Form 51-102F1

LAS VEGAS FROM HOME.COM ENTERTAINMENT INC.

Management's Discussion & Analysis
Condensed Interim Consolidated Unaudited Financial Statements for the Six months ended June 30, 2012

*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") for the six months ended June 30, 2012 should be read in conjunction with the condensed interim consolidated unaudited financial statements and notes thereto for the six months ended June 30, 2012 and the annual audited financial statements for the **years ended December 31, 2011 and 2010** and notes thereto. The condensed interim consolidated unaudited financial statements and notes thereto have not been reviewed by the Company's Auditor.*

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 August 21, 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 the Company 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". Furthermore, the Company's common shares trade in Germany on both the Frankfurt and Berlin Exchanges under the trading symbol "LVH", and are quoted in the USA on the OTC Pink tier of the OTC markets under the trading symbol "LVFHF".

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.

The Company is a reporting issuer in the Provinces of British Columbia and Alberta and files all public documents on *www.sedar.com*.

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.

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. Despite very minimal marketing expenditures, the Company's **Real Vegas Casino** is now used by more than 100,000 active players monthly. The growth has been fuelled by the addition of four new languages, namely Spanish, Traditional Chinese, Simplified Chinese and Russian. To view the social game application, please log in to the Facebook platform and visit https://apps.facebook.com/realvegascasino/.

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

The Company had entered into a sublease agreement with an arm's length third party on September 15, 2009 which expired on April 30, 2012 in respect to approximately 4,817 square feet of office space. 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. Subsequently, the Company paid to the Sublandlord the outstanding rent. As a result, on May 3, 2012 a Release and Indemnity was issued by the Sublandlord whereby the Sublandlord released and forever discharged the Company from all actions, claims, demands and proceedings including the small claims court action which was filed against the Company.

The Company has entered into an Agreement for Office Space with Bulldog Explorations Ltd., ("Bulldog") whereby effective as of May 1, 2012 the Company is obligated to pay to Bulldog a monthly rent of Cdn $9,000 plus HST for certain office space. Bulldog is related to the Company by certain directors and officers.

The Company has entered into an Agreement for Office Support Services with Bulldog, whereby effective as of May 1, 2012 Bulldog is obligated to pay to the Company a monthly sum of Cdn $5,000 plus applicable taxes for certain office support services.

The Company has entered into an Agreement for Office Support Services with Big Mojo Capital Inc. ("Big Mojo"), whereby effective as of May 1, 2012 Big Mojo is obligated to pay to the Company a monthly sum of $1,250 plus applicable taxes for certain office support services. Big Mojo is related to the Company by certain directors and officers.

The Company has entered into an Agreement for Office Support Services with Kokomo Enterprises Inc. ("Kokomo") whereby effective as of May 1, 2012 Kokomo is obligated to pay to the Company a monthly sum of $1,250 plus applicable taxes for certain office support services. Kokomo is related to the Company by certain directors and officers.

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 and Sale 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 June 30, 2012, the Company's Canadian operations employed 15 people (June 30, 2011: 19) consisting of staff and management.

Revenues

For the six months ended June 30, 2012, the Company has recorded licensing revenues of $29,893 (June 30, 2011: $125,505), and sales revenues of $65,850 (June 30, 2011: $199,769).

Cost of Goods Sold

For the six months ended June 30, 2012, the cost of goods sold were $5,345 as compared to $nil during the corresponding period in 2011.

Expenses

For the six months ended June 30, 2012, operating expenses were $1,174,448 as compared to $ 1,474,143 for the six months ended June 30, 2011.

Interest Income

For the six months ended June 30, 2012, the Company had interest income in the amount of $90 as compared to $43 during the corresponding period in 2011.

Other Income

For the six months ended June 30, 2012, the Company had other income in the amount of $2,085 as compared to $nil during the corresponding period in 2011.

Net Loss

During the six months ended June 30, 2012, the Company had a net loss of $1,086,722 or $0.01 as compared to a net loss of $1,138,826 or $0.01 per share (weighted average) in the same period of 2011. During the six months ended June 30, 2012, the Company's weighted average number of common shares was 203,602,086 as compared to 184,572,740 for the same period in 2011.

Liquidity and Capital Resources

As at June 30, 2012, the Company's total assets were $792,570 as compared $2,817,768 for the corresponding period in 2011. The Company's total liabilities were $589,774 as compared to $496,304 at June 30, 2011. The Company has not paid any cash dividends and does not plan to pay any cash dividends in the future. As at June 30, 2012, the Company has no long-term debt.

As at June 30, 2012, the Company's cash and cash equivalents were $41,413 as compared to $1,274,748 at June 30, 2011.

As at June 30, 2012, the Company's accounts receivable was $80,630 as compared to $209,099 at June 30, 2011. Due from related parties at June 30, 2012 was $0 as compared to $12,367 at June 30, 2011. Prepaids at June 30, 2012 were $nil as compared to $63,454 at June 30, 2011.

Operating Activities

During the six months ended June 30, 2012, the Company used $719,028 of cash as compared to $877,793 of cash used in operating activities in the corresponding period of 2011.

Financing Activities

During the six months ended June 30, 2012, the Company received $610,600 of cash from financing activities as compared to $1,970,050 of cash in the corresponding period of 2011.

Investing Activities

During the six months ended June 30, 2012, the Company received cash in the amount of $nil from the sale of equipment as compared to $10,000 during the six months ended June 30, 2011.

Working Capital

For the six months ended June 30, 2012, the Company had a working capital deficit of $467,731 as compared to a working capital of $1,063,364 in the same period in 2011.

Capitalization

In order for the Company to increase its revenues, the Company must dedicate more resources to marketing and promotion of the Company's products and services.

During the six months ended June 30, 2012, the Company has incurred a net loss and comprehensive loss of $1,086,722 (June 30, 2011 - $1,138,826), 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 and/or debt financings. While the Company does not give any assurances whatsoever that it will be successful in securing such financings in order to conduct its operations uninterruptedly, it is the Company's intention to pursue these methods for future funding of the Company.

On July 27, 2012, the Company announced that it intends to conduct a non-brokered private placement financing whereby the Subscribers will purchase up to 10,000,000 Units of the securities of the Company at the price of $0.05 per Unit for total proceeds to the Company of up to Cdn $500,000. Each Unit shall consist of one common share in the capital of the Company and one share purchase warrant, each warrant will entitle the holder thereof to acquire one common share of the Company at a price of $0.10 per common share for a period of two years from Closing. Finder's fees may be payable in respect to the private placement. This transaction is subject to the approval of the TSX Venture Exchange.

During the six months ended June 30, 2012, the Company closed the second, third, fourth and final tranches of the financing which was announced in December 2011 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, fourth and final tranches of the private placement financing consisted of $13,000 paid in cash, 606,500 common shares of the Company and 130,000 agent warrants valued at $1,055.

During 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 is in connection with the private placement announced in December 2011 and 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.

As at June 30, 2012, the Company's total number of issued and outstanding common shares was 206,225,045 as compared to 192,613,545 at June 30, 2011.

During the six months ended June 30, 2012, the Company issued a total of nil common shares as compared to 4,515,000 common shares for total proceeds to the Company of $451,500 pursuant to the exercise of share purchase warrants during the corresponding period in 2011.

During the six months ended June 30, 2012, the Company issued a total of nil common shares as compared to 1,837,500 common shares for total proceeds to the Company of $183,750 pursuant to the exercise of stock options during the corresponding period in 2011.

Subsequent to the six months ended June 30, 2012, on July 12, 2012, a total of 6,560,000 share purchase warrants exercisable at $0.25 per common shares which were issued to various investors on July 12, 2010 expired unexercised. On July 14, 2012, a total of 2,740,000 share purchase warrants exercisable at $0.25 per common share which were issued to various investors on July 14, 2010 expired unexercised. On August 3, 2012, a total of 150,000 share purchase warrants exercisable at $0.25 per common share which were issued to an investor on August 3, 2010 expired unexercised.

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 June 30. 2012, there are 155,094 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 June 30, 2012 (10,429,000) less the number of stock options exercised since May 12, 2005 up to and including June 30, 2012 (5,282,842); therefore 15,866,936 – 10,429,000 – 5,282,842 = 155,094 available for granting as at June 30, 2012.

Subsequent to the six months ended June 30, 2012, on July 27, 2012, a total of 150,000 incentive stock options exercisable at $0.10 per share were granted to a consultant. On August 9, 2012, a total of 750,000 incentive stock options exercisable at $0.10 per share have expired unexercised. In addition, on August 16, 2012, a total of 500,000 incentive stock options exercisable at $0.10 per share have expired unexercised.

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.

As at June 30, 2012, there were 10,429,000 stock options outstanding with a weighted average exercise price of $0.10 per share (June 30, 2011: there were 10,034,000 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 June 30, 2012:

For the Quarterly Periods ended		**June 30, 2012**	**March 31, 2012**	**December 31, 2011**	**September 30, 2011**
Total Revenues	$	13,988	81,755	260,783	109,155
Loss before other items	$	(519,818)	(564,232)	(718,665)	(705,644)
Loss per common share before other items	$	(0.00)	(0.00)	(0.00)	(0.00)
Net loss for the period	$	(523,354)	(563,368)	(1,215,083)	(704,187)
Basic and diluted loss per common share	$	(0.00)	(0.00)	(0.01)	(0.00)

For the Quarterly Periods ended		**June 30, 2011**	**March 31, 2011**	**December 31, 2010**	**September 30, 2010**
Total Revenues	$	153,454	171,820	98,361	257,688
Loss before other items	$	(557,951)	(590,918)	(934,621)	(590,332)
Loss per common share before other items	$	(0.00)	(0.00)	(0.01)	(0.00)
Net loss for the period	$	(557,908)	(580,918)	(934,597)	(592,004)
Basic and diluted loss per common share	$	(0.00)	(0.00)	(0.01)	(0.00)

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 Interim Unaudited 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.

Second Quarterly Results (June 30, 2012)

During the three months [second quarter] period ended June 30, 2012:-

- The Company had a net loss of $523,354 or $0.00 per share as compared to $557,908 or $0.00 per share in the same three months [second quarter] period of 2011.
- The Company's total revenues were $13,988 as compared to $153,454 in the same three months [second quarter] period of 2011.
- The Company's total operating expenses were $533,806 as compared to $711,405 total operating expenses in the same three months [second quarter] period of 2011.

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"), Big Mojo Capital Inc. ("Big Mojo") and Bulldog Explorations Ltd. ("Bulldog"), companies related by certain common officers and directors. Effective May 1, 2012, rent for the office premises is paid by Bulldog. The Company, Kokomo and Big Mojo are charged by Bulldog for their proportionate share of office rent as of May 1, 2012. However, the Company charges Kokomo, Big Mojo and Bulldog for their proportionate share of office support services 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.

Bulldog is related to the Company by virtue of the fact that Bulldog's President and CEO namely Jacob H. Kalpakian, is the President and CEO of the Company. Furthermore, Bedo H. Kalpakian and Neil Spellman are directors of both the Company and Bulldog.

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.

Amounts payable to directors are for expenses incurred on behalf of the Company or lent to the Company and are payable on demand.

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 six months ended June 30, 2012, Kalpakian Bros. was paid $198,000 (June 30, 2011: $198,000). 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, and are payable on demand and consist of the following:

	June 30, 2012	**June 30, 2011**
Receivable from Kokomo		
Rent charged by LVFH	$ 3,024	$ 336
Office expense charged by LVFH	14,896	1,344
Other expense paid by LVFH on behalf of Kokomo	53	10,687
	17,973	12,367
Receivable from Big Mojo		
Rent charged LVFH	1,344	-
Office expense charged by LVFH	8,176	-
	9,520	-
Receivable from Bulldog		
Office expense charged by LVFH	5,600	-
Payable to Kokomo		
Other expense paid by Kokomo on behalf of LVFH	100	-

Payable to Bulldog		
Rent charged by Bulldog	20,160	-
*Loan payable to directors under credit facilities	301,414	-
** Loan payable to directors	38,994	-
Receivable from /(Payable to) related parties	$ (327,575)	$ 12,367

* On April 24, 2012, the Company entered into two credit facilities with two directors, whereby the Company may draw-down up to $170,000 from each of the two facilities ($340,000 in the aggregate) as and when needed by the Company. Amounts advanced under the facilities bear interest at 5% per annum and are payable on demand. The financing under the credit facilities has received TSX-V approval. As at June 30, 2012, a total amount of $300,000 was advanced by the two directors to the Company under the credit facilities.

**In addition to the loan payable to directors under the credit facilities, as of June 30, 2012, two directors have loaned the Company the amount of $38,500 which carry interest at the rate of prime plus 1%.

Subsequent to June 30, 2012, a director of the Company has lent to the Company additional loans totaling the sum of $121,800 which carry interest at the rate of prime plus 1%.

Related party transactions during the period:

(i) management fees paid to a company owned by two directors in the amount of $198,000 (June 30, 2011 - $198,000);

(ii) Paid to/from the Company:

The Company charged Kokomo for:

(a) rent of $1,200 (June, 2011 - $1,800);
(b) office expense of $7,300 (June 30, 2011 - $7,200); and,
(c) other expense paid by LVFH on behalf of KKO of $53 (June 30, 2011 - $10,758).

The Company charged Big Mojo for:

(d) rent of $1,200 (June 30, 2011 - $nil); and
(e) office expense of $7,300 (June 30, 2011 - $nil).

The Company charged Bulldog for:

(f) office expense of $10,000 (June 30, 2011 - $nil)

Kokomo charged the Company for:

(g) other expense paid by Kokomo on behalf of LVFH of $2,986 (June 30, 11 - $2,686)

Bulldog charged the Company for:

(h) rent of $18,000 (June 30, 2011 - $nil).

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:

	June 30, 2012	June 30, 2011
Bank accounts	$ 41,413	$ 1,274,748
	$ 41,413	$ 1,274,748

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 June 30, 2012 equal $221,394 (June 30, 2011: $198,122). All of the liabilities presented as accounts payable are due within 90 days of June 30, 2012.

(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.

(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 June 30, 2012, 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)	
	June 30, 2012	**June 30, 2011**
Cash	$ 2,571	$ 15,082
Accounts receivable	10,500	179,498
Accounts payable	(697)	(27,762)
Net financial assets (liabilities)	$ 12,374	$ 166,818

Based upon the above net exposure as at June 30, 2012 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 $619 (2011 - $8,341) 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 Condensed Interim Consolidated Unaudited Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

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 August 21, 2012	206,225,045	Nil	N/A	N/A
Warrants as at August 21, 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
	2,200,000	Nil	$0.15	Dec 29, 2012
	1,430,000		$0.15	Jan 23, 2013
	1,732,500		$0.15	February 28, 2013
	1,000,000		$0.15	March 30, 2013
	7,473,000		$0.25	June 8, 2013
	7,450,000		$0.25	June 22, 2013
	36,910,500			

Stock Options as at August 21, 2012	9,179,000 150,000 9,329,000	Nil	$0.10 $0.12	March 20, 2013 to July 27, 2014 June 1, 2014
Fully Diluted as at August 21, 2012	252,464,545	Nil		

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.