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 is in negotiations with ACOA at the present time and there is no indication what effect these negotiation might have on the financial statements presentation. The accepted standards require that interest free debt facilities be accounted for at fair value using the effective interest method for the term loan. (Refer to note 3(a) and 3(i)) A twelve month extension would have the effect of requiring an adjustment to the 2010 opening deficit and a corresponding reduction the debt facilities. The fair value of the debt facilities was calculated by discounting the future cash repayments over the adjusted term of the debt facilities, using a discount rate of 15% (consistent with past policy) which management considers reasonable and approximates the Corporation's cost of borrowings for similar debt. The resulting reduction in carrying value will be amortized using the effective interest rate method over the adjusted term of the debt facilities. The interest accretion for the third quarter ending December 31, 2010 amounted to $13,069 (2009 - $12,256).

The corporation also has a provisional repayable loan repayable to ACOA in the amount of $111,982 as at December 31, 2010 (2009 $111,982). The loan is repayable in annual instalments calculated as a percentage of the product and service sales related to the VR showcase and other resulting products. It is anticipated that no repayments will be payable in the next fiscal year. The future cash repayments of the conditional repayable loan are not determinable. Due to this the amortized cost cannot be calculated. The conditional repayable loan continues to be recorded at cost.

Please refer to Note 3(a) and 3(i) of the Audited Financials for the year ended March 31, 2010 for additional information.

	Dec. 31, 2010	**March 31, 2010**
Loan principal – Loan 1	$487,366	$488,674
- Loan 2	111,982	111,982
Discount	(101,069)	(140,921)
Principal after discount	498,279	459,735
Current portion	171,174	81,168
Long –Term Debt	$327,105	$378,567

The undiscounted principal of the loan subject to fixed terms of repayment is repayable as follows:

Fiscal Year:	2011	$ 79,860
	2012	121,752
	2013	121,752
	2014	121,752
	2015	42,250
		$487,366

Share Capital

	Number of Shares	Amount
Authorized:		
Unlimited number of common shares		
Balance outstanding December 31 2010 and 2009	26,983,333	$ 2,638,509

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 March 31 2010. 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.

The fair value of these options 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, 2010;

Grant Date	Expiry Date	Exercise Price	Issued	Exercisable
July 27, 2007	July 27, 2012	.10	1,900,000	1,900,000
Total			1,900,000	1,900,000

Contributed Surplus	2010 $	2009 $
Balances beginning of period, as reported	108,300	108,300
Stock-based compensation	-	-
Balance, end of period	108,300	108,300

Loans From Shareholders

Loans from shareholders are due on demand, accrue interest at 8.75% and have no specific terms of repayment. No repayments are anticipated in the next 12 months.

Summary of Securities issued and options granted during the third quarter ended December 31, 2010

There were no common shares issued or options granted during the third quarter ended December 31, 2010

CRITICAL ACCOUNTING POLICIES

General

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

On April 1, 2008 the Corporation adopted the CICA handbook Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information, that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The adoption of the new standards had no impact on the financial statements presentation except disclosure for fiscal 2010 and 2009.

On April 1, 2007, the Company adopted the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments-Disclosure and Presentation; Section 3865, Hedges; Section 1530 Comprehensive Income; Section 3251, Equity; and, Section 1506 Accounting Changes. The adoption of the new standards resulted in changes in accounting for financial instruments as well as the recognition of certain transition adjustments that have been recorded in the 2008 opening deficit. To date the Company has not used hedges or derivatives and therefore the adoption of Section 3865, Hedges had no impact of the financial 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 Company believes could impact its reported financial position, results of operations and cash flows.

Management of Capital

The Company defines capital that it manages as the aggregate of its loans payable, share capital, contributed surplus, stock options, accumulated other comprehensive income, and deficit. Its objectives when managing capital are to ensure that the Company will continue as a going concern, so that it can provide returns to its shareholders.

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

The Company 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 Company's overall strategy with respect to management of capital remains unchanged from the year ended March 31, 2009.

Future changes in accounting policies

International Financing Reporting Standards (IFRS)
In January 2006, the AcSB adopted a strategic plan calling for the adoption of IFRS by publicly accountable enterprises in Canada, after a specified transition period. The AcSB has confirmed January 1, 2011 as the changeover date (i.e., the date IFRS will replace current Canadian standards and interpretations as GAAP for this category of reporting entity). As a result, the Company is required to prepare its consolidated financial statements in accordance with IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

On February 13, 2008, the Canadian Securities Administrators (CSA) issued, for public comment, a Concept Paper proposing that listed companies be permitted to adopt IFRS earlier, for financial years beginning on or after January 1, 2009. The Company has decided not to adopt early, and is currently evaluating the impact of adopting IFRS on its consolidated financial statements and will have the necessary changes in place before August 29, 2011.

Business Combinations, Consolidated Financial Statements and Non-controlling Interests
In October 2008, the CICA issued Section 1582 Business Combinations ("Section 1582") concurrently with Section 1601 Consolidated Financial Statements ("Section 1601"), and Section 1602 Non-controlling Interests ("Section 1602"). Section 1582, which replaces Section 1581 Business Combinations, establishes standards for the measurement of a business combination and the recognition and measurement of assets acquired and liabilities assumed. Section 1601, which replaces Section 1600, carries forward the existing Canadian guidance on aspects of the preparation of consolidated financial statements subsequent to acquisition other than non-controlling interests. Section 1602 establishes guidance for the treatment of non-controlling interests subsequent to acquisition through a business combination. These new standards are effective for the Company's interim and annual consolidated financial statements commencing on January 1, 2011 with earlier adoption permitted as of the beginning of a fiscal year. This pronouncement will not have any impact on the financial statements.

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	Other financial liabilities	Amortized cost using Effective Interest Method
Loans from Shareholders	Held for trading	Fair Value
Loans	Loans and receivables	Amortized cost using Effective Interest Method

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.

Seasonality and Inflation

Sales of the Corporation's products are generally not seasonal; however, in some cases will be subject to the buying and funding cycles of government and public sector routines. Inflation, in recent years, has not adversely affected the Corporation's results of operations and is not expected to adversely affect the Corporation in the future, unless inflation increases substantially.

Market Risks

Market risks represent the risk of loss that may impact the consolidated financial statements of the Corporation due to adverse changes in financial market prices and rates. Management monitors the movement of currency exchange rates and, on that basis, decides on the appropriate measures to take. The Corporation does not hold or issue financial instruments for trading purposes.

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

Estimated aggregate long-term debt repayments for the next five fiscal years are as follows:

Fiscal year	2011	2012	2013	2014	2015
Principal repayments on long-term debt	$ 79,860	$121,752	$121,752	$121,752	$ 42,250
Total	$ 79,860	$121,752	$121,752	$121,752	$ 42,250

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"), VRI's Chief Executive Officer (CEO) and VRI's Chief Financial Officer (CFO) will be filing annual certificates " Certification of Disclosure of Issuers' Annual and Interim Filings" concurrent with the completion of filing its annual filings. The certificates will be available on SEDAR.

In compliance with Multilateral Instrument 52-109, management must disclose any material weakness found to exist within its systems of internal control over financial reporting. Due to the size of the company there is a lack of adequate segregation of duties within the organization. Management undertake additional review and assessments to ensure completeness and the accuracy of all financial transactions.

The CEO and CFO are reasonably certain that all information is made known to them and that procedures have been implemented to provide reasonable assurance of the reliability of the financial reporting and preparation of the financial statements for external reporting.

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.

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 insider 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 contains 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 on SEDAR and 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
David J. Hennigar
J. Paul Allingham
John G. McDonald Brown, C.A.
John S. Burns, Q.C.
E. Christopher Stait-Gardner

Corporate Officers
Don Sheehan
President & Chief Executive Officer

Lorne S MacFarlane
Chief Financial Officer

James Yhard
Chief Technical Officer

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Corporate Information

Bankers	Royal Bank of Canada, Main Branch, Halifax, Nova Scotia
Lawyers	RBC Law, Halifax, Nova Scotia
Auditors	Millard DesLauriers & Shoemaker LLP, Toronto, Ontario
Transfer Agent & Registrar	CIBC Mellon, Toronto, Ontario

Stock Exchange
TSX Venture Exchange NEX
Trading Symbol: VRI.H

Shareholder Information

Contact Person:	Lorne MacFarlane
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