



Form 51-102F1

**LAS VEGAS FROM HOME.COM ENTERTAINMENT INC.**

**Management's Discussion & Analysis**  
**Condensed Interim Consolidated Unaudited Financial Statements for the**  
**Three months ended March 31, 2013**

*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 three months ended March 31, 2013 should be read in conjunction with the condensed interim consolidated unaudited financial statements and notes thereto for the three months ended March 31, 2013 and 2012 and the annual audited financial statements and notes thereto for the years ended December 31, 2012 and 2011. The condensed interim consolidated unaudited financial statements and notes thereto for the three months ended March 31, 2013 and 2012 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 May 30, 2013.**

**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 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 Suite 300 – 570 Granville Street, Vancouver, British Columbia, Canada, V6C 3P1.

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](http://www.sedar.com).



## **Results of Operations**

All common shares and per share amounts have been restated to give retroactive effect to the 8:1 share consolidation, which took effect on April 4, 2013.

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”). The Company’s Auction Website has been 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 has entered into an Agreement for Office Support Services with Green Arrow, whereby effective as of May 1, 2012 Green Arrow 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 High 5 Ventures Inc. [formerly Kokomo Enterprises Inc]. (“High 5”) whereby effective as of May 1, 2012 High 5 is obligated to pay to the Company a monthly sum of \$1,250 plus applicable taxes for certain office support services. High 5 is related to the Company by certain common directors and officers.

At the Annual General Meeting of the Company’s shareholders which was held on October 10, 2012, the shareholders received the Audited Consolidated Financial Statements for the year ended December 31, 2011 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 LLP, Chartered Accountants, for the ensuing year and authorized the Directors to fix the remuneration to be paid to the Auditor.

On March 12, 2013 the Company held a Special Meeting of its Shareholders at which time the Shareholders approved the consolidation of the share capital of the Company on the basis of eight (8) old common shares for one (1) new common share. Effective at the opening on April 5, 2013, the common shares of the Company commenced trading on the TSX.V on a consolidated basis. The new Cusip number is 517672200. The Company’s corporate name and trading symbols remain unchanged.

The Company is proceeding forward with a Mexican Gaming Company on customary industry royalty based transaction terms.

As of March 31, 2013, the Company’s Canadian operations employed 13 people (March 31, 2012: 15) consisting of staff and management.

### **Revenues**

For the three months ended March 31, 2013, the Company has recorded licensing revenues of \$nil (March 31, 2012: \$18,148), and sales revenues of \$4,492 (March 31, 2012: \$58,262).

### **Expenses**

For the three months ended March 31, 2013, operating expenses were \$352,434 as compared to \$639,778 for the three months ended March 31, 2012. The reduction in Salaries and benefits mainly contributed to the decrease in operating expenses.

### **Net Loss and Comprehensive Loss**

During the three months ended March 31, 2013, the Company had a net loss and comprehensive loss of \$347,942 or \$0.01 per share (weighted average) as compared to a net loss and comprehensive loss of \$563,368 or \$0.02 per share (weighted average) in the same period of 2012. During the three months ended March 31, 2013, the Company's weighted average number of common shares was 29,214,389 as compared to 25,122,391 for the same period in 2012.

### **Liquidity and Capital Resources**

As at March 31, 2013, the Company's total assets were \$118,725 as compared to \$832,538 for the corresponding period in 2012. The Company's total liabilities were \$1,572,473 as compared to \$335,122 at March 31, 2012. The Company has not paid any cash dividends and does not plan to pay any cash dividends in the future.

As at March 31, 2013, the Company had:-

- Cash and cash equivalents of \$nil as compared to \$72,561 at March 31, 2012.
- Accounts receivable of \$ 36,677 as compared to \$52,700 at March 31, 2012.
- Equipment of \$82,048 as compared to \$188,797 at March 31, 2012.

### **Operating Activities**

During the three months ended March 31, 2013, the Company used \$332,097 of cash as compared to \$468,304 of cash used in operating activities in the corresponding period of 2012.

### **Financing Activities**

During the three months ended March 31, 2013, the Company received \$299,632 of cash from financing activities as compared to \$390,250 of cash received from financing activities in the corresponding period of 2012.

### **Working Capital**

For the three months ended March 31, 2013, the Company had a working capital deficit of \$1,535,796 as compared to a working deficit of \$191,381 in the same period in 2012.

### **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.

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During Q1 of 2013, the Company has incurred a net loss and comprehensive loss of \$347,942 (March 31, 2012: \$563,368), 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 2013, 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 uninterrupted, it is the Company's intention to pursue these methods for future funding of the Company.

There were no share issuances during the three month period ended March 31, 2013.

On September 7, 2012 the Company announced that it will amend its proposed non-brokered private placement financing which was previously announced on July 27, 2012 from 1,250,000 units to 3,125,000 units at an amended price of \$0.16 per unit. On October 10, 2012, the Company received TSX- V approval and issued 3,125,000 units in the capital of the Company at \$0.16 per unit for total proceeds to the Company of \$500,000. Each unit consists of one common share and one share purchase warrant exercisable at \$0.40 per common share until October 10, 2013, and thereafter at an exercise price of \$0.80 per common share until October 10, 2014. The Company issued a total of 62,500 common shares to Jordan Capital Markets Inc. and 248,750 to third parties as finder's fee. Jordan Capital Markets Inc. has also been granted 62,500 finder warrants exercisable at \$0.40 per common share in the first year from closing, and at an exercise price of \$0.80 per common share in the second year from closing. All the securities issued had a hold period which expired on February 11, 2013. In the event that LVFH shares trade at \$2.00 per share or above for a period of 20 consecutive days, a forced exercise provision will come into effect for the warrants issued in connection with the private placement financing.

During the twelve months ended December 31, 2012, the Company closed the second, third, fourth and final tranches of the financing which was announced in December 2011 which consisted of 1,008,125 Units at \$0.40 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 \$1.20 per share for a period of one year from Closing. On November 7, 2012, the Company received TSX-V approval to amend the term of the share purchase warrants issued in connection with this private placement financing. Consequently, the warrants have been extended for a further one year period from January 23, 2013 to January 23, 2014 as to 162,500 share purchase warrants, from February 28, 2013 to February 28, 2014 as to 216,563 share purchase warrants and from March 30, 2013 to March 30, 2014 as to 125,000 share purchase warrants which will all be exercisable at the price of \$1.20 per warrant share. All the securities issued in this private placement were 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, 75,813 common shares of the Company and 16,250 agent warrants valued at \$1,055.

As at March 31 2013, the Company's total number of issued and outstanding common shares was 29,214,389 as compared to 25,778,132 at March 31, 2012.

During 2012, the Company issued a total of 4,520,188 common shares for total proceeds to the Company of \$890,250 pursuant to the issuance of common shares due to private placement financings.

During 2012, a total of 5,871,875 share purchase warrants exercisable at \$2.00 per common share which were issued to various investors in 2010 expired unexercised.

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During the three months ended March 31, 2013, a total of 16,250 share purchase warrants exercisable at \$1.20 per common share which were issued to as agent’s warrants in 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 TSX-V, 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 1,983,367 common shares (the “Company’s Amended 2004 Stock Option Plan”). Pursuant to the Company’s Amended 2004 Stock Option Plan which has received TSX.V approval, the Company grants stock options to employees, directors, officers and consultants. As at March 31, 2013, there are 262,512 stock options available for granting (March 31, 2012: 9,387). The number available for granting is based on the difference between the reserved number of options for issuance (1,983,367) less outstanding stock options at March 31, 2013 (1,060,500) less the number of stock options exercised since May 12, 2005 up to and including March 31, 2013 (660,355); therefore  $1,983,367 - 1,060,500 - 660,355 = 262,512$  available for granting as at March 31, 2013. Subsequently on May 18, 2013, a total of 769,250 options exercisable at \$0.80 per share which were granted to directors, officers, employees and consultants during 2010 expired unexercised on May 18, 2013.

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 March 31, 2013, there were 1,060,500 stock options outstanding with a weighted average exercise price of \$0.80 per share (March 31, 2012: there were 1,313,625 stock options outstanding with a weighted average exercise price of \$0.80 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 March 31, 2013:

<b>For the Quarterly Periods ended</b>		<b>March 31, 2013</b>	<b>December 31, 2012</b>	<b>September 30, 2012</b>	<b>June 30, 2012</b>
Total Revenues	\$	4,492	6,531	46,311	13,988
Net loss and comprehensive loss for the period	\$	(347,942)	(1,068,201)	(520,290)	(523,354)
Basic and diluted loss per common share	\$	(0.01)	(0.03)	(0.02)	(0.02)

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For the Quarterly Periods ended		March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011
Total Revenues	\$	76,410	249,345	108,189	153,454
Net loss and comprehensive loss for the period	\$	(563,368)	(1,215,083)	(704,187)	(557,908)
Basic and diluted loss per common share	\$	(0.02)	(0.05)	(0.03)	(0.02)

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

**First Quarterly Results (March 31, 2013)**

During the three months [first quarter] period ended March 31, 2012:-

- The Company had a net loss of \$347,942 or \$0.01 per share as compared to \$563,368 or \$0.02 per share in the same three months [first quarter] period of 2012.
- The Company’s total revenues were \$4,492 as compared to \$76,410 in the same three months [first quarter] period of 2012.
- The Company’s total operating expenses were \$352,434 as compared to \$639,778 in the same three months [first quarter] period of 2012.

**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 represents lawful business, 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 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.

***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, 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, 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 within the required time periods.

**Related Party Transactions**

The Company shares office space and certain expenses with High 5 Ventures Inc. [formerly Kokomo Enterprises Inc.] (“High 5”) and Green Arrow Resources Inc.(formerly Bulldog Explorations Ltd.) (“Green Arrow”), companies related by certain common officers and directors.

The Company together with High 5 and Green Arrow have entered into a sub-lease agreement with an arm’s length party for office space which expires on July 30, 2014. Under the sub-lease agreement, the three companies are required to pay a base rent of \$5,687.50 plus property and operating expenses for the leased premises.

High 5 is related to the Company by virtue of the fact that High 5’s CEO and CFO, namely Bedo H. Kalpakian, is the Chairman and CFO of the Company, and the Vice President of High 5 namely Jacob H. Kalpakian, is the CEO and President of the Company. Furthermore, Gregory T. McFarlane is a director of both the Company and High 5.

Green Arrow is related to the Company by virtue of the fact that Green Arrow’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 Green Arrow.

Amounts payable to directors are for expenses incurred on behalf of the Company or for funds that have been 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 applicable taxes per month effective as of January 1, 2011. 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.

Amounts due from/(due to) related parties are unsecured, payable on demand and consist of the following:

	March 31, 2013	March 31, 2012
An entity controlled by key management personnel	\$ (221,760)	\$ -
Key management personnel	(758,938)*	-
Entities with common directors	(89,362)	18,480
	<b>\$ (1,070,060)</b>	<b>\$ 18,480</b>

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\*Included in amounts payable to key management personnel is \$432,800 in unsecured advances due on demand at an interest rate of prime plus 1%.

Subsequent to the three months ended March 31, 2013, key management personnel have made additional loans to the Company for a total amount of \$71,500.

In addition, during the year ended December 31, 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 due on demand. As at March 31, 2013, the Company has drawn \$300,000 from these two credit facilities. Included in amounts due to related parties is accrued interest of \$13,027 related to these two credit facilities. The remaining amounts due to related parties do not bear interest.

The Company shares office space and certain expenses with entities controlled by key management personnel. Rent for the office premises are paid by the Company, the Company charges the entities are charged for their proportionate share of office rent, as well as office services provided by the Company.

Related party transactions during the period:

	March 31, 2013	March 31, 2012
Rent charged by entities with common directors	\$ 27,000	\$ -
Rent recovered from entities with common directors	\$ -	\$ 1,800
Office and other expenses recovered from entities with common directors	\$ 18,997	\$ 7,200
Interest charged on amounts due to related parties	\$ 7,322	\$ -

During the three months ended March 31, 2013, the Company has accrued management fees totaling \$99,000 payable to a company owned by two directors (March 31, 2012: \$99,000).

The Company has accrued management fees for the months of April and May 2013 totaling \$66,000 payable to a company owned by two directors.

### 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 are classified as financial asset at FVTPL; accounts receivable and due from related parties, as loans and receivable; short-term investments, as held-to-maturity; and accounts payable and accrued liabilities and due to related parties, as other financial liabilities, which are measured at amortized cost. The carrying values of these instruments approximate 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.

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(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:

	March 31, 2013	March 31, 2012
Bank accounts	\$ -	\$ 72,561
Term deposits	-	-
Short-term investment	-	-
	\$ -	\$ 72,561

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 March 31, 2013 equal \$1,572,473 (2012 - \$335,122). All of the liabilities presented as accounts payable and accrued liabilities and due to related parties are due within 90 days of March 31, 2013.

(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 as at March 31, 2013. 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 March 31, 2013, 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)	
	March 31, 2013	March 31, 2012
Cash	\$ (87)	\$ 10,567
Accounts receivable	313	10,287
Accounts payable	(696)	(683)
<b>Net financial assets</b>	<b>\$ (470)</b>	<b>\$ 20,171</b>

Based upon the above net exposure as at March 31, 2013 and assuming all other variables remain constant, a 5% depreciation or appreciation of the US dollar relative to the Canadian dollar would result in a nominal change in the Company’s net loss.

(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, cash equivalents and short-term investment is at nominal interest rates and therefore the Company does not consider interest rate risk to be significant.

The Company’s payables to key management personnel (included in due to related parties) comprise one loan with an interest rate of 5% per annum compounded daily and another loan with an interest rate of prime plus 1%. A 1% change at March 31, 2013 would result in an immaterial change in net loss and comprehensive loss.

(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.

**Changes in Accounting Policy**

**Adoption of IFRS**

The Company prepared its condensed interim unaudited financial statements for the three months ended March 31, 2013 and 2012 using accounting policies consistent with IFRS.

See Note 3 of the condensed interim unaudited financial statements for the three months ended March 31, 2013 and 2012 for a detailed listing of the Company’s new accounting policies in accordance with IFRS. The adoption of IFRS had no significant impact on the Company’s operations or financial results.

There are no changes implemented by the Company for the three months period ended March 31, 2013.

**Off-balance sheet arrangements**

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

**Critical Accounting Estimates**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results may differ from those estimates. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates on the resulting effects of the carrying amounts of the Company’s assets and liabilities are accounted for prospectively.

**Significant Accounting Policies**

The Condensed Interim Consolidated Unaudited Financial Statements have been prepared in accordance with IFRS.

All of the Company’s significant accounting policies and estimates are included in Note 4 of the Company’s condensed interim consolidated unaudited financial statements for the three months ended March 31, 2013.

**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 Canadian generally accepted audited standards (“GAAS”). 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.

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**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 30, 2013	29,214,389	Nil	N/A	N/A
Warrants as at May 30, 2013	934,125 931,250 275,000 162,500 216,563 125,000 <u>3,187,500</u> 5,831,938	Nil	\$2.00 \$2.00 \$1.20 \$1.20 \$1.20 \$1.20 \$0.40/\$0.80	June 8, 2013 June 22, 2013 Dec 29, 2013 Jan 23, 2014 February 28, 2014 March 30, 2014 October 10, 2014
Stock Options as at May 30, 2013	272,500 <u>18,750</u> 291,250	Nil	\$0.80 \$0.96	June 21, 2013 to July 27, 2014 June 1, 2014
Fully Diluted as at May 30, 2013	35,337,577	Nil		

**Director Approval**

The contents of this MD&A and the sending thereof to the Shareholders of the Company have been approved by the Company’s Board of Directors.

**Outlook**

The Company requires sufficient funding in order to continue its operations uninterrupted. 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 uninterrupted. 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.