

VR INTERACTIVE CORPORATION
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED MARCH 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 12 month period ended March 31, 2011 it also addresses key events that have occurred up to and including the writing on July 22, 2011.

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The following is a discussion and analysis of the results and operations and financial condition of VRI Interactive Corporation (VRI) for the year ended March 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 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. 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.

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 year 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.

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

Overall performance for the year ended March 31, 2011

The following discussion addresses the operating results and financial condition of VRI for the twelve months ended March 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 twelve months 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.

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Results of continuing operations for the year ended March 31, 2011

Net income for the twelve months ended March 31, 2011, was \$235,772 (\$0.01 per share) compared to a net loss of \$150,165 (\$0.01 per share) for the previous year ended March 31, 2010. The results for the current year included a gain on settlement of debt in the amount of \$435,155 as discussed in Note 7 to the Audited Financial Statements. Without this gain the results would have been a loss of \$211,792 (\$0.01 per share)

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 year ended March 31, 2011 the Corporation had General and Administrative Expense of \$37,185 compared to net recovery of \$5,345 in the twelve months ended March 31, 2010 which included an adjustment to accounts payable in the amount of \$54,490, to reflect an amount written off by a creditor. VRI continues to minimize the costs associated with administrative overhead.

Research and Development Expense

For the year ended March 31, 2011, the Corporation had net Research and Development expenses of \$295 compared to \$9,969 for the year ended March 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 year ended March 31, 2011, the Corporation had amortization expenses of \$1,722, and for the year ended March 31, 2010, the Corporation had amortization expenses of \$2,308.

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.

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Selected Consolidated Financial Information

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

Balance Sheet Item	31-Mar-11 \$'s	31-Mar-10 \$'s	31-Mar-09 \$'s
Cash	486	524	434
Accounts Receivable	-	-	-
Accounts Payable	43,591	46,951	102,274
Directors and Shareholder advances	1,395,453	1,169,891	1,014,781
Long term debt due within one year	-	81,168	81,168
Long term debt due	-	378,566	378,566
Shareholders Equity (Deficiency)	(1,433,319)	(1,669,091)	(1,567,086)

All assets are located in Nova Scotia.

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 March 31, 2011.

	31-Mar 2011	31-Dec 2010	30-Sep 2010	30-Jun 2010	31-Mar 2010	31-Dec 2009	30-Sep 2009	30-Jun 2009
Revenue	435,155	-	-	-	-	-	-	-
COGS	-	-	-	-	-	-	-	-
Gross Profit	435,155	-	-	-	-	-	-	-
Expenses								
Gen & Admin	6,956	10,850	11,286	8,093	(6,944)	(4,625)	2,330	3,893
R&D	-	-	-	295	910	2,286	3,217	3,556
Depreciation	385	414	445	479	515	554	597	642
Interest	40,183	40,524	40,385	39,088	38,084	36,361	35,036	33,753
Total Expenses	47,524	51,788	52,116	47,955	32,565	34,576	41,180	41,844
Net income (Loss)	387,631	(51,788)	(52,116)	(47,955)	(32,565)	(34,576)	(41,180)	(41,844)
Income (Loss) per share	\$0.017	(\$0.002)	(\$0.002)	(\$0.002)	(\$0.001)	(\$0.002)	(\$0.002)	(\$0.002)

Discussion of the results for the 4th quarter

Net income for the period was \$387,631 compared to a loss of \$51,788 in the prior period. The current period included the gain of \$435,155 on the settlement of a long term debt the details of which are discussed in Note 7 to the Audited Financial Statements.

General and Administrative expenses for the period were \$6,956 down from \$10,850 in the prior period which included expenses related to the annual meeting.

Depreciation expense for the period was \$385 compared to \$414 in the prior period.

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Interest expense for the period was \$40,183 compared to \$40,524 in the prior period. The current period included interest on the ACOA loan in the amount of \$11,646 but did not include any interest accretion on the long term debt settled on March 31, 2011

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 March 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 March 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. Subsequent to the last year end the Corporation entered into settlement negotiations with ACOA which resulted in an agreement as of March 31, 2011 whereby the company 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.

The amortized cost of the debt facilities was calculated by discounting the future cash repayments over the term of the debt facilities, using a discount rate of 15% which management considered reasonable and approximated the Corporation’s cost of borrowings for similar debt. The resulting reduction in carrying value was amortized to interest expense over the term of the debt facilities. The interest accretion for 2011 amounted to \$39,852 (2010-\$48,160). The future cash repayments of the conditional repayable loan was not determinable and the amortized cost could not be calculated. The conditional repayable loan continued to be recorded at cost.

Please refer to Note 7 to the Audited Financial Statements for a discussion on the gain resulting from this settlement.

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Share Capital

	Number of Shares	Amount
Authorized: Unlimited number of common shares		
Balance outstanding March 31, 2011 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, 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.

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Options issued and outstanding as at March 31, 2011;

Grant Date	Expiry Date	Exercise Price	Issued	Exercisable
July 27, 2007	July 27, 2012	\$0.10	1,900,000	1,900,000
Total			1,900,000	1,900,000

	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

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 company'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.

Summary of Securities issued and options granted during the year ended March 31, 2011

Capital Stock

Authorized unlimited number of common shares.

Issued and Outstanding

There were no common shares issued during the year ended March 31, 2011 or the year ended March 31, 2010

	Number of Shares	Amount
Issued and Outstanding as at March 31, 2011 and March 31, 2010	26,983,333	\$2,638,509

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.

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.

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

Management of Capital

The Company 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 Company will continue as a going concern, so that it can provide returns to its shareholders.

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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, 2010.

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.

The Company has carried out a review of significant IFRS differences and management has identified areas where it may be impacted by accounting policy changes which may potentially impact the recognition, measurement and presentation of the Company's financial statement balances as of the transition date. The Company is planning to have the necessary changes in place prior to August 29, 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.

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.

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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 under the trading symbol “VRI”.

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 Company’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.

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

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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

David J. Hennigar
J. Paul Allingham
John G. McDonald Brown
John S. Burns
E. Christopher Stait-Gardner

Corporate Officers

Don Sheehan
President & Chief Executive Officer

Lorne S MacFarlane
Chief Financial Officer

James Yhard
Chief Technical Officer

Corporate Head Office

VR Interactive Corporation
165 Hammonds Plains Road
Bedford, Nova Scotia, B4A 4C7
Fax Number: (902) 484-7599
Phone Number: (902) 496-7594

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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Contact E-Mail Address:	lornemac@eastlink.ca