Form 51-102F1

LAS VEGAS FROM HOME.COM ENTERTAINMENT INC.

Management's Discussion & Analysis
Annual Audited Consolidated Financial Statements for the Year ended December 31, 2011

The following discussion and analysis of the financial condition and financial position and results of operations of Las Vegas From Home.com Entertainment Inc. (the "Company" or "Las Vegas or "LVFH") should be read in conjunction with the annual audited consolidated financial statements for the years ended December 31, 2011 and 2010 and notes thereto.

These financial statements, including comparatives, have been prepared using accounting policies in compliance with International Financing Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's financial statements are expressed in Canadian (CDN) Dollars. All amounts in this MD&A are in CDN dollars unless otherwise stated.

The following information is prepared as at May 2, 2012.

Forward-Looking Statements

Certain statements contained herein are "forward-looking" and are based on the opinions and estimates of management, or on opinions and estimates provided to and accepted by management. Forward-looking statements are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those expressed or implied. Readers are therefore cautioned not to place reliance on any forward-looking statement.

Description of Business

The principal business of Las Vegas From Home.com Entertainment Inc. (the "Company" or "LVFH") is the developing and marketing of software for online Asian multi-player interactive card games (the "Company's Gaming Software").

The Company's common shares trade on the TSX Venture Exchange (the "TSX-V") under the symbol "LVH".

The Company's head office is located at 1000 – 1177 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2K3.

The Company's Registrar and Transfer Agent is Computershare Investor Services Inc. located at 510 Burrard Street, Vancouver, BC, Canada, V6C 3B9.

Las Vegas From Home.com Entertainment Inc. is a reporting issuer in the Provinces of British Columbia and Alberta and files all public documents on *www.sedar.com*. The Company was a foreign private issuer in the United States of America and used to file on EDGAR, its annual report on Form 20-F and other reports on Form 6K. The following link,http://www.sec.gov/cgi-bin/browse-edgar?company=&CIK=0001061612&filenum=&State=&SIC=&owner=include&action=getcompany will give you direct access to the Company's United States Securities and Exchange Commission ("U.S. S.E.C.") filings. On April 13, 2009, the Company filed a Form 15F to terminate the registration of its common stock

under section 12(g) of the Securities Exchange Act and its reporting obligations under the Act. As a result, the Company's common stock is no longer quoted in the Over-The-Counter Bulletin Board but is quoted in the U.S.A. on the OTC Pink tier of the OTC market under the symbol "LVFHF".

Selected Annual Information

Selected annual information from the audited consolidated financial statements for the three years ended December 31, 2011, 2010 and 2009 is shown in the following table:

	2011	2010	2009
Revenues	$ 695,212	$ 579,111	$ 766,524
Interest Income	2,014	424	55,165
Loss before other items	(2,573,178)	(3,015,424)	(2,825,779)
Loss per common share before other items	*(0.01)	*(0.02)	*(0.03)
Comprehensive Loss [(1)]	(3,058,096)	(3,055,293)	(2,784,121)
Basic and Diluted Loss per common share	*(0.02)	*(0.02)	*(0.03)
Total Assets	989,377	1,566,950	1,404,498
Long term financial obligations	Nil	Nil	Nil
Cash dividends	Nil	Nil	Nil

* Earnings (loss) per common share in the above table is based on the number of weighted average number of shares outstanding for the periods as shown in the Annual Consolidated Statements of Comprehensive Loss (Audited) for the years ended December 31, 2011 and 2010. December 31, 2009 balances are prepared in accordance with Canadian GAAP and 2010 and 2011 balances are prepared in accordance with International Financial Reporting Standards

(1) Comprehensive Income/(Loss) consists of Net Income/(Loss) and Other Comprehensive Income/(Loss).

For the twelve month period ended December 31, 2011, the Company has recorded revenues of $695,212 (2010: $579,111) (2009: $766,524) including Sales revenue of $519,327 (2010: $282,636) (2009: $450,000) and Licensing revenue of $175,885 (2010: $296,475) (2009: $316,524). The loss before other items was $2,573,178 as compared to a loss in 2010 of $3,015,424 and as compared to a loss in 2009 of $2,825,779 and, the basic and diluted loss per common share in 2011 was $0.02 as compared to a basic and diluted loss per common share of $0.02 in 2010 and as compared to a basic and diluted loss per common share of $0.03 in 2009. The Company's Operating Expenses were $3,255,986 as compared to $3,594,535 in 2010 and as compared to $3,592,303 in 2009. The items that mainly contributed to the decrease in the Company's Operating Expenses during 2011 were Advertising and promotion, Amortization and Salaries and benefits. The Comprehensive Loss for 2011 was $3,058,096 as compared to $3,055,293 for 2010 and as compared to $2,784,121 for 2009.

The Company has never paid any dividends and has no plans to pay any dividends in the future. For the period ended December 31, 2011, the Company's weighted average number of common shares

was 184,635,841 as compared to 140,026,757 in the corresponding period of 2010 and as compared to 108,190,641 in the corresponding period of 2009.

Results of Operations

During the third quarter of 2011, LVFH developed and launched a penny auction website under the brand name of Bidshop.com (the "Company's Auction Website"). Bidshop.com offers a web-based auction experience to customers whereby customers can bid and win certain merchandises at discounts. The Company's Auction Website has been temporarily closed as of February 15, 2012 in order to improve the Company's software.

During the first quarter of 2012, LVFH launched its social casino product, **Real Vegas Casino**, on Facebook to the general public. Real Vegas Casino is a social casino product that provides players with a wide range of social features combined with a comprehensive selection of high quality casino games. Players can try out the games for free and purchase virtual currency in the form of Facebook Credits to extend and enhance their game play enjoyment. To view the social game application, please log in to the Facebook platform and visit https://apps.facebook.com/realvegascasino/.

Management determined that to comply with the U.S. S.E.C. requirements would result in incurring considerable expenses and as there was insufficient investor interest from the U.S.A. to justify such considerable expenses, Management decided that it would be in the best interest of the Company to terminate its U.S. S.E.C. registration. Consequently, on April 13, 2009, the Company filed a Form 15F to terminate the registration of its common stock under section 12(g) of the Securities Exchange Act and its reporting obligations under the Act. As a result, the Company's common stock is no longer quoted in the Over-The-Counter Bulletin Board but is quoted in the U.S.A. on the OTC Pink tier of the OTC market under the symbol "LVFHF".

The Company's common shares continue to trade in Canada on the TSX Venture Exchange ("Exchange") under the symbol "LVH", and in Germany on both the Frankfurt and Berlin Exchanges under the symbol "LVH".

The Company is continually enhancing and upgrading the Company's Gaming Software in order to enable the Company to increase its revenues.

The Company has entered into a sublease agreement with an arm's length third party on September 15, 2009 which has a term of two years and seven months, and which has commenced on October 1, 2009 in respect to approximately 4,817 square feet of office space. Monthly payment for the sublease consists of $6,021 plus HST for rent and, $6,551 plus HST for the Company's proportionate share of the property taxes and operating expenses. In respect to the office space subleased by the Company, on April 24, 2012 a Notice of Claim was filed in the Small Claims Court of Vancouver, British Columbia by the Sublandlord for unpaid rent in the amount of $25,000.

At the Annual General Meeting of the Company's shareholders which was held on June 10, 2011, the shareholders received the Audited Consolidated Financial Statements for the year ended December 31, 2010 and the Auditor's report thereon; fixed the number of Directors for the ensuing year at four; elected Bedo H. Kalpakian, Jacob H. Kalpakian, Neil Spellman and Gregory T. McFarlane as Directors of the Company; re-appointed the Company's Auditor, Smythe Ratcliffe, Chartered Accountants, for the ensuing year and authorized the Directors to fix the remuneration to be paid to the Auditor.

On June 15, 2010, the Company entered into an Advance Payment Agreement by paying a $1,000,000 deposit in respect to an Asset Purchase/Sales Agreement to acquire 99% of a Mexican online gaming company.

On March 17, 2011, the Company entered into an Asset Purchase and Sale Agreement with certain parties in Mexico to acquire 99% of all the outstanding common shares of a Mexican company which operates online gaming in Mexico pursuant to Mexican laws (the "Mexican Gaming Company"). The consideration payable by the Company shall be as follows:

(i) A cash payment of $1,000,000 Canadian (paid);

(ii) A cash payment of 2,970,000 Mexican pesos on March 17, 2014;

(iii) The issuance of 30,000,000 LVFH units. Each unit shall consist of one common share and one share purchase warrant. Each share purchase warrant shall entitle the holder to purchase one additional common share of the Company at a price of $0.10 in the first year or at a price of $0.25 in the second year. Each LVFH unit will be subject to hold periods and restrictions on resale in accordance with applicable securities laws, and the rules and regulations of the TSX Venture Exchange (the "Exchange");

(iv) An earn-out bonus of one LVFH common share for each US $1.00 of net profit that shall be earned by the Mexican Gaming Company for a period of three years for a maximum number of 30,000,000 LVFH common shares;

(v) This transaction is subject to the approval of the Exchange; and,

(vi) Finder's fee may be payable in respect to this transaction in accordance with the policies of the Exchange.

As of the date of this MD&A, the Company has not yet obtained approval from the Exchange as required by the terms of the agreement. As at December 31, 2011, management has recorded an impairment provision of $500,000 against the investment deposit due to the delay in obtaining Exchange approval.

As of December 31, 2011, the Company's Canadian operations employed 16 people (December 31, 2010: 19) consisting of staff and management.

Revenues

For the twelve month period ended December 31, 2011, the Company has recorded licensing revenues from the Gaming Software of $175,885 (December 31, 2010: $296,475), and sales revenues from the Gaming Software of $519,327 (December 31, 2010: $282,636),),

Cost of Goods Sold

For the twelve month period ended December 31, 2011, the cost of goods sold were $12,404 as compared to $nil during the corresponding period in 2010.

Expenses

For the year ended December 31, 2011, operating expenses were $3,255,986 as compared to $3,594,535 during the year ended December 31, 2010. The Operating Expenses during 2011 were slightly lower than the previous corresponding year. The items which mainly contributed to the

decrease in Operating Expenses during 2011 were Advertising and promotion, Amortization and Salaries and benefits.

During the year ended December 31, 2011, the Company has incurred a bad debt in the amount of $330,603 due to four licensees and clients not fulfilling their obligations to the Company.

During the year ended December 31, 2011, in keeping with Management's commitment to support worthwhile causes the Company made a donation in the amount of $1,500 to the Zajac Ranch for Children. The Zajac Ranch is a camp dedicated to "raising the spirits" of children with life threatening, chronic illnesses or disabilities and the Zajac Ranch project is spear headed by the Zajac Foundation, a non-profit organization registered as a charitable institution with the Government of Canada.

Interest Income

For the twelve month period ended December 31, 2011, the Company had interest income in the amount of $2,014 as compared to $424 during the corresponding period in 2010.

Net Loss

During the year ended December 31, 2011, the Company had a net loss of $3,058,096 or $0.02 per share (weighted average) as compared to a net loss of $3,065,393 or $0.02 per share (weighted average) in the same period in 2010. During the year ended December 31, 2011, the Company's weighted average number of common shares was 184,635,841 as compared to 140,026,757 in the same period in 2010.

Liquidity and Capital Resources

As at December 31, 2011, the Company's total assets were $989,377 as compared to $1,566,950 for the corresponding period in 2010. The Company's total liabilities were $320,339 as compared to $212,195 for the corresponding period in 2010. The Company has not paid any dividends and does not plan to pay any dividends in the future. As at December 31, 2011, the Company has no long-term debt.

As at December 31, 2011, the Company's cash and cash equivalents were $149,756 as compared to $175,340 at December 31, 2010.

As at December 31, 2011, the Company's accounts receivable was $33,377 as compared to $69,521 at December 31, 2010. Due from related parties at December 31, 2011 was $8,400 as compared to $22,127 at December 31, 2010. Prepaid expenses at December 31, 2011 were $20,283 as compared to $4,243 at December 31, 2010, and Lease Deposit at December 31, 2011 was $23,557 as compared to $23,557 at December 31, 2010.

Operating Activities

During the twelve month period ended December 31, 2011, the Company used cash in operating activities of $2,253,487 as compared to $2,251,282 of cash used in operating activities during the corresponding period of 2010.

Financing Activities

During the twelve month period ended December 31, 2011, the Company received $2,210,051 of cash in financing activities as a result of the issuane of commons shares pursuant to private placement financings, and the exercising of certain share purchase warrants and stock options as

compared to cash received in the amount of $2,583,380 for the twelve months ended December 31, 2010.

Investing Activities

During the twelve month period ended December 31, 2011, the Company received cash in the amount of $8,680 as compared to cash used in the amount of $992,635 for investing activities during the twelve months ended December 31, 2010.

Working Capital

For the year ended December 31, 2011, the Company had a working capital deficiency of $57,863 as compared to a working capital surplus of $59,036 for the same period in 2010.

Capitalization

In order for the Company to increase its revenues, the Company must dedicate more resources to marketing and to further upgrading the Company's Gaming Software and the software for the Company's Auction Website. Furthermore, the Company must dedicate more resources to marketing and promotion.

The Company has incurred significant operating losses over the past two fiscal years (2011: $ 3,058,096; 2010: $3,065,393), has a deficit of $36,074,881 (2010: $33,055,397), has limited revenues and resources, and has no assurances that sufficient funding will be available to continue operations for an extended period of time.

During 2012, the Company intends to seek equity financings through private placements and/or public offerings. While the Company does not give any assurances whatsoever that it will be successful in securing equity financings in order to conduct its operations uninterruptedly, it is the Company's intention to pursue these methods for future funding of the Company.

As at December 31, 2011, the Company's total number of issued and outstanding common shares was 197,553,545 as compared to 171,765,545 at December 31, 2010.

During the twelve months period ended December 31, 2011, the Company issued a total of 4,715,000 common shares pursuant to exercise of share purchase warrants (2010: $nil) for total proceeds to the Company of $471,500 (2010: $nil).

During the twelve months period ended December 31, 2011, the Company issued a total of 1,837,500 common shares pursuant to the exercise of stock options (2010: $226,000) for total proceeds to the Company of $183,750 (2010: $22,600).

During the twelve months period ended of December 31, 2011, the Company completed two non-brokered private placement financings. The first financing consisted of 14,135,500 units at $0.10 per Unit for total proceeds to the Company of $1,413,550. Each Unit consists of one common share and one share purchase warrant entitling the holders to acquire an additional common share of the Company at a price of $0.25 per share until June 8, 2013 as to the first tranche and until June 22, 2013 as to the second and third tranches. All the securities issued in this private placement had hold periods which expired on October 9, 2011 as to the first tranche and October 23, 2011 as to the second and third tranches. Finder's fees paid in connection with the first private placement financing consisted of $78,750 paid in cash, 360,000 common shares of the Company and 787,500 agent warrants valued at $33,046.

The second financing during 2011 consisted of the first tranche by the issuance of 4,400,000 Units at $0.05 per Unit for total proceeds to the Company of $220,000. Each Unit consists of one common share and one-half of one share purchase warrant, each whole warrant entitling the holder to acquire an additional common share of the Company at a price of $0.15 per share until December 29, 2012. The Company issued 340,000 common shares of the Company valued at $17,000 as finder's fees.

Subsequent to the year ended December 31, 2011, the Company closed the second, third, fourth and final tranches of the second financing which consisted of 8,065,000 Units at $0.05 per Unit for total proceeds to the Company of $403,250. Each Unit consists of one common share and one-half of one share purchase warrant, each whole warrant entitling the holder to acquire an additional common share of the Company at a price of $0.15 per share for a period of one year from Closing. All the securities issued in this private placement are subject to hold periods of four months and a day. Finder's fees paid in connection with the second, third and fourth and final tranches of the second private placement financing consisted of $13,000 paid in cash, 606,500 common shares of the Company and 130,000 agent warrants..

During the year ended December 31, 2010, the Company completed a non-brokered private placement financing with various investors and issued a total of 51,390,000 Units in the capital of the Company at the price of $0.05 per unit for total gross proceeds to the Company of $2,569,500. Each Unit consists of one common share and one share purchase warrant entitling the holder to acquire one additional common share at the price of $0.10 per share during the first year from Closing and at the price of $0.25 per share during the second year from Closing. The proceeds were allocated as $2,534,100 to common shares and $35,400 to warrants using residual value method. Share issue costs associated with the private placement totaled $190,100, consisting of 3,000,000 common shares issued valued at $150,000, $8,720 in cash and $31,380 for the value of agent warrants issued. All the securities issued pursuant to this private placement financing had a hold period of four months and a day.

Should any share purchase warrants be exercised by any party, then any funds received by the Company shall be used for general working capital purposes. However, there are no assurances whatsoever that any share purchase warrants will be exercised.

During 2004, the Company's shareholders adopted and approved the Company's 2004 Stock Option Plan (the "2004 Plan"). The 2004 Plan, which has received the approval of the Exchange, reserved 11,290,154 common shares for issuance representing 20% of the Company's issued and outstanding common shares on April 12, 2004. At the Annual and Special General Meeting of the Company's shareholders, which was held on June 30, 2005, the shareholders approved the amendment to the Company's 2004 Plan by increasing the maximum number of common shares that may be reserved for issuance pursuant to the Stock Option Plan to 15,866,936 common shares (the "Company's Amended 2004 Stock Option Plan"). Pursuant to the Company's Amended 2004 Stock Option Plan which has received Exchange approval, the Company grants stock options to employees, directors, officers and consultants. As at December 31, 2011, there are 75,094 stock options available for granting. The number available for granting is based on the difference between the reserved number of options for issuance (15,866,936) less outstanding stock options at December 31, 2011 (10,509,000) less the number of stock options exercised since May 12, 2005 up to and including December 31, 2011 (5,282,842); therefore 15,866,936 – 10,509,000 – 5,282,842 = 75,094 available for granting as at December 31, 2011.

Subsequently,,on April 9, 2012, a total of 1,000,000 stock options exercisable at $0.10 per common shares which were previously granted to a director were cancelled and on April 12, 2012, a total of 1,000,000 stock options exercisable at $0.10 per common share have been issued to three consultants and, on April 23, 2012, a total of 30,000 stock options exercisable at $0.10 per common share which were previously granted to an employee were cancelled.

The Company has granted stock options to acquire common shares of the Company, at certain prices, to various parties. Should any outstanding stock options be exercised by any party, then any funds received by the Company shall be used for general working capital purposes. However, there are no assurances whatsoever that any stock options will be exercised.

During the twelve months period ended December 31, 2011, there were 10,509,000 stock options outstanding with a weighted average exercise price of $0.10 per share (December 31,, 2010: there were 12,001,500 stock options outstanding with a weighted average exercise price of $0.10 per share).

Summary of Quarterly Results

The following are the results for the eight most recent quarterly periods, starting with the three month quarterly period ended December 31, 2011:

For the Quarterly Periods ended		December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Total Revenues	$	260,783	109,155	153,454	171,820
Loss before other items	$	(718,665)	(705,644)	(557,951)	(590,918)
Loss per common share before other items	$	(0.00)	(0.00)	(0.00)	(0.00)
Net loss for the period	$	(1,215,083)	(704,187)	(557,908)	(580,918)
Basic and diluted loss per common share	$	(0.01)	(0.00)	(0.00)	(0.01)

For the Quarterly Periods ended		December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Total Revenues	$	98,361	257,688	82,891	140,171
Loss before other items	$	(934,621)	(590,332)	(875,355)	(615,116)
Loss per common share before other items	$	(0.01)	(0.00)	(0.01)	(0.01)
Net loss for the period	$	(934,597)	(592,004)	(901,072)	(637,720)
Basic and diluted loss per common share	$	(0.01)	(0.00)	(0.01)	(0.01)

Note: Gain (loss) per common share calculations in the above tables are based on the number of weighted average number of shares outstanding as shown in the Condensed Annual Consolidated Statement of Comprehensive Loss for the above mentioned periods. All the figures covered by all the quarterly periods are prepared in accordance with IFRS.

Fourth Quarterly Results (December 31, 2011)

During the three months [fourth quarter] period ended December 31, 2011:-

- The Company had a net loss of $1,215,083 or $0.01 per share as compared to a net loss of $934,597 or $0.01 per share in the same three months [fourth quarter] period of 2010.
- The Company's total revenues were $260,783 as compared to total revenues of $98,361 in the same three months [fourth quarter] period of 2010.
- The Company's total operating expenses were $968,010 as compared to total operating expenses of $1,032,982 in the same three months [fourth quarter] period of 2010.

Risks related to our Business

The Company, and the Securities of the Company, should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's Securities:

General legislative risk

Although management believes that the revenues generated from the Company's Gaming Software and from the Company's Auction Website represent lawful businesses, there is the risk that the legality may be challenged by Canadian or other legal authorities. If the legality is challenged by any legal authority and the challenge is sustained, it may have a material adverse impact on the financial affairs of the Company.

Competition

The marketplace for the Company's Gaming Software and for the Company's Auction Website is constantly undergoing changes, is intensely competitive and is subject to changes in customer preferences. The Company's products and services compete against those of other companies that have greater financial, marketing, technical and other resources than those of the Company.

Internet and system infrastructure viability

Any changes in the internet's role as the premier computer network information service or any shutdown of internet services by significant internet service providers will have an adverse material impact on the Company's ability to generate revenues. Furthermore, the Company can be severely and adversely affected from power failures, internet slowdowns or failures, software slowdowns or failures and hackings.

Reliance on key personnel

The Company relies heavily on its employees, the loss of any of whom could have an adverse effect on the Company.

Customer concentration

The Company also relies on its licensees for the operation of the Company's Gaming Software, the loss of any of which could have an adverse effect on the affairs of the Company.

In respect to the Company's Auction Website, the Company has to attract and retain customers to its Auction Website. Should the Company be unable to attract and retain customers to its Auction Website, then this will have material adverse effect on the affairs of the Company.

Payment processing

Changes in policies of companies, financial institutions or banks, that handle credit card transactions and/or other types of financial transactions for on-line gaming or for on-line auctions, can have an adverse impact on the business and financial affairs of the Company.

Foreign exchange rates

The profitability of the Company can be affected by fluctuations in the exchange rate of the US Dollar in relation to the Canadian Dollar due to the fact that the Company's revenues are mainly generated in US Dollars while a major portion of the Company's expenses are incurred in Canadian Dollars.

Share price volatility and liquidity

The market price of the Company's common shares has experienced considerable volatility and may continue to fluctuate in the future. Factors such as the Company's quarterly results, changes in existing legislation, new legislation, technological changes and general market conditions may adversely affect the market price of the Company's common shares. There is a limited trading market for the Company's common shares and the ability of investors to sell their shares or the price at which those shares may be sold cannot be assured.

Growth management

If the Company's Gaming Software gains traction in the market or if the Company's Auction Website attracts a significant number of customers, rapid growth may occur which may result in certain strains on the Company.

Dilution

There are a number of outstanding securities and agreements pursuant to which common shares of the Company may be issued in the future. This would result in further dilution to the Company's shareholders.

Revenues and Dividends

While the Company currently generates revenues, the Company has not yet established a long term pattern of consistently generating meaningful revenues. The Company intends to retain its earnings in order to finance growth. Furthermore, the Company has not paid any dividends in the past and does not expect to pay any dividends in the future.

Disruption in Trading

Trading in the common shares of the Company may be halted or suspended for certain reasons, including, but not limited to, the failure by the Company to submit documents to the Regulatory Authorities in the time periods required.

Related Party Transactions

The Company shares office space and certain expenses with Kokomo Enterprises Inc. ("Kokomo") and Big Mojo Capital Inc. ("Big Mojo"), companies related by certain common officers and directors. Rent for the office premises is paid by the Company. Kokomo and Big Mojo are charged for their proportionate share of office rent and office services provided by the Company. Effective December 1, 2009, Touchdown Resources Inc. ("Touchdown"), a company that was formerly related by certain common directors and officers relocated offices and terminated the services previously provided by the Company. Effective July 1, 2010, Giyani Gold Corp. (formerly 99 Capital Corporation) ("Giyani") a company that was formerly related by certain common directors and officers relocated its offices and terminated the services previously provided by the Company. Effective July 1, 2011, Active Growth Capital Inc. ("Active Growth"), a company that was formerly related by certain common directors and officers relocated its offices and terminated the services previously provided by the Company.

Kokomo is related to the Company by virtue of the fact that Kokomo's CEO and CFO, namely Bedo H. Kalpakian, is the Chairman and CFO of the Company, and the Vice President of Kokomo namely Jacob H. Kalpakian, is the CEO and President of the Company. Furthermore, Gregory T. McFarlane is a director of both the Company and Kokomo.

Big Mojo is related to the Company by virtue of the fact that Big Mojo's CEO, CFO, Secretary and a director, namely Jacob H. Kalpakian, is the President and CEO of the Company. Furthermore, Neil Spellman is a director of both the Company and Big Mojo.

Active Growth was related to the Company by virtue of the fact that the Company's President and CEO namely Jacob H. Kalpakian was the President and CEO of Active Growth from November 2010 until June 2011 and a director until July 2011, and the Company's Chairman and CFO namely Bedo H. Kalpakian, was a director of Active Growth from November 2010 until July 2011.

Giyani was related to the Company by virtue of the fact that the Company's Chairman and CFO namely Bedo H. Kalpakian, was the Chairman and CFO of Giyani from November 2009 up to June 2010, and the Company's President and CEO namely Jacob H. Kalpakian was the President and CEO of Giyani from November 2009 up to June 2010.

Touchdown was related to the Company by virtue of the fact that the Company's President and CEO, namely Jacob H. Kalpakian was a director of Touchdown until June 2010 and the Company's Chairman and CFO namely Bedo H. Kalpakian was also a director of Touchdown until June 2010. Furthermore, Neil Spellman is a director of the Company and was a former director of Touchdown.

Amounts payable to directors are for expenses incurred on behalf of the Company and are payable on demand with no interest.

Effective as of July 1, 2005, the Company has a Management Services Agreement (the "Agreement") with Kalpakian Bros. of B.C. Ltd. ("Kalpakian Bros."), a private company. Kalpakian Bros. is equally owned by Bedo H. Kalpakian and Jacob H. Kalpakian, who are both directors and officers of LVFH. The Agreement has been renewed effective as of July 1, 2010 for a term of five years. Pursuant to an Addendum to the Agreement, the remuneration payable to Kalpakian Bros. has been increased from $30,000 to $33,000 plus HST per month effective as of January 1, 2011. For the twelve months ended December 31, 2011, Kalpakian Bros. was paid $396,000 (December 31, 2010: $360,000). Kalpakian Bros. is also entitled to reimbursement for all traveling and other expenses incurred by it in connection with performing its services. If the Agreement is terminated by the Company other than for just cause, or is terminated by Kalpakian Bros. for good reason, then Kalpakian Bros. is entitled to be paid the annual remuneration for the unexpired term of the Agreement and is also entitled to

immediate vesting of all unvested stock options. Kalpakian Bros. may terminate the Agreement on giving four months notice.

Related party transactions are measured at the exchange amount and the amounts due to (from) related parties are unsecured, without interest and are payable on demand.

Amounts due from related parties are due on demand without interest and consist of the following:

	December 31, 2011	December 31, 2010	January 1, 2010
Receivable from entities controlled by key management personnel	$ 8,400	$ 22,127	$ 4,534

	2011	2010
Rent charged to entities controlled by key management personnel	$ 6,600	$ 5,700
Office and other expenses charged to entities controlled by key management personnel	$ 69,410	$ 26,970

Key management and personnel compensation is as follows:

	2011	2010
Management fees charged by an entity controlled by key management personnel	$ 396,000	$ 360,000
Short-term employee benefits	136,433	84,222
Share-based payments	112,753	291,926
Total key management personnel compensation	$ 645,186	$ 736,148

Financial Instruments

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash and cash equivalents is classified as a financial asset at FVTPL; accounts receivable and due from related parties, as loans and receivable; short-term investments, as held-to-maturity; marketable securities, as AFS; and accounts payable and accrued liabilities, as other financial liabilities, which are measured at amortized cost. The carrying value of these instruments approximates their fair values due to their short term to maturity.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash and cash equivalents and short-term investments, by purchasing highly liquid, short-term investment-grade securities held at a major Canadian financial institution in accordance with the Company's investment policy.

The Company's concentration of credit risk and maximum exposure thereto is as follows relating to funds held in Canada:

	2011	2010
Bank accounts	$ 132,506	$ 158,090
Term deposits	17,250	17,250
Short-term investment	50,000	-
	$ 199,756	$ 175,340

The Company is exposed to credit risk on its accounts receivable from licensees and online processors. In order to reduce its credit risk with its licensees, the Company reviews all new licensees' credit history before extending credit. The credit risk associated with amounts due from online processors has been assessed as low by management, as the Company has strong working relationships with all its online processors.

Credit risk associated with amounts due from related parties has been assessed as low by management as the Company has strong working relationships with the related parties involved.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of December 31, 2011 equal $236,977 (December 31, 2010 - $170,197; January 1, 2010 - $160,360). All of the liabilities presented as accounts payable are due within 90 days of December 31, 2011.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

(c) Market risk (continued)

(i) Currency risk

The Company is exposed to foreign currency risk, as it holds cash denominated in US dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company is not exposed to significant currency risk on its financial instruments at year-end. The Company's reported earnings include gains/losses on foreign exchange, largely reflecting revaluation of its foreign operations. The future foreign exchange gain or loss would change based on the level of foreign operating activities.

At December 31, 2011, the Company is exposed to currency risk for its US dollar equivalent of financial assets and liabilities denominated in currencies other than US dollars as follows:

	Held in US dollars (stated in Canadian dollars)	
	2011	**2010**
Cash	$ 2,463	$ 148,842
Accounts receivable	17,356	39,263
Accounts payable	(1,370)	(38,352)
Net financial assets (liabilities)	$ 18,449	$ 149,753

Based upon the above net exposure as at December 31, 2011 and assuming all other variables remain constant, a 5% depreciation or appreciation of the US dollar relative to the Canadian dollar could result in a decrease/increase of $922 (2010 - $7,488) in the Company's net losses.

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates and therefore the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

(iii) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements.

Significant Accounting Policies

The Annual Consolidated Audited Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Disclosure over Internal Controls

Disclosure controls and procedures ("DC&P") are designed to provide reasonable assurance that all relevant information is gathered and reported within the time periods required by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

Venture Issuers are not required to provide representations in their annual and interim filings relating to the establishment and maintenance of DC&P and ICFR, as defined in National Instrument NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishments and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded and reported within the time periods specified in securities legislation and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a Venture Issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Capital Stock

Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

Outstanding Share Data	Number of Common Shares	Number of Preferred Shares	Exercise($) Price per common share	Expiry Dates
Issued and Outstanding as at May 2, 2012	206,225,045	Nil	N/A	N/A
Warrants as at May 2, 2012	21,900,000	Nil	$0.25	June 17, 2012
	6,560,000		$0.25	July 12, 2012
	2,740,000		$0.25	July 14, 2012
	150,000		$0.25	August 3, 2012
	5,100,000		$0.25	Sept. 30, 2012
	6,525,000		$0.25	Oct. 6, 2012
	4,000,000		$0.25	Nov. 18, 2012
	7,473,000		$0.25	June 8, 2013
	7,450,000		$0.25	June 22, 2013
	2,200,000		$0.15	Dec 29, 2012
	1,430,000		$0.15	Jan 23, 2013
	1,732,500		$0.15	February 28, 2012

	1,000,000 68,260,500		$0.15	March 30, 2012
Stock Options as at May 2, 2012	10, 329,000 150,000 10,479,000	Nil	$0.10 $0.12	Aug 9/2012 – April 12, 2014 June 1/2014
Fully Diluted as at May 2, 2012	284,964,545	Nil		

TRANSITION TO IFRS

An explanation of how the transition from previous GAAP to IFRS has affected the Company's financial position and comprehensive loss is set out in this note.

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

IFRS 1 generally requires that first-time adopters retrospectively apply all effective IFRS standards and interpretations in effect as at the reporting date. IFRS 1 also provides for certain optional exemptions and certain mandatory exceptions to this general principle.

The Company has elected under IFRS 1 to not apply IFRS 2 *Share-based Payment* to options that vested before the date of transition to IFRS. In addition as part of its transition to IFRS, the Company elected not to restate business combinations that occurred prior to January 1, 2010.

Adjustments on transition to IFRS

However, there are important differences with regard to recognition, measurement and disclosure. While adoption of IFRS did not change the Company's actual cash flows, it resulted in changes to the Company's balance sheet, statement of comprehensive loss and statement of shareholders' equity as set out below.

(a) Share-based payments

On transition to IFRS the Company changed its accounting policy for the treatment of share-based payments whereby amounts recorded in options reserves for unexercised stock options are transferred to deficit upon their expiration. Previously, the Company's Canadian GAAP policy was to leave such amounts in option reserves.

In addition, under IFRS, the fair value of the share-based awards is recognized based on a graded method as opposed to the straight-line method under Canadian GAAP. The difference arises in the recognition of the share-based expense. Each tranche of an award with different vesting dates is considered a separate tranche and the fair value of each tranche is amortized over the vesting period of the respective tranches under IFRS. Under Canadian GAAP, the fair value of share-based awards is calculated as one grant and the resulting fair value is recognized on a straight-line basis over the vesting period of the entire grant.

The impact on the balance sheets due to the change in accounting policy is as follows:

	December 31, 2010		January 1, 2010
Decrease in value of reserves – options	$	(3,061,459)	$ (3,082,025)
Reduction to deficit	$	3,061,459	$ 3,082,025

The impact on the statement of comprehensive loss for the year ended December 31, 2010 is an increase in share-based payment expense of $162,166, which is allocated as follows: a decrease in consulting and professional fees of $29,026 and an increase of salaries and benefits of $191,192.

During the fourth quarter of the year ended December 31, 2010, 226,000 options were exercised during the same period for which $12,342 was transferred from options reserves to capital stock under Canadian GAAP. Under IFRS, the transfer should have been for $11,871. As a result, the difference of $471 has been re-allocated from capital stock back into options reserves.

(b) Warrants

The Company has changed its accounting policy for the treatment of unit offerings to the residual value method, whereby proceeds exceeding the fair value of the common shares are allocated to the share purchase warrants. Previously, the Company's Canadian GAAP policy was to allocate proceeds based on the relative fair value method. In addition, the Company has changed its accounting policy for the treatment of unexercised expired warrants. Previously the Company had transferred the carrying amount of unexercised expired warrants from the warrants account to contributed surplus. Under the new policy, the carrying amounts of unexercised expired warrants will be transferred from the warrants reserves to deficit.

The impact on the balance sheets due to the change in accounting policy is as follows:

	December 31, 2010	January 1, 2010
Decrease in value of reserve – warrants	$ (1,136,606)	$ -
Increase in value of capital stock	$ 1,136,606	$ -

(c) Reconciliation to previously reported financial statements.

A reconciliation of the above noted changes is included in the following balance sheets and statement of comprehensive loss for the dates noted below. The effects of the transition from GAAP to IFRS on the cash flow are immaterial. Therefore, a reconciliation of cash flows has not been presented.

- Transitional Balance Sheet reconciliation – January 1, 2010
- Balance Sheet reconciliation – December 31, 2010
- Statement of Comprehensive Loss Reconciliation – December 31, 2010

The January 1, 2010 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current			
Cash	$ 851,006	$ -	$ 851,006
Marketable securities	73,200	-	73,200
Accounts receivable	31,600	-	31,600
Due from related parties	4,534	-	4,534
Prepaid expenses	17,982	-	17,982
	978,322	-	978,322
Lease Deposit	23,557	-	23,557
Equipment and Software Development	402,619	-	402,619
Total Assets	$ 1,404,498	$ -	$ 1,404,498
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 160,360	$ -	$ 160,360
Shareholders' Equity			
Capital Stock	31,219,593	-	31,219,593
Reserves - Options	3,248,274	(3,082,025)	166,249
Accumulated Other Comprehensive Loss	(10,100)	-	(10,100)
Deficit	(33,213,629)	3,082,025	(30,131,604)
	1,244,138	-	1,244,138
Total Liabilities and Shareholders' Equity	$ 1,404,498	$ -	$ 1,404,498

The December 31, 2010 Canadian GAAP balance sheet has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current			
Cash	$ 175,340	$ -	$ 175,340
Accounts receivable	69,521	-	69,521
Due from related parties	22,127	-	22,127
Prepaid expenses	4,243	-	4,243
	271,231	-	271,231
Investment deposit	1,000,000		1,000,000
Lease deposit	23,557	-	23,557
Equipment and software development	272,162	-	272,162
Total Assets	$ 1,566,950	$ -	$ 1,566,950
Liabilities			
Current			
Accounts payable and accrued liabilities	$ 170,197	$ -	$ 170,197
Unearned revenues	41,998	-	41,998
	212,195	-	212,195
Shareholders' Equity			
Capital Stock	32,611,929	1,136,135	33,748,064
Reserves - Warrants	1,203,386	(1,136,606)	66,780
Reserves - Options	3,656,296	(3,060,988)	595,308
Deficit	(36,116,856)	3,061,459	(33,055,397)
	1,354,755	-	1,354,755
Total Liabilities and Shareholders' Equity	$ 1,566,950	$ -	$ 1,566,950

The Canadian GAAP statement of comprehensive loss for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Canadian GAAP	Effect of Transition to IFRS	IFRS
Revenues			
Sales	$ 282,636	$ -	$ 282,636
Licensing	296,475	-	296,475
	579,111	-	579,111
Expenses			
Advertising and promotion	146,536	-	146,536
Amortization	155,999	-	155,999
Consulting and professional fees	396,114	(29,026)	367,088
Foreign exchange loss	15,129	-	15,129
Legal, accounting and audit	103,944	-	103,944
Management fees	360,000	-	360,000
Regulatory and transfer agent fees	11,326	-	11,326
Rent, office and miscellaneous	334,604	-	334,604
Salaries and benefits	1,717,523	191,192	1,908,715
Shareholder communication	1,017	-	1,017
Travel, meals and entertainment	190,177	-	190,177
	3,432,369	162,166	3,594,535
Loss Before Other Items	(2,853,258)	(162,166)	(3,015,424)
Other Items			
Interest income	424	-	424
Write-off of equipment	(261)	-	(261)
Loss on sale of equipment	(24,377)	-	(24,377)
Loss on sale of marketable securities	(25,755)	-	(25,755)
	(49,969)	-	(49,969)
Net Loss for Year	(2,903,227)	(162,166)	(3,065,393)
Other Comprehensive Income (Loss)			
Transfer of unrealized loss upon sale of marketable securities	10,100	-	10,100
Comprehensive Loss for Year	$ (2,893,127)	$ (162,166)	$ (3,055,293)

Outlook

The Company requires sufficient funding in order to continue its operations uninterruptedly. While Management does not make any assurances whatsoever, Management is optimistic that the Company shall be able to secure the required funding in order to continue its operations uninterrruptedly. Should the Company be able to secure the required funding, then Management expects that the Company's products and services shall prove to be successful.