



THE INTERTAIN GROUP LIMITED
ANNUAL INFORMATION FORM FOR THE YEAR ENDED
DECEMBER 31, 2015

DATED MARCH 30, 2016

THE INTERTAIN GROUP LIMITED

GENERAL INFORMATION

All capitalized terms used in this AIF but not otherwise defined herein have the meanings set forth under “Glossary of Terms”. Unless the context otherwise requires, use in this AIF of the “Company”, “we”, “us” or “our” means the Company, and its subsidiaries, as applicable. Words importing the singular number include the plural and vice versa, and words importing any gender include all genders.

Information contained in this AIF is given as of December 31, 2015 unless otherwise specifically stated.

Unless otherwise indicated or the context otherwise requires, all dollar amounts in this AIF are in Canadian dollars. All references to “£” or “GBP” refer to British pound sterling, all references to “€” or “EUR” refer to Euros, and all references to US\$ or USD refer to United States dollars.

Market and Industry Data

Unless otherwise indicated, market and industry data contained in this AIF is based upon information from industry and other publications, the knowledge of management and the experience of the Company in the markets in which it operates. While management of the Company believes this data is reliable, market and industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Company has not independently verified any of the data from third-party sources referred to in this AIF or ascertained the underlying assumptions relied upon by such sources.

Trade Marks, Trade Names and Service Marks

This AIF includes trade-marks, trade names, and service marks which are protected under applicable intellectual property laws. Solely for convenience, the trade-marks to which the Company has rights that are referred to in this AIF appear without the TM or ® symbol, but such omissions are not intended to indicate, in any way, that the Company, or its affiliates, as applicable, will not assert, to the fullest extent under applicable law, their respective rights or the right of the applicable licensor to these trade-marks.

Cautionary Note Regarding Non-IFRS Measures

This AIF includes references to non-IFRS financial measures. Generally, a non-IFRS financial measure is a numerical measure of a company’s performance, financial position or cash flows that either excludes or includes amounts that are not normally excluded or included in the most directly comparable measure calculated and presented in accordance with IFRS and are not measures of financial performance (nor do they have standardized meanings) under IFRS. In evaluating these measures, investors should consider that the methodology applied in calculating such measures may differ among companies and analysts. The Company uses both IFRS and certain non-IFRS measures to assess performance. Management believes these non-IFRS measures provide useful supplemental information in order to permit investors to evaluate the Company’s financial performance using the same measures as management. Management believes that, as a result, investors are afforded greater transparency in assessing the financial performance of the Company. These non-IFRS financial measures should not be considered as a substitute for, nor superior to, measures of financial performance prepared in accordance with IFRS. For additional details regarding non-IFRS measures, see the MD&A, a copy of which has been filed with Canadian securities authorities and is available under the Company’s profile on SEDAR at www.sedar.com.

Cautionary Note Regarding Forward-Looking Information

This AIF contains certain information and statements that may constitute “forward-looking information” within the meaning of Canadian securities laws. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects”, “estimates”, “projects”, “predicts”, “targets”, “seeks”, “intends”, “anticipates”, or “believes” or the negative of such words or other variations of or synonyms for such words, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause actual results,

performance, achievements or developments to be materially different from those anticipated by the Company and expressed or implied by the forward-looking statements. Forward-looking information contained in this AIF includes, but is not limited to, statements with respect to the Company's future financial performance, the future prospects of the Company's business and operations, the Company's growth opportunities and the execution of its growth strategies. These statements reflect the Company's current expectations related to future events or its future results, performance, achievements or developments, and future trends affecting the Company. All such statements, other than statements of historical fact, are forward-looking information. Such forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to, the ability of the Company to secure, maintain and comply with all required licenses, permits and certifications to carry out business in the jurisdictions in which it currently operates or intends to operate; governmental and regulatory actions, including the introduction of new laws or changes in laws (or the interpretation thereof) related to online gaming; general business, economic and market conditions; the competitive environment; the expected growth of the online gaming market and potential new market opportunities; anticipated and unanticipated costs; the protection of the Company's intellectual property rights; the Company's ability to successfully integrate and realize the benefits of its completed acquisitions; the expected earn-out payments required to be made in connection with the Company's completed acquisitions; and the ability of the Company to obtain additional financing, if, as and when required. Such statements could also be materially affected by risks relating to the lack of available and qualified personnel or management; stock market volatility; taxation policies; competition; foreign operations; the Company's limited operating history; and the Company's ability to access sufficient capital from internal or external sources. The foregoing risk factors are not intended to represent a complete list of factors that could affect the Company. Additional risk factors are discussed under the heading "Risk Factors". Although the Company has attempted to identify important factors that could cause actual results, performance, achievements or developments to differ materially from those described in forward-looking statements, there may be other factors that cause actual results, performance, achievements or developments not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance, achievement or developments are likely to differ, and may differ materially, from those expressed in or implied by the forward-looking information contained in this AIF. Accordingly, readers should not place undue reliance on forward-looking information. While subsequent events and developments may cause the Company's expectations, estimates and views to change, the Company does not undertake or assume any obligation to update or revise any forward-looking information, except as required by applicable securities laws. The forward-looking information contained in this AIF should not be relied upon as representing the Company's expectations, estimates and views as of any date subsequent to the date of this AIF. The forward-looking information contained in this AIF is expressly qualified by this cautionary statement.

TABLE OF CONTENTS

GENERAL INFORMATION	ii
TABLE OF CONTENTS.....	4
GLOSSARY OF TERMS	5
CORPORATE STRUCTURE	16
GENERAL DEVELOPMENT OF THE BUSINESS	17
BUSINESS OF THE COMPANY	27
OPERATION OF SUBSIDIARIES	48
RISK FACTORS	51
DIVIDENDS AND DISTRIBUTIONS	70
DESCRIPTION OF CAPITAL STRUCTURE	70
MARKET FOR SECURITIES.....	70
PRIOR SALES	71
ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER.....	72
DIRECTORS AND OFFICERS.....	72
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS	76
AUDIT COMMITTEE	76
LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....	78
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	78
TRANSFER AGENT AND REGISTRAR	78
MATERIAL CONTRACTS.....	79
EXPERTS	79
ADDITIONAL INFORMATION	79

GLOSSARY OF TERMS

In this AIF, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the meanings set out below.

“**2005 Act**” means the Gambling Act 2005 (Great Britain);

“**2014 Act**” means the Gambling (Licensing and Advertising) Act 2014 (Great Britain);

“**2015 EBITDA**” has the meaning ascribed thereto under the heading “General Development of the Business – The Dumarca Acquisition”;

“**2015 Excess Amount**” has the meaning ascribed thereto under the heading “General Development of the Business – The Dumarca Acquisition”;

“**2015 Deficit Amount**” has the meaning ascribed thereto under the heading “General Development of the Business – The Dumarca Acquisition”;

“**2015 Payment**” has the meaning ascribed thereto under the heading “General Development of the Business – The Dumarca Acquisition”;

“**2016 EBITDA**” has the meaning ascribed thereto under the heading “General Development of the Business – The Dumarca Acquisition”;

“**2016 Excess Amount**” has the meaning ascribed thereto under the heading “General Development of the Business – The Dumarca Acquisition”;

“**2016 Deficit Amount**” has the meaning ascribed thereto under the heading “General Development of the Business – The Dumarca Acquisition”;

“**2016 Payment**” has the meaning ascribed thereto under the heading “General Development of the Business – The Dumarca Acquisition”;

“**888**” means 888 Holdings plc, a company duly organized and existing under the laws of Gibraltar;

“**888 Agreement**” means an agreement between Brigend and Jet Management dated September 12, 2008 and the amendments and addendums thereto;

“**888 Group**” means 888 and its subsidiaries;

“**active users**” means the number of players who place a real money bet (as opposed to a bonus free bet or spin) in a given period of time;

“**Additional Earn-Out**” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Earn-Out Payments”;

“**AGCO**” means the Alcohol and Gaming Commission of Ontario;

“**Aggregate Intertain Charges**” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Earn-Out Payments”;

“**AIF**” means the Company’s annual information form for the year ended December 31, 2015;

“**Alcohol and Gaming Commissions**” means provincially-run alcohol and gaming commissions in Canada;

“Amalgamation” means the amalgamation of Goldstar with Aumento Subco to create Intertain Holdings, a wholly-owned subsidiary of the Company;

“Amalgamation Agreement” means the amalgamation agreement entered into as of February 4, 2014 between the Company, Aumento Subco, and Goldstar whereby all of the issued and outstanding securities of Goldstar were exchanged for (i) 1,764,023 Common Shares, (ii) 11,625,000 Common Shares relating to the QT Unit Private Placement, (iii) 3,431,250 Replacement Warrants, and (iv) Convertible Debentures in the aggregate principal amount of \$17,500,000;

“Amaya” means Amaya Gaming Group Inc., a company duly organized and existing under the laws of Quebec;

“Amaya Malta” means Amaya (Malta) Limited, a company duly organized and existing under the laws of Malta;

“AGO” means that software platform operated by the Licensors for the delivery of the online games to end-users;

“Annual Botemania Intertain Charges” means, for any given year, the sum of all Intertain Charges which have become payable by the Gamesys Group under the Real Money Gaming Operating Agreement in respect of the branded and partner sites operated in conjunction with the Botemania brand for that year;

“Annual Jackpotjoy and Starspins Intertain Charges” means, for any given year, the sum of (i) all Intertain Charges which have become payable by the Gamesys Group under the Real Money Gaming Operating Agreement in respect of the branded and partner sites operated in conjunction with the Jackpotjoy and Starspins brands for that year; and (ii) all Intertain Charges which have become payable by the Gamesys Group under the Social Gaming Operating Agreement for that year;

“Aumento Subco” means 2399274 Ontario Inc., a company duly organized and existing under the laws of Ontario;

“Average Annual Jackpotjoy and Starspins Intertain Charges” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Earn-Out Payments”;

“B2B” means business-to-business;

“B2C” means business-to-consumer;

“Base Rate” means the higher of (i) the prime lending rate as set forth on the British Banking Association Telerate Page 5; and (ii) the federal funds effective rate as in effect from time to time plus 0.50%; subject to, in respect of the Term Loan, a floor of the sum of the one-month LIBOR Rate plus 1.00%;

“Basic Jackpotjoy and Starspins Payment” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Earn-Out Payments”;

“Basic First Year Botemania Payment” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Earn-Out Payments”;

“BGO” means Branchor Investments Limited;

“Board” means the board of directors of the Company;

“Borrower” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – Credit Facilities”;

“Botemania Refund” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Earn-Out Payments”;

“**Branded Content License Agreement**” means the content license agreement dated February 11, 2014, between the Licensors and Cryptologic Operations;

“**Branded Sites**” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Restrictive Covenants”;

“**Brigend**” means Brigend Limited, a company duly organized and existing under the laws of Gibraltar;

“**Code**” means the *Criminal Code* (Canada);

“**Collateral**” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – Credit Facilities”;

“**Common Shares**” means the common shares of the Company;

“**Company**” or “**Intertain**” means The Intertain Group Limited;

“**company**” unless specifically indicated otherwise, means a company, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

“**Consideration Shares**” means the 7,361,365 Common Shares forming part of the Jackpotjoy Purchase Price, which Intertain issued to Gamesys in accordance with the Jackpotjoy Agreement;

“**Convertible Debentures**” means the unsecured subordinated convertible debentures of the Company, each Convertible Debenture being in the principal amount of \$1,000, accruing interest at a rate of 5.0% per annum, payable semi-annually in arrears on June 30 and December 31 in each year, and convertible at the holder’s option into Common Shares at a conversion price of \$6.00 per share at any time prior to maturity, being December 31, 2018;

“**Convertible Debenture Indenture**” means the convertible debenture indenture dated December 19, 2013, between Goldstar, the Company and CST, governing the Convertible Debentures;

“**Costa Bingo**” means Mandalay Group’s white label businesses currently operated on 888 Group’s Dragonfish platform under the brands including, but not limited to, Costa Bingo, Sing Bingo, City Bingo, Fancy Bingo and Rio Bingo;

“**Credit Agreement**” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – Credit Facilities”;

“**Credit Facilities**” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – Credit Facilities”;

“**Credit Party**” or “**Credit Parties**” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – Credit Facilities”;

“**Currency Swap**” has the meaning ascribed thereto under the heading “General Development of the Business – Cross Currency Swap”;

“**CryptoLogic**” Cryptologic Limited, a company duly organized and existing under the laws of Guernsey;

“**CryptoLogic Holdings**” means Cryptologic Malta Holdings Limited, a company duly organized and existing under the laws of Malta;

“**CryptoLogic Net Revenue**” means those revenues as defined in the Services and License Agreements, namely revenue received by CryptoLogic Operations less certain adjustments permitted under the Services and License Agreements;

“CryptoLogic Operations” means Cryptologic Operations Limited, a company duly organized and existing under the laws of Malta;

“CryptoLogic Trading” means Cryptologic Trading Limited, a company duly organized and existing under the laws of Malta;

“CST” means CST Trust Company, a trust company existing under the laws of Canada;

“Dumarca” means Dumarca Holdings Limited, a company duly organized and existing under the laws of Malta;

“Dumarca Acquisition” means the acquisition by the Company of all of the issued and outstanding Dumarca Shares pursuant to the Dumarca Agreements;

“Dumarca Agreements” means the share sale and purchase agreements dated December 12, 2014, between the Company and the Dumarca Sellers pursuant to which the Company acquired all of the issued and outstanding Dumarca Shares, and includes the Dumarca Majority Sellers Agreement;

“Dumarca Earn-Out” has the meaning ascribed thereto under the heading “General Development of the Business – The Dumarca Acquisition”;

“Dumarca Earn-Out Period” has the meaning ascribed thereto under the heading “General Development of the Business – The Dumarca Acquisition”;

“Dumarca EBITDA” has the meaning ascribed thereto under the heading “General Development of the Business – The Dumarca Acquisition”;

“Dumarca Gaming” means Dumarca Gaming Limited, a company duly organized and existing under the laws of Malta;

“Dumarca Majority Sellers Agreement” means the share sale and purchase agreement dated December 12, 2014 between the Company and the Dumarca Majority Sellers;

“Dumarca Majority Sellers” means the sellers of the majority of the Dumarca Shares;

“Dumarca Minority Sellers” means the sellers of the minority of the Dumarca Shares;

“Dumarca Sellers” means, collectively, the Dumarca Majority Sellers and the Dumarca Minority Sellers;

“Dumarca Shares” means all of the issued and outstanding shares in the capital stock of Dumarca;

“Dumarca Threshold” has the meaning ascribed thereto under the heading “General Development of the Business – The Dumarca Acquisition”;

“Earn-Out Payments” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Purchase Price”;

“Earn-Out Period” means the period commencing on the day after the Jackpotjoy Closing Date and ending on the date on which all amounts which have become (or may still become) due in respect of the Jackpotjoy and Starspins Earn-Out, the First Botemania Earn-Out, and the Second Botemania Earn-Out (including all interest accrued thereon) have been paid in full (both dates inclusive);

“EBITDA” means earnings before interest, taxes, depreciation and amortization;

“EC” means the European Commission;

“ECJ” means the European Court of Justice;

“**EU**” means the European Union;

“**Exchanges**” means, collectively, the TSX and TSXV;

“**February 2015 Subscription Receipts**” means the subscription receipts of the Company issued pursuant to a public offering of 32,200,000 subscription receipts at a price of \$15.00 per subscription receipt;

“**Fifty States**” means Fifty States Limited, a company duly organized and existing under the laws of the Isle of Man;

“**Fifty States Group**” means Fifty States and Fifty States Gibraltar;

“**Fifty States Gibraltar**” means Fifty States (Gibraltar) Limited, a company duly organized and existing under the laws of Gibraltar;

“**Fifty States Gibraltar SPA**” means the share purchase agreement dated March 26, 2015, between Profitable Play, Leisure Spin, Gamesys Spain and Fifty States in connection with the Reorganization;

“**Fifty States Shares**” means the capital stock of Fifty States;

“**First Botemania Earn-Out**” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Earn-Out Payments”;

“**First Year Botemania Intertain Charges**” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Earn-Out Payments”;

“**First Restricted Period**” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Restrictive Covenants”;

“**freemium**” means a business model whereby a player is able to play the game for free, but additional play time, features, or progress are available for purchase with real money;

“**Gamesys**” means Gamesys Limited, a company duly organized and existing under the laws of England and Wales;

“**Gamesys Gibraltar**” means Gamesys (Gibraltar) Limited, a company duly organized and existing under the laws of Gibraltar;

“**Gamesys Group**” means Gamesys and its subsidiaries from time to time;

“**Gamesys Spain**” means Gamesys Spain PLC, a company duly organized and existing under the laws of Gibraltar;

“**Gaming Portals**” means Gaming Portals Limited, a company duly organized and existing under the laws of Ireland;

“**Gibraltar Act**” means the Gibraltar Gambling Act 2005;

“**Goldstar**” means Goldstar Acquisitionco Inc., a company duly organized and existing under the laws of Ontario;

“**Goldstar Debentures**” means 17,500 unsecured subordinated convertible debentures of Goldstar, each such Goldstar Debenture in the principal amount of \$1,000;

“**Goldstar Shares**” means common shares of Goldstar;

“Goldstar Units” mean the units issued by Goldstar in exchange for the QT Unit Subscription Receipts upon satisfaction of the QT Subscription Receipt Conditions, with each such Goldstar Unit being comprised of one Goldstar Share and one-quarter of one Goldstar Warrant;

“Goldstar Warrants” means warrants of Goldstar, each whole warrant exercisable to acquire one Goldstar Share at an exercise price of \$5.00, for a period of two years from the date of issuance;

“Gross Win” or **“Gross Winning”** means monies received from players paying to play games at a particular site, less winnings and incentive payments to such players;

“Guarantors” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – Credit Facilities”;

“IFRS” means International Financial Reporting Standards;

“Incremental Term Loans” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – Credit Facilities”;

“Initial Cash Consideration” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Purchase Price”;

“Initial Consideration” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Purchase Price”;

“Intertain Bahamas” means Intertain Bahamas Ltd., a company duly organized and existing under the laws of the Bahamas;

“Intertain Charge” has the meaning ascribed thereto under the heading “Business of the Company – Operations – Jackpotjoy – Operating Agreements”;

“Intertain Holdings” means Intertain Holdings Inc., a company duly organized and existing under the laws of Ontario;

“Intra-Group Debt” means the debt that was owed by Fifty States to each of Gamesys Spain, Profitable Play and Leisure Spin following the completion of the Fifty States Gibraltar SPA in the aggregate amount of £295,259,193 plus accrued interest (if any) as at the Jackpotjoy Closing Date calculated in accordance with the Fifty States Gibraltar SPA as at 23:59 (in the UK) on the day immediately prior to the Jackpotjoy Closing Date;

“IP” has the meaning ascribed thereto under the heading “Business of the Company – Restricted Markets”;

“Jackpotjoy Acquisition” means the acquisition by the Company of all of the issued and outstanding Fifty States Shares;

“Jackpotjoy Agreement” means the definitive share purchase agreement dated February 5, 2015 between Gamesys and the Company, whereby the parties agreed to complete the Jackpotjoy Acquisition;

“Jackpotjoy and Starspins Earn-Out” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Earn-Out Payments”;

“Jackpotjoy Brands” has the meaning ascribed thereto under the heading “Business of the Company – Principal Products and Services – Jackpotjoy”;

“Jackpotjoy Business” has the meaning ascribed thereto under the heading “Business of the Company – Principal Products and Services – Jackpotjoy”;

“Jackpotjoy Closing Date” means April 8, 2015;

“Jackpotjoy Purchase Price” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Purchase Price”;

“Jet Management” means Jet Management Limited, a company continued in the Commonwealth of The Bahamas;

“Jet Media” means Jet Media Limited, a company duly organized and existing under the laws of Gibraltar;

“July 2014 Debenture Indenture” means the indenture dated as of July 10, 2014 between the Company, the guarantors named therein and CST, as trustee and collateral agent, governing the July 2014 Debentures;

“July 2014 Debentures” means the senior secured debentures of the Company issued on July 14, 2014 pursuant to the July 2014 Debenture Indenture, each such July 2014 Debenture being in principal amount of \$1,000, bearing an interest rate of 8.5% per annum and a maturity date of June 30, 2019;

“July 2014 Warrants” means the common share purchase warrants of the Company issued on July 14, 2014, with each July 2014 Warrant exercisable to acquire one Common Share at an exercise price of \$7.75 per share until December 8, 2014;

“Lead Agent” means Canaccord Genuity Corp.;

“Leisure Spin” means Leisure Spin Limited, a company duly organized and existing under the laws of Gibraltar;

“Lenders” means, collectively, Macquarie Capital (USA) Inc., a major US financial institution and one of its affiliates, and the other lenders in respect of the Credit Facilities;

“LIBOR Rate” means the rate (adjusted for statutory reserve requirements for Eurocurrency liabilities) at which Eurodollar deposits for one, two, three, six or, if available to all Lenders, twelve months (as selected by the Borrowers) appearing on the Reuters Screen LIBOR01 Page, subject to a floor of 1.00% per annum;

“Licensors” means, collectively, (i) in the case of each of the Platform License Agreement, the Support and Service Level Agreement and the Revenue Guarantee Agreement, Gaming Portals, Amaya Malta and Ogame, and (ii) in the case of each of the Marketing Services Agreement and the Branded Content License Agreement, Gaming Portals and Amaya Malta;

“lottery corporations” means provincially-run lottery and gaming companies in Canada;

“Mandalay Group” means, collectively, Mandalay Media, Jet Management and Jet Media;

“Mandalay Media” means Mandalay Media Limited, a company continued in the Commonwealth of The Bahamas;

“Mandalay Media Acquisition” means the acquisition by the Company of the Mandalay Group pursuant to the Mandalay Media Agreement;

“Mandalay Media Agreement” means the share purchase agreement dated June 3, 2014 between the Company, WagerLogic and BGO pursuant to which WagerLogic acquired all of the issued and outstanding shares of Mandalay Media;

“Mandalay Media Earn-Out” has the meaning ascribed thereto under the heading “General Development of the Business – The Mandalay Media Acquisition and Related Financing”;

“Marketing Services Agreement” means the marketing services agreement dated February 11, 2014, as amended in March 2014, between the Licensors, WagerLogic Software, Cryptologic Operations and Wagerlogic Alderney;

“**Maximum Earn-Out**” has the meaning ascribed thereto under the heading “General Development of the Business – The Dumarca Acquisition”;

“**MD&A**” means the Company’s management’s discussion and analysis for the year ended December 31, 2015;

“**NYX**” means NYX Gaming Group Limited, a company duly organized and existing under the laws of Guernsey;

“**OBCA**” means the *Business Corporations Act* (Ontario);

“**Ongame**” means Ongame Network Ltd., a company duly organized and existing under the laws of Gibraltar;

“**Online Bingo Games**” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Restrictive Covenants”;

“**online gambling**” means a game played over the Internet or mobile devices characterized by players using real money to play virtual gambling games (e.g. bingo, slots and casino games) whereby players bet real money and realize real money wins and losses;

“**Operating Agreements**” means the Real Money Gaming Operating Agreement and the Social Gaming Operating Agreement;

“**Platform License Agreement**” means the services and platform license agreement dated February 11, 2014, as amended in March 2014, between the Licensors, WagerLogic Software and Cryptologic Operations;

“**Private Placement Agents**” means a syndicate of agents led by the Lead Agent and including Cormark Securities Inc., Industrial Alliance Securities Inc., Clarus Securities Inc. and Global Maxfin Capital Inc.;

“**Profitable Play**” means Profitable Play Limited, a company duly organized and existing under the laws of Gibraltar;

“**Promissory Note**” means a promissory note in the principal amount of \$10,000,000 issued by Goldstar to CryptoLogic Holdings on February 11, 2014 in partial satisfaction of the purchase price for the WagerLogic Acquisition pursuant to the QT Share Purchase Agreement;

“**QT**” means a transaction whereby a capital pool company acquires significant assets such that it meets the initial listing requirements of the TSXV;

“**QT Closing**” means the closing of the Amalgamation and the WagerLogic Acquisition, being February 11, 2014;

“**QT Debenture Private Placement**” means the private placement of 17,500 QT Debenture Subscription Receipts by Goldstar at a purchase price of \$1,000 per QT Debenture Subscription Receipt, for aggregate gross proceeds of \$17,500,000;

“**QT Debenture Subscription Receipts**” means the subscription receipts issued pursuant to the QT Debenture Private Placement, with each QT Debenture Subscription Receipt converted into one Goldstar Debenture and 30 Goldstar Warrants upon satisfaction of the QT Subscription Receipt Conditions and governed by the QT Subscription Receipt Agreement;

“**QT Financings**” means the QT Unit Private Placement and the QT Debenture Private Placement, collectively;

“**QT Share Purchase Agreement**” means an amended and restated share purchase agreement dated as of October 18, 2013 and amended and restated as of November 27, 2013, between Goldstar and CryptoLogic Holdings pursuant to which the parties agreed to proceed with the WagerLogic Acquisition;

“**QT Subscription Receipts**” means, collectively, the QT Debenture Subscription Receipts and the QT Unit Subscription Receipts;

“QT Subscription Receipt Agreement” means the subscription receipt agreement dated December 19, 2013, between Goldstar, the Company, the Lead Agent, on behalf of the Private Placement Agents, and CST;

“QT Subscription Receipt Conditions” means such conditions contained in the QT Subscription Receipt Agreement providing for the conversion of the QT Unit Subscription Receipts and the QT Debenture Subscription Receipts, respectively, into, collectively, the Goldstar Shares, the Goldstar Debentures and the Goldstar Warrants, and which included, without limitation, the completion of the WagerLogic Acquisition by Goldstar and the acceptance of the QT Transactions by the Exchanges;

“QT Transactions” means, collectively, the Amalgamation, the WagerLogic Acquisition and the QT Financings;

“QT Unit Private Placement” means, collectively, (i) the private placement of 10,905,000 QT Unit Subscription Receipts by Goldstar at a purchase price of \$4.00 per QT Unit Subscription Receipt, and (ii) the private placement of 720,000 Goldstar Units by Goldstar at a purchase price of \$4.00 per Goldstar Unit for aggregate gross proceeds of \$46,500,000;

“QT Unit Subscription Receipts” means the subscription receipts issued pursuant to the QT Unit Private Placement, with each QT Unit Subscription Receipt converted into one Goldstar Unit upon satisfaction of the QT Subscription Receipt Conditions and governed by the QT Subscription Receipt Agreement;

“Real Money Gaming Operating Agreement” has the meaning ascribed thereto under the heading “Business of the Company – Operations – Jackpotjoy – Operating Agreements”;

“Real Money Operation” means the real money gambling activities carried out by Gamesys Gibraltar and certain of its subsidiaries by exploiting certain of the assets comprised within the Jackpotjoy Brands;

“Relevant Percentage” has the meaning ascribed thereto under the heading “General Development of the Business – The Dumarca Acquisition”;

“Reorganization” means the reorganization carried out by Gamesys prior to completion of the Jackpotjoy Acquisition pursuant to which, among other things, the Jackpotjoy Brands were transferred to the Fifty States Group;

“Replacement Warrants” means the common share purchase warrants of the Company issued on February 11, 2014, with each Replacement Warrant exercisable to acquire one Common Share at an exercise price of \$5.00 per share until December 31, 2015;

“Restricted Territory” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Restrictive Covenants”;

“Revenue Guarantee Agreement” means the revenue guarantee agreement dated February 11, 2014, between Amaya, CryptoLogic Holdings, the Licensors and CryptoLogic Operations;

“Revolving Facility” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – Credit Facilities”;

“RTG&P” has the meaning ascribed thereto under the heading “Business of the Company – Restricted Markets”;

“Second Botemanía Earn-Out” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Earn-Out Payments”;

“Second Year Botemanía Intertain Charges” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Earn-Out Payments”;

“SEDAR” means the Canadian System for Electronic Document Analysis and Retrieval;

“Segregated Account” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement – Additional Provisions Regarding Earn-Out Payments”;

“Services and License Agreements” means, collectively, the four related agreements for the provision of services and the grant of licenses, comprising: (i) the Platform License Agreement; (ii) the Support and Service Level Agreement; (iii) the Marketing Services Agreement; and (iv) the Branded Content License Agreement;

“Share Consolidation” means a consolidation of the Common Shares on the basis of one new Common Share for each existing 20 Common Shares;

“social gaming” means a game over the Internet, social media platform, or mobile device involving players playing virtual gambling-like games for free, often with a social media component (e.g. chat, competitions, friend-on-friend play) with the option to purchase additional playing time or obtain other benefits for real money;

“Social Gaming Assets” means the Company’s, the Jackpotjoy Business’ and Dumarca’s social gaming products;

“Social Gaming Operating Agreement” has the meaning ascribed thereto under the heading “Business of the Company – Operations – Jackpotjoy – Operating Agreements”;

“Social Gaming Operation” means the social gaming activities carried out by Gamesys by exploiting certain of the assets comprised within the Jackpotjoy Brands;

“Social Gaming Operators” means the corporate entities or members of management that develop, operate, promote, own or administer the Social Gaming Assets;

“Support and Service Level Agreement” means the support and service level agreement dated February 11, 2014, between the Licensors and Cryptologic Operations;

“Swedish Lotteries Act” means the Sweden’s Lotteries Act 1994;

“Term Facility” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – Credit Facilities”;

“Term Loan” has the meaning ascribed thereto under the heading “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – Credit Facilities”;

“TSX” means the Toronto Stock Exchange;

“TSXV” means the TSX Venture Exchange;

“UIGEA” means the Unlawful Internet Gambling Enforcement Act;

“UK” means the United Kingdom;

“US” means the United States of America, including the District of Columbia;

“Vera&John” means Vera&John AB, a company duly organized and existing under the laws of Sweden;

“Vera&John Group” has the meaning ascribed thereto under the heading “Business of the Company – Principal Products and Services – Vera&John”;

“WagerLogic” means WagerLogic Malta Holdings Limited, a company duly organized and existing under the laws of Malta;

“WagerLogic Software” means Wagerlogic Malta Software Limited, a company duly organized and existing under the laws of Malta;

“WagerLogic Acquisition” means the purchase by Goldstar of all of the WagerLogic Shares;

“WagerLogic Alderney” means Wagerlogic Alderney Limited, a company duly organized and existing under the laws of Alderney; and

“WagerLogic Shares” means all of the issued and outstanding ordinary shares of WagerLogic.

CORPORATE STRUCTURE

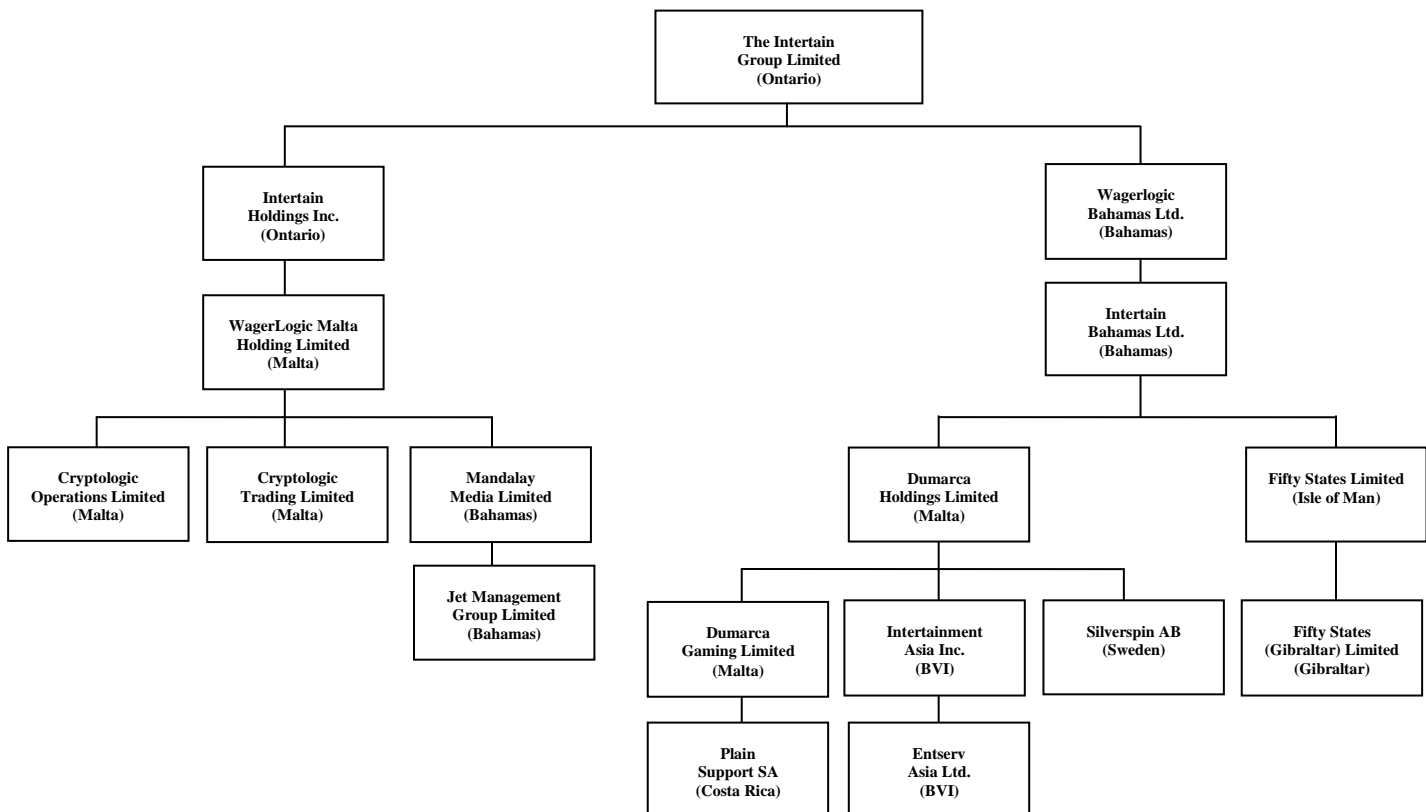
General

The Company was incorporated pursuant to the provisions of the OBCA on November 26, 2010 as Aumento Capital II Corporation. On August 18, 2011, the Company amended its articles of incorporation to remove the private company restrictions. On February 10, 2014 and prior to closing the QT Transactions, Intertain consolidated its Common Shares on the basis of one new Common Share for every 20 Common Shares issued and outstanding, and changed its name to “The Intertain Group Limited”.

The Company’s head and registered office is located at 24 Duncan Street, Floor 2, Toronto, Ontario, M5V 2B8.

Inter-corporate Relationships

The organizational chart below illustrates the inter-corporate relationships among the Company and its principal subsidiaries as of the date hereof. All principal subsidiaries of the Company are wholly-owned, directly or indirectly, by Intertain, with the exception of (1) CryptoLogic Operations, in which one share is held by the Company with the remainder being held by WagerLogic, and (2) WagerLogic, in which one share is held by the Company with the remainder being held by Intertain Holdings.



GENERAL DEVELOPMENT OF THE BUSINESS

General

The Company was previously a capital pool company pursuant to the policies of the TSXV and completed its initial public offering as a capital pool company on October 6, 2011. On October 12, 2011, the Common Shares were listed and posted for trading on the TSXV under the trading symbol "AQT.P". As a capital pool company, the Company did not conduct commercial operations other than to enter into discussions for the purpose of identifying potential acquisition targets and entering into the Amalgamation Agreement. The Company did not own any assets other than cash prior to completion of the QT Transactions.

The acquisition of all of the issued and outstanding Goldstar Shares and all of the issued and outstanding WagerLogic Shares on February 11, 2014 pursuant to the Amalgamation Agreement and QT Share Purchase Agreement, respectively, constituted the Company's qualifying transaction. Following completion of the QT Transactions, on February 18, 2014, the Common Shares were listed and posted for trading on the TSX under the trading symbol "IT".

The Company initially carried on the InterCasino business in connection with the WagerLogic Acquisition, and now also carries on the Mandalay and Vera&John businesses, each of which were acquired by Intertain in 2014, and the Jackpotjoy Brands, which were acquired in 2015. See "Business of the Company – Principal Products and Services".

QT Transactions (including the WagerLogic Acquisition) and Related Financings

As a condition to the closing of the QT Transactions, Goldstar completed the WagerLogic Acquisition pursuant to the terms of the QT Share Purchase Agreement for a purchase price of \$70,000,000. Proceeds from the QT Financings, which were completed by Goldstar on December 19, 2013, were used to satisfy the majority of the purchase price for the WagerLogic Acquisition, to pay for the costs of the QT Transactions and to fund ongoing working capital requirements. The balance of the purchase price for the WagerLogic Acquisition was funded through the issuance of the Promissory Note. The Promissory Note accrued interest at a rate of 6.0% per annum, payable semi-annually in arrears, and was fully repaid in 2015.

The Company, Aumento Subco and Goldstar entered into the Amalgamation Agreement pursuant to which Goldstar amalgamated with Aumento Subco to form an amalgamated company that was renamed "Intertain Holdings Inc." Pursuant to the Amalgamation, each Goldstar Share, Goldstar Warrant and Goldstar Debenture was exchanged for one Common Share, one Replacement Warrant and one Convertible Debenture, respectively. The Convertible Debentures are governed by the Convertible Debenture Indenture. Immediately prior to the Amalgamation, the Company completed the Share Consolidation. As a result of the Amalgamation, the property of each of Goldstar and Aumento Subco became the property of Intertain Holdings, and Intertain Holdings continues to be liable for the obligations of each of Goldstar and Aumento Subco. Intertain Holdings continues to carry on the business and operations of Goldstar as a wholly-owned subsidiary of the Company.

The QT Share Purchase Agreement required, as a condition of the QT Closing, that the Revenue Guarantee Agreement be entered into. See "Business of the Company – Operations – InterCasino – Revenue Guarantee Agreement". The Revenue Guarantee Agreement expired in accordance with its terms in February 2016.

In addition, concurrently with the QT Closing, the Services and License Agreements were entered into between the Licensors and CryptoLogic Operations. See "Business of the Company – Operations – InterCasino – Services and License Agreements".

The Company completed the QT Transactions pursuant to the policies of the TSXV on February 11, 2014. On February 18, 2014, the Common Shares resumed trading on the TSX under the new symbol "IT", while the Convertible Debentures commenced trading on the TSX under the symbol "IT.DB".

The Mandalay Media Acquisition and Related Financing

On July 14, 2014, the Company acquired all of the outstanding shares of Mandalay Media for an aggregate initial payment of £45.0 million in cash. The purchase price was subject to certain net cash and working capital adjustments. In 2015, in accordance with the Mandalay Media Agreement, the Company paid approximately \$25.7 million to BGO in respect of the required earn-out payment (the “**Mandalay Media Earn-Out**”).

In order to fund the Mandalay Media Acquisition, on July 10, 2014, the Company completed a public offering of 7,475,000 equity subscription receipts and 51,175 equity-linked debt subscription receipts, for total gross proceeds of \$103,500,000.

Upon closing of the Mandalay Media Acquisition, the equity subscription receipts were exchanged on a one-for-one basis for equity units consisting of one Common Share and one quarter of one July 2014 Warrant, and the equity-linked debenture subscription receipts were exchanged on a one-for-one basis for debt units consisting of one July 2014 Debenture and 40 July 2014 Warrants without payment of additional consideration or further action.

Acceleration of July 2014 Warrants

On November 7, 2014, the Company elected to accelerate the expiry date of the July 2014 Warrants through certain acceleration provisions which allowed the July 2014 Warrants to expire within 30 days if the Common Shares traded at a 50% premium to the exercise price of the July 2014 Warrants for 20 consecutive trading days. 3,914,538 of the July 2014 Warrants were exercised for aggregate gross proceeds of \$30,337,669 prior to their expiry on December 7, 2014. The remaining 1,212 July 2014 Warrants expired and were delisted from the TSX.

Amendment to July 2014 Debenture Indenture and Early Redemption of July 2014 Debentures

On February 9, 2015, the Company entered into a supplemental indenture in respect of the July 2014 Debenture Indenture with the guarantors named in the July 2014 Debenture Indenture and CST, pursuant to which, among other things, the Company was permitted to redeem up to 100% of the aggregate principal amount of the July 2014 Debentures at a redemption price of 104% of the principal amount of the July 2014 Debentures to be redeemed, plus accrued and unpaid interest thereon, if any, up to but excluding the redemption date. On May 7, 2015, the July 2014 Debentures were redeemed by the Company at a redemption price of 104% plus accrued and unpaid interest up to this date.

The Dumarca Acquisition

On December 23, 2014, the Company acquired all of the Dumarca Shares for an aggregate initial payment of €44.5 million in cash and the issuance of an aggregate of 5,024,869 Common Shares. The purchase price was subject to certain net cash and working capital adjustments. In addition, the Company may be required to pay the Dumarca Earn-Out, subject to a cap of €8.1 million, in the event Vera&John generates EBITDA over certain thresholds in 2015 and 2016. In addition to the purchase price, a finder's fee of 1% of the initial payment was paid by the Company and a finder's fee of 1% of the Dumarca Earn-Out will be paid by the Company to an arm's length individual.

The following is a summary of certain terms of the Dumarca Agreements. This summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to the provisions of the Dumarca Agreements, copies of which have been filed with Canadian securities authorities and are available under the Company's profile on SEDAR at www.sedar.com.

The Dumarca Agreements provide that the Dumarca Sellers can receive the Dumarca earn-out (the “**Dumarca Earn-Out**”) which is equal to, in aggregate, a maximum (the “**Maximum Earn-Out**”) of €8.1 million multiplied by the Relevant Percentage (as defined below) if during the 2015 and 2016 calendar years (the “**Dumarca Earn-Out Period**”) Dumarca achieves an annual EBITDA (the “**Dumarca EBITDA**”) exceeding €10.1 million (the “**Dumarca Threshold**”). The Dumarca Earn-Out per calendar year will be calculated based on the formulas set out below.

For the 2015 calendar year, the Dumarca Earn-Out payment (the “**2015 Payment**”) was equal to the Dumarca EBITDA for such calendar year (the “**2015 EBITDA**”) minus the Dumarca Threshold. A positive sum from this

equation is herein referred to as the “**2015 Excess Amount**” and a negative sum is referred to as the “**2015 Deficit Amount**”. If there is a 2015 Excess Amount, the Company will, subject to the Maximum Earn-Out, make a 2015 Payment equal to 50% of the 2015 Excess Amount multiplied by the product of 8.1 times the Relevant Percentage.

For the 2016 calendar year, the Dumarca Earn-Out payment (the “**2016 Payment**”) will be calculated in three steps. First (“**Step One**”), the higher of the Dumarca Threshold and the 2015 EBITDA will be subtracted from the Dumarca EBITDA for the 2016 calendar year (the “**2016 EBITDA**”). If the sum of Step One is a negative number (the “**2016 Deficit Amount**”), the 2016 Deficit Amount, multiplied by the Relevant Percentage, will be repaid by the Dumarca Sellers from any 2015 Payment received, however, under no circumstances will the Dumarca Sellers be obligated to repay more than the 2015 Payment. If the sum of Step One is a positive number (the “**2016 Excess Amount**”), then the next step (“**Step Two**”) will be to calculate 50% of the sum of the 2016 Excess Amount minus the 2015 Deficit Amount (if any). The Step Two sum will then be multiplied by the sum of 8.1 multiplied by the Relevant Percentage (“**Step Three**”). The 2016 Payment will, subject to the Maximum Earn-Out, be equal to the sum of Step Three.

The “**Relevant Percentage**” means, in respect of each of the Dumarca Agreements, the percentage of the total number of Dumarca Shares as at December 23, 2014 represented by the number of Dumarca Shares transferred to the Company by the applicable Dumarca Sellers. Under no circumstances will the sum of the 2015 Payment and the 2016 Payment exceed the Maximum Earn-Out.

Given the interest of the Dumarca Majority Sellers in the Dumarca Earn-Out, the Company undertook and agreed to, among other things, use all reasonable endeavours to operate the business of Dumarca and its subsidiaries in its usual and ordinary course and to do (or not do) such things so as to not materially affect the Dumarca Earn-Out. Additionally, subject to certain restrictions, Intertain has agreed to permit certain of the Dumarca Majority Sellers, and such sellers have undertaken and agreed, to jointly manage, operate and control Dumarca and its subsidiaries.

The Jackpotjoy Acquisition, Related Financing and Credit Facilities

On February 5, 2015, the Company and Gamesys entered into the Jackpotjoy Agreement, pursuant to which the Company acquired the Fifty States Shares for the Jackpotjoy Purchase Price. The portion of the Jackpotjoy Purchase Price paid on the Jackpotjoy Closing Date consisted of cash and share consideration of an aggregate of approximately £425.8 million. See “– The Jackpotjoy Agreement”. The Jackpotjoy Acquisition was completed on April 8, 2015. In addition to the Jackpotjoy Purchase Price, a finder’s fee of 0.5% of the portion of the Jackpotjoy Purchase Price payable on the Jackpotjoy Closing Date was paid by the Company and a finder’s fee of 0.5% of the Earn-Out Payments will be paid by the Company to an arm’s length individual.

The Jackpotjoy Agreement

The following is a summary of certain terms of the Jackpotjoy Agreement. This summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to the provisions of the Jackpotjoy Agreement, a redacted copy of which has been filed with Canadian securities authorities and is available under the Company’s profile on SEDAR at www.sedar.com.

Purchase Price

The purchase price (the “**Jackpotjoy Purchase Price**”) for all of the issued and outstanding Fifty States Shares was the sum of: (i) £369,047,221 in cash less the Intra-Group Debt (the “**Initial Cash Consideration**”); (ii) £1,405,954 in cash; (iii) 7,361,365 Consideration Shares; (iv) the assumption of the obligation to repay the Intra-Group Debt in full on the Jackpotjoy Closing Date (together with the Initial Cash Consideration, the “**Initial Consideration**”); (v) a cash adjustment to take account of any accrued cash and receivables within the Fifty States Group as at the Jackpotjoy Closing Date, less any liabilities, in each case by reference to its trading for the period from the Reorganization to the Jackpotjoy Closing Date; and (vi) future earn-out payments, payable in cash based upon the financial performance of the Jackpotjoy Business in various periods during the five years following the Jackpotjoy Closing Date, further details in respect of which are set out below (the “**Earn-Out Payments**”).

Earn-Out Payments

The Earn-Out Payments are payable by the Company as follows:

(1) Jackpotjoy and Starspins Earn-Out

By reference to the simple average of the Annual Jackpotjoy and Starspins Intertain Charges for the two years following April 1, 2015 which will be calculated and agreed by Gamesys and the Company shortly after such two year period (the “**Average Annual Jackpotjoy and Starspins Intertain Charges**”), the Company will be required to pay to Gamesys an amount in cash equal to:

- (i) if the Average Annual Intertain Charges (as defined in the Jackpotjoy Agreement) are £81.4 million, the difference between £593.2 million and the aggregate of the Initial Cash Consideration plus the Intra-Group Debt (the “**Basic Jackpotjoy and Starspins Payment**”);
- (ii) if the Average Annual Intertain Charges are less than £81.4 million, the Basic Jackpotjoy and Starspins Payment reduced by £4.50 for each £1.00 that the Average Annual Intertain Charges are less than £81.4 million but greater than or equal to £63.1 million, and £9.00 for each £1.00 that the Average Annual Intertain Charges are less than £63.1 million; or
- (iii) if the Average Annual Intertain Charges are greater than £81.4 million, the Basic Jackpotjoy and Starspins Payment plus a “top-up payment” equal to £4.50 for each £1.00 that the Average Annual Intertain Charges are greater than £81.4 million,

(the “**Jackpotjoy and Starspins Earn-Out**”).

No payment will be required to be paid by the Company in respect of the Jackpotjoy and Starspins Earn-Out if the Average Annual Jackpotjoy and Starspins Intertain Charges are less than £47.3 million.

(2) First Botemania Earn-Out

By reference to the Annual Botemania Intertain Charges for the 12 months commencing on April 1, 2016 which will be calculated and agreed by Gamesys and the Company shortly after such 12 month period (the “**First Year Botemania Intertain Charges**”), the Company will be required to pay to Gamesys an amount in cash equal to:

- (i) if the First Year Botemania Intertain Charges are £3.3 million, £30 million (the “**Basic First Botemania Payment**”);
- (ii) if the First Year Botemania Intertain Charges are greater than zero but less than £3.3 million, the Basic First Botemania Payment reduced by £9.00 for each £1.00 that the First Year Botemania Intertain Charges are less than £3.3 million; or
- (iii) if the First Year Botemania Intertain Charges are greater than £3.3 million, the Basic First Botemania Payment plus a “top-up payment” equal to £9.00 for each £1.00 that the First Year Botemania Intertain Charges are greater than £3.3 million,

(the “**First Botemania Earn-Out**”).

No payment will be required to be paid by the Company in respect of the First Botemania Earn-Out if the First Year Botemania Intertain Charges are less than or equal to zero.

(3) Second Botemania Earn-Out

By reference to the Annual Botemania Intertain Charges for the 12 months commencing on April 1, 2017 which will be calculated and agreed by Gamesys and the Company shortly after such 12 month period (the “**Second Year Botemania Intertain Charges**”), the Company will be required to pay to Gamesys an amount in cash equal to:

- (i) if the Second Year Botemania Intertain Charges are greater than £3.3 million where the amount payable by the Company under the First Botemania Earn Out was less than or equal to £30 million, £30 million less the amount payable by the Company under the First Botemania Earn Out (the “**Basic Second Botemania Payment**”) plus a “top-up payment” equal to £9.00 for each £1.00 that the Second Year Botemania Intertain Charges are greater than £3.3 million;
- (ii) if the Second Year Botemania Intertain Charges are greater than £3.3 million where the amount payable by the Company under the First Botemania Earn Out was greater than £30 million, a “top-up payment” equal to £9.00 for each £1.00 that the Second Year Botemania Intertain Charges are greater than the First Year Botemania Intertain Charges; or
- (iii) if the Second Year Botemania Intertain Charges are less than or equal to £3.3 million but greater than the First Year Botemania Intertain Charges, £9.00 for each £1.00 that the Second Year Botemania Intertain Charges are greater than the First-Year Botemania Intertain Charges,

(the “**Second Botemania Earn-Out**”). No payment will be required to be paid by the Company in respect of the Second Botemania Earn-Out if the Second Year Botemania Intertain Charges are less than or equal to zero or are less than or equal to the First Year Botemania Intertain Charges. If the Second Year Botemania Intertain Charges are less than the First Year Botemania Intertain Charges, Gamesys will be required to make a repayment to the Company, equal to £9.00 for each £1.00 that the Second Year Botemania Intertain Charges are less than the First Year Botemania Intertain Charges, up to the amount paid by the Company under the First Botemania Earn-Out (the “**Botemania Refund**”). The Botemania Refund can never be greater than the First Botemania Earn-Out.

(4) Additional Earn-Out

By reference to the sum of the Annual Jackpotjoy and Starspins Intertain Charges and the Annual Botemania Intertain Charges for each of the 12 month periods commencing on the second, third and fourth anniversary of April 1, 2015 which will be calculated and agreed by Gamesys and the Company shortly after each such 12 month period (the “**Aggregate Intertain Charges**”), the Company will be required to pay to Gamesys an amount in cash equal to:

- (i) £5 million if the Aggregate Intertain Charges for the first such 12 month period are £80 million or more;
- (ii) £5 million if the Aggregate Intertain Charges for the second such 12 month period are £85 million or more;
- (iii) £5 million if the Aggregate Intertain Charges for the third such 12 month period are £92.5 million or more,

(the “**Additional Earn-Out**”).

The Additional Earn Out will be payable by the Company by reference to the Aggregate Intertain Charges for the relevant year and will not be affected by the Aggregate Intertain Charges in any of the other years relevant for the Additional Earn Out.

Additional Provisions Regarding Earn-Out Payments

For as long as amounts may still become payable to Gamesys by Intertain in respect of the Jackpotjoy and Starspins Earn-Out, the Company is required to transfer no less than 65% of the balance of its Excess Cash Flow (as defined in the Credit Agreement) on a monthly basis (after taking into account a pre-estimate for that month of a pro rata share of the annual sweep by the Lenders of Excess Cash Flow pursuant to the Credit Agreement) to a segregated bank account (the “**Segregated Account**”). Funds in the Segregated Account cannot be used for operations or other purposes without Gamesys’ consent. The Segregated Account is subject to the security granted for the Credit Facilities, and the monies in the account may also be utilized for the cash sweep and mandatory pre-payment requirements of the Credit Facilities after all other available Excess Cash Flow has been utilized. In certain circumstances, the amount of the balance of the Excess Cash Flow that the Company must pay into the Segregated Account may rise to 90% or may be reduced below 65% depending on whether the funds in the Segregated Account demonstrate a funding shortfall or funding excess, as applicable, based on the latest forecasted amount of the Jackpotjoy and Starspins Earn-Out. In addition, the Company is required to deposit the proceeds of any Incremental Term Loan into the Segregated Account to fund any funding shortfall.

The Company may use amounts in the Segregated Account to settle some or all (as applicable) of its payment obligations to Gamesys in respect of the Jackpotjoy and Starspins Earn-Out when due, so long as no default or event of default has occurred under the Credit Agreement and the Company is able to satisfy a total leverage ratio (as prescribed under the Credit Agreement) of no greater than 2.25 to 1 on a *pro forma* basis.

Intertain shall also be obliged to use any proceeds received pursuant to an Incremental Term Loan to satisfy its payment obligations in respect of the Jackpotjoy and Starspins Earn-Out.

In the event of a change of control in respect of the Company, the Company shall immediately prior to such change of control, arrange for an amount equal to the most recently prepared forecasted amount of the Jackpotjoy and Starspins Earn-Out to be deposited into the Segregated Account.

If the Lenders accelerate the maturity of the Credit Facilities such that all or any portion of the Credit Facilities become immediately due and payable, the rights of Gamesys to receive any of the Earn-Out Payments will be subordinated to the respective rights of the Lenders to receive payment of any amounts payable under the Credit Facilities. Gamesys is subject to a standstill period during which time it shall not be able to enforce the Company’s obligations in respect of any payment of an Earn-Out Payment, save for (i) obtaining a judgement against the Company for any unpaid payment and (ii) taking steps to realise any unpaid payment from the Company (provided no default or event of default has occurred under the Credit Agreement and the Company is able to satisfy a total leverage ratio (as prescribed under the Credit Agreement) of no greater than 2.25 to 1 on a *pro forma* basis).

If the Company fails to pay Gamesys the full amount due in respect of the Jackpotjoy and Starspins Earn-Out, it shall pay 95% of the balance of the Excess Cash Flow to Gamesys at the end of each calendar month until such amount (plus all accrued interest thereon) is paid in full. Such payments are not required to be made if a default or event of default has occurred under the Credit Agreement and/or the Company has a total leverage ratio (to be defined in the Credit Agreement) in excess of 2.25 to 1.

If Intertain fails to pay any Earn-Out Payment when due under the terms of the Jackpotjoy Agreement, each such payment obligation shall accrue interest at a monthly rate of (i) 30 day LIBOR plus 110 basis points for all months prior to the sixth-month anniversary of each such failure to pay; (ii) 30 day LIBOR plus 160 basis points for all months after the sixth-month anniversary of each such failure to pay; or (iii) 30 day LIBOR plus 200 basis points for all months after the 12-month anniversary of each such failure to pay, where in each case such interest shall compound quarterly.

Limitations on Liability and Survival of Claims

The total aggregate liability of Gamesys and the relevant other members of the Gamesys Group, subject to certain exceptions (including de-grouping tax claims and certain claims as to title) in respect of all warranty claims, tax claims and other claims under the Jackpotjoy Agreement, the Operating Agreements and certain associated

transaction agreements required to effect the Reorganization, will not exceed (i) an amount equal to £200,000,000 for claims notified during the period commencing on the Jackpotjoy Closing Date and ending on the date falling 30 calendar months after the Jackpotjoy Closing Date (both inclusive) (the “**First Limit Period**”), provided that claims under the Social Gaming Operating Agreement during the First Limit Period are limited to £40,000,000; (ii) for claims notified during the period commencing on the date immediately following the end of the First Limit Period and ending on the date that falls 60 calendar months after the Jackpotjoy Closing Date (both inclusive) (the “**Second Limit Period**”), an amount (the “**Second Period Cap**”) equal to £100,000,000 less the aggregate total liability of the Gamesys Group for claims notified during the First Limit Period, provided that claims under the Social Gaming Operating Agreement during the Second Limit Period are limited to the lesser of £20,000,000 (less the aggregate total liability of the Gamesys Group under the Social Gaming Operating Agreement) and the Second Period Cap; and (iii) for claims notified during the period commencing on the date immediately following the end of the Second Limit Period and ending on the date that falls 120 calendar months after the Jackpotjoy Closing Date (both inclusive) (the “**Third Limit Period**”), an amount (the “**Third Period Cap**”) equal to £50,000,000 less the aggregate total liability of the Gamesys Group for claims notified during the First Limit Period or Second Limit Period, provided that claims under the Social Gaming Operating Agreement are limited to the lesser of £10,000,000 (less the aggregate total liability of the Gamesys Group under the Social Gaming Operating Agreement) and the Third Period Cap (the “**Limitation Caps**”). Gamesys will not, subject to certain exceptions, be liable for any breach of warranty claim unless Gamesys’ aggregate liability in respect of such warranty claim exceeds £150,000, and Gamesys’ aggregate liability in respect of all warranty claims exceeds £1,500,000, in which event Gamesys will be liable for the whole of that liability and not merely the excess. For certain tax and other claims as described in the Jackpotjoy Agreement, there is no monetary threshold. Warranty claims are only enforceable to the extent that notice of the claim is given within the First Limit Period.

Gamesys will have an opportunity to remedy any matters giving rise to a warranty claim to the reasonable satisfaction of the Company during a cure period of 20 business days upon notice of any such warranty claim. Gamesys will not, subject to certain exceptions, be liable for any warranty claim to the extent that the matter giving rise to the warranty claim results from, among other things: (i) an act or omission before the Jackpotjoy Closing Date carried out or omitted with the written approval of Intertain, or required by law; (ii) a material breach by Intertain of its obligations under the Jackpotjoy Agreement; (iii) after the Jackpotjoy Closing Date, any reorganization of Intertain’s group or change in the ownership of any member of the Fifty States Group or a cessation or change in the nature of the business carried on by the Fifty States Group; (iv) any change in Intertain’s accounting policies; or (v) any change in the accounting reference date of either member of the Fifty States Group.

Restrictive Covenants

Gamesys and certain of its affiliates have agreed to certain restrictive covenants. For the purposes of these restrictive covenant provisions, “**Online Bingo Games**” means an online bingo game which is a real money gambling “pay-to-play” bingo game played for a prize or winnings which constitutes money or money’s worth, and “**Restricted Territory**” means each of the UK, the Republic of Ireland, Sweden, Spain or any other territory (meaning any state, province or country with its own gambling regulatory regime) in which Gamesys or any member of the Gamesys Group provides or agrees to provide from time to time real money gambling services to end users located in such state, province or country for Intertain or any of its affiliates pursuant to the Real Money Gaming Operating Agreement, and provided always that no part of the US or the Netherlands shall ever constitute a Restricted Territory.

Gamesys will not, and will procure that the other members of the Gamesys Group will not, whether directly or for or on behalf of any third party and other than in connection with the services provided under either of the Operating Agreements:

- (i) for a period of 24 months following the Jackpotjoy Closing Date (the “**First Restricted Period**”), make available Online Bingo Games to end users located in any Restricted Territory (whether directly or for or on behalf of any third party) which compete with any of the websites, mobile sites, applications or services branded with any of the Jackpotjoy, Starspins, Botemania, Slots by Jackpotjoy and Slots by Starspins brands and powered by either the real money gaming platform or the social gaming platform operated by the Gamesys Group (the “**Branded Sites**”), other than in connection with the services provided under the Operating Agreements;

- (ii) at any time during the First Restricted Period, make available to end users any online social gaming bingo game (other than “Bingo Lane” operated by Gamesys) other than in connection with the services provided under the Operating Agreements; and
- (iii) at any time during the period of twelve months commencing at the end of the First Restricted Period, make available to end users located in Spain (whether directly or for or on behalf of any third party) any Online Bingo Games which compete with the Branded Sites that uses the brand “Botemania”, other than in connection with the services provided under either of the Operating Agreements.

Additionally, during the First Restricted Period, Gamesys will not, and will procure that the other members of the Gamesys Group will not:

- (i) launch any new real money gambling bingo website where the domain for such website includes any nobility, aristocratic or royal title and the word “bingo”;
- (ii) provide services to any non-arm’s length third party in respect of any website where the URL, platform or portal name includes any nobility, aristocratic or royal title and the word “bingo”; or
- (iii) register or seek to register any trade mark or domain name that includes any nobility, aristocratic or royal title and the word “bingo”.

Nothing in the Jackpotjoy Agreement prevents or restricts Gamesys or any member of the Gamesys Group from making available to end users (including end users in a Restricted Territory) at any time, directly or for or on behalf of a third party, Online Bingo Games under or in connection with the “Sun Bingo”, “Fabulous Bingo”, “Heart Bingo”, “Virgin Games”, “Virgin Casino”, “Tropicana Casino”, “Caesars Bingo” and “Caesars Casino” brands.

Tax Cost Sharing Arrangements

The Reorganization gave rise to certain UK and Curacao tax charges in Gamesys’ subsidiary, Profitable Play NV (“PPNV”), and may (in combination with the completion of the Jackpotjoy Acquisition) have given rise to potential UK de-grouping tax charges.

Were such de-grouping charges to arise (under applicable UK tax law), it is considered by Gamesys more likely that they would have arisen in Fifty States but it is also possible that they could have arisen in Gamesys. While the acknowledged view of Gamesys is that no such de-grouping liabilities should have arisen in either Fifty States or Gamesys, consideration has been given as to the respective liabilities of the parties if, contrary to this expected position, such de-grouping liabilities have arisen and/or if the PPNV liabilities prove to be greater than the parties’ current expectations.

For this reason, Gamesys and the Company have entered into tax cost sharing arrangements in respect of these de-grouping charges and any additional UK and Curacao tax charges which arise in PPNV. The Company has agreed to pay 50% of such charges, including any interest, penalties and certain tax related costs (the “**De-grouping Liabilities**”) subject to a financial cap on the part of the Company of £33,500,000. Gamesys has also agreed to pay 50% of such amounts. However, if the total aggregate value of the De-grouping Liabilities were to exceed £67,000,000, then the Company’s liability would be capped at £33,500,000 and Gamesys would be required to pay 100% of the excess of any such liabilities over £67,000,000.

As regards the PPNV liabilities which are expected to arise, the Company’s 50% share of such liabilities is represented by the cash consideration of £1,405,954 which was paid on completion of the Jackpotjoy Acquisition. This amount counts towards the Company’s liability cap of £33,500,000.

If any such De-grouping Liabilities arise in Fifty States on or before payment of the Jackpotjoy and Starspins Earn-Out by the Company, then collection of the 50% contribution from Gamesys must be effected by a corresponding reduction of such Earn-Out Payment. If any De-grouping Liabilities potentially payable by Fifty States remain undetermined at that date, then the Jackpotjoy Agreement provides for Gamesys and the Company to agree to (or an agreed third party to determine) the amount, if any, to be credited to a dedicated escrow account to cover Gamesys’

net liability to make payment of any amount relating to any De-grouping Liabilities of Fifty States. Such net amount is to be determined by taking into account all the circumstances, including the Company's potential liability to make payments to Gamesys of further Earn-Out Payments and in respect of any De-grouping Liabilities which may arise in Gamesys and the maximum potential liability of Gamesys. The escrow account will be funded by way of deduction from the Jackpotjoy and Starspins Earn-Out Payment to be made by the Company.

Subscription Receipt Offering

On February 26, 2015, Intertain closed the public offering of 32,200,000 February 2015 Subscription Receipts, which were issued at a purchase price of \$15.00 per February 2015 Subscription Receipt, for aggregate gross proceeds of \$483,000,000. Upon the closing of the Jackpotjoy Acquisition, each February 2015 Subscription Receipt was converted into one Common Share. The net proceeds of the offering were used to fund the Jackpotjoy Acquisition, certain costs related to the Jackpotjoy Acquisition, the repayment of certain indebtedness, including but not limited to the early redemption of the July 2014 Debentures, and for general corporate purposes.

Credit Facilities

On April 8, 2015, the Company entered into a credit agreement (the "**Credit Agreement**") with the Lenders in respect of certain credit facilities (the "**Credit Facilities**") made available to the Company and a wholly-owned US subsidiary of the Company (together with the Company, the "**Borrowers**"). The following is a summary of certain terms of the Credit Agreement. This summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to the provisions of the Credit Agreement, a redacted copy of which has been filed with Canadian securities authorities and is available under the Company's profile on SEDAR at www.sedar.com.

The Credit Facilities consist of (i) a seven-year US\$335.0 million first-lien term loan credit facility (the "**Term Facility**") and the loans thereunder, the "**Term Loans**"), which was used (together with the net proceeds of the offering of the February 2015 Subscription Receipts) to finance the Jackpotjoy Purchase Price, refinance certain indebtedness of the Borrowers, and for working capital purposes, and (ii) a five-year senior secured US\$17.5 million revolving credit facility (the "**Revolving Facility**"), to be used for working capital and general corporate purposes. The Borrowers are also permitted to request additional term loans to be included in the Credit Facility and secured on a *pari passu* basis by the Collateral, up to an aggregate principal amount of US\$90 million (the "**Incremental Term Loans**"), subject to certain terms and conditions including the Borrowers' total leverage ratio (as defined in the Credit Agreement) being no greater than a specified amount, from one or more Incremental Term Loan lenders willing to provide such Incremental Term Loans in their own discretion.

Borrowings under the Credit Facilities bear, at the Borrowers' election, an annual interest rate of either (i) the LIBOR Rate plus an assumed margin of 6.50%, if LIBOR is elected based on current market conditions; or (ii) the Base Rate plus an agreed margin of 5.50% if the Base Rate is elected based on current market conditions. The Credit Agreement also contains customary provisions protecting the Lenders against increased costs or loss of yield resulting from certain regulatory changes, and will indemnify the Lenders for "breakage costs" incurred in connection with, among other things, the prepayment of a LIBOR Rate loan. The Borrowers may voluntarily repay outstanding loans under the Credit Facilities at any time, without prepayment premium or penalty other than the payment of such "breakage costs".

The Term Facility was made available in a single drawing on the Jackpotjoy Closing Date and will be repaid in quarterly installments equal to 2.50% (being 10.00% per annum) of the initial principal amount of the Term Loans, with the remaining principal balance due on April 8, 2022. The Revolving Facility currently in place is available until April 8, 2020.

The Credit Facilities are guaranteed, subject to certain exclusions, by each of the Borrowers' existing and subsequently acquired or formed wholly-owned direct and indirect subsidiaries, subject to certain exceptions (the "**Guarantors**" and, together with the Borrowers, the "**Credit Parties**" and each, a "**Credit Party**"). The obligations of each Credit Party in respect of the Credit Facilities are secured by a perfected first priority security interest (subject to certain permitted liens) in all of the equity interests in each of the Credit Parties (other than the Company) and each

of the Credit Parties' tangible and intangible assets (except for, among other things, any gaming or other governmental license rights, to the extent prohibited by applicable law) (collectively, the "**Collateral**").

The Credit Agreement contains representations, warranties, covenants and events of default customary for similar financings of this type in light of market conditions on the Jackpotjoy Closing Date. The restrictive covenants applicable to the Credit Facilities include, among other things, restrictions on (i) incurring further indebtedness (including preferred stock), liens, and guarantees; (ii) fundamental changes to the nature of the Company's business (e.g. mergers, acquisitions, re-organizations and asset sales); (iii) payment of dividends, capital stock, and certain restricted payments (but excluding, subject to a *pro forma* total leverage ratio of total funded debt to consolidated EBITDA of no greater than 2.25 to 1.00, the Earn-Out Payments and also excluding the Dumarca Earn-Out and the Mandalay Media Earn-Out); (iv) use of proceeds; (v) investments loans and advances; (vi) optional payments and modifications of contractually subordinated debt instruments and certain other debt instruments; (vii) transactions with affiliates; (viii) sale and leasebacks; (ix) changes in fiscal year; (x) changes in lines of business; (xi) pension matters; (xii) speculative hedging; and (xiii) capital expenditures, in each case subject to important exceptions. The Revolving Facility also requires that, subject to a testing threshold, the Borrowers comply on a quarterly basis with a maximum total leverage ratio.

The Credit Agreement provides that the following amounts will be applied as mandatory prepayments of the Term Facility: (i) 100% of the net proceeds of any indebtedness issued by any Credit Party or any of its restricted subsidiaries after the Jackpotjoy Closing Date, other than indebtedness permitted under the Credit Agreement; (ii) 100% of the net proceeds of any sale or disposition of any non-ordinary course assets that are not reinvested or committed to be reinvested within 12 months (and, if committed to be reinvested, reinvested within 18 months); and (iii) 50% (with step-downs to 25% and 0% upon achievement of certain total leverage ratios) of excess cash flows on an annual basis commencing in the fiscal year in which the Jackpotjoy Closing Date occurs, the further details of which are to be agreed upon by the parties. Voluntary prepayments of the Term Facility with internally generated cash will reduce the amount of payments required pursuant to (iii) above on a dollar for dollar basis. Each such repayment of the Term Facility may not be re-borrowed.

Normal Course Issuer Bid

On September 8, 2015, the TSX approved the Company's notice of intention to make a normal course issuer bid to purchase and cancel up to 3,617,640 Common Shares, which represented approximately 5% of the 72,354,817 Common Shares issued and outstanding as of September 15, 2015. During the year ended December 31, 2015, the Company purchased 2,488,237 Common Shares for a total consideration of \$31.9 million.

Cross Currency Swap

On November 23, 2015, the Company entered into a cross currency interest rate swap agreement (the "**Currency Swap**") in order to minimize the Company's exposure to exchange rate fluctuations between the £ and the USD, as cash generated from the Company's operations is largely in £ while principal and interest payments on the Term Facility is in USD. Under the Currency Swap, 90% of the Term Facility's interest and principal payments will be swapped into £. Intertain will pay a fixed 7.81% interest rate, in place of floating USD interest payments of LIBOR plus 6.5% (LIBOR floor of 1%). The interest and principal payments will be made at a £/USD foreign exchange rate of 1.5135 on USD notional amount of \$293,962,500. The Currency Swap terminates on March 31, 2017.

Board Renewal

In connection with the Board renewal process, on March 9, 2016, Jim Ryan was appointed as an independent director, David Danziger was appointed Chairman of the Board, and Stan G. Dunford and Mark Redmond stepped down as directors of the Company.

Enhancing Shareholder Value

On March 9, 2016, the Company announced that the Board has initiated a process to identify, examine and consider a range of strategic options available to the Company, with the objective of delivering shareholder value. A Special Committee of three directors, David Danziger, John Fielding and Paul Pathak, has been appointed to lead this

process. The Special Committee will consider a broad range of alternatives, including strategic transactions providing for a sale of the Company, one or more business units or partial offers and recapitalizations.

BUSINESS OF THE COMPANY

Overview

Intertain is an online gaming holding company that provides wagering-focused entertainment to a global customer base. Through its operating subsidiaries, the Company currently offers real money and social bingo, casino and other games to its customers through the Jackpotjoy, StarSpins, Botemania, Vera&John, Vera&Juan, Vera&John Social, Costa Bingo, InterCasino, VIP Casino and other brands.

The Jackpotjoy, Botemania, and StarSpins brands operate off of proprietary software owned by the Gamesys Group, the Company's B2B software and support provider. The Vera&John and Vera&Juan brands operate off of proprietary software owned by a wholly-owned subsidiary of the Company. Mandalay's bingo offerings operate off of the Dragonfish platform, a leading software service provided by the 888 Group. The InterCasino and VIP Casino gaming platform is supplied by NYX.

During the Company's financial year ended December 31, 2015, the Company's operating segments were determined on an acquisition basis. The Company had four reportable operating segments: Jackpotjoy, Vera&John, Mandalay and InterCasino.

Principal Products and Services

Intertain currently offers its products and services through four subsidiaries (either directly or indirectly): Intertain Bahamas, Dumarca, Mandalay Media and CryptoLogic Operations.

Jackpotjoy

Intertain Bahamas operates the "**Jackpotjoy Brands**" which are comprised of the Jackpotjoy, StarSpins and Botemania brands, together with associated rights in or ownership of real money and social gaming player data related to such brands, trade-marks, domain names, goodwill and certain other related intellectual property rights. As part of the Reorganization and prior to completion of the Jackpotjoy Acquisition, Fifty States (now a subsidiary of Intertain Bahamas) entered into the Social Gaming Operating Agreement with Gamesys and Fifty States Gibraltar (a subsidiary of Fifty States) entered into the Real Money Gaming Operating Agreement with Gamesys Gibraltar (a subsidiary of Gamesys). The Jackpotjoy Brands, when combined with the services to be provided by Gamesys and Gamesys Gibraltar under the Operating Agreements, are referred to in this AIF as the "**Jackpotjoy Business**".

The Real Money Operation is currently operated by the following three Gibraltar subsidiaries of Gamesys Gibraltar: Profitable Play is the operator of JPJ UK (as defined below) and StarSpins (as defined below); Leisure Spin is the operator of JPJ Sweden (as defined below); and Gamesys Spain is the operator of Botemania (as defined below) pursuant to the terms of the Real Money Gaming Operating Agreement. See "Operations – Jackpotjoy - Operating Agreements".

Gamesys also currently operates the Social Gaming Operation pursuant to the terms of the Social Gaming Operating Agreement. See "Operations – Jackpotjoy - Operating Agreements".

The Jackpotjoy Brands are described in further detail below:

Real Money Bingo-led Brands

- **Jackpotjoy (UK):** Jackpotjoy (UK) ("**JPJ UK**") was launched in early 2002 and, prior to the Jackpotjoy Acquisition, it represented the Gamesys Group's predominant real money gambling brand, comprising bingo, slots, and casino offerings in the UK market. JPJ UK is the Gamesys Group's most mature and

established brand. As is not uncommon with a bingo-led offering, slots games are currently the most popular offering on JPJ UK.

- **Jackpotjoy (Sweden):** Jackpotjoy (Sweden) (“**JPJ Sweden**”) was launched in February 2012 and offers bingo, slots and casino games in the Swedish market. As is not uncommon with a bingo-led offering, slots games are currently the most popular offering on JPJ Sweden.
- **Botemania (Spain):** Botemania (Spain) (“**Botemania**”) was launched in March 2007, and provides bingo-led online gambling to the Spanish market. Until June 2012, Botemania offered a selection of slots, bingo and casino games to the Spanish market. As a result of certain legislative changes in June 2012, slots games were no longer licensable in Spain, at which time Botemania only offered bingo and casino games. As a result of recent regulatory changes in Spain, online slots games were re-introduced in June 2015 upon the grant of a license to Botemania for the operation of slots games in Spain.

Real Money Slots Only Brands

- **Starspins (UK):** Starspins (UK) (“**Starspins**”) is a slots-only gambling offering launched in 2013 for the UK market. Starspins was launched as a complement to the JPJ UK brand to capture more of the online pure-slots market.

Social Gaming Brands

- **Jackpotjoy Social:** Jackpotjoy Social (“**JPJ Social**”) was launched in 2011 and offers virtual-currency gaming to a worldwide online player base through the following third-party platforms: Facebook, iTunes, Amazon and Android. The JPJ Social offering is characterized by a large player base but only a small percentage of paying players.
- **Starspins Social:** Starspins Social (“**SSP Social**”) is a new slots-only social gaming offering developed by Gamesys and launched in March 2015. SSP Social operates on a similar model to JPJ Social.

Vera&John

Dumarca operates the “**Vera&John Group**” which consists of various online gambling and related businesses, including the Vera&John and Vera&Juan online gambling and social gaming brands (collectively referred to as “**Vera&John**”, unless otherwise indicated). References to Dumarca also include the Vera&John Group, unless the context dictates otherwise.

Dumarca is a fully integrated online casino operator with its own proprietary software. The Vera&John Group’s products include, but are not limited to the following:

- **Vera&John and Vera&Juan:** Dumarca’s core online gambling brand with jackpots, slots, video slots, table games, and instant games.
- **Vera&John Social:** Dumarca’s social gaming brand, offered via social media platforms such as Facebook.

Many of Vera&John’s real money online gambling games have social gaming features which allow players to play outside of a real money environment, on a “freemium” basis.

Dumarca operates in approximately ten countries across Europe and Asia, with the bulk of its revenues being derived from Nordic countries.

Mandalay

The Mandalay Group operates online bingo-led gaming through several brands in the UK, including Costa Bingo, Sing Bingo, City Bingo, Fancy Bingo and Rio Bingo. The Mandalay Group also operates the bingo affiliate marketing sites of Casino Choice and Ignite.

Bingo websites

- **Costa Bingo:** the flagship brand. Users of the Costa Bingo website are able to play a large range of free and pay-per-play online bingo games. Costa Bingo also offers other online games such as online slots and online chat.
- **Sing Bingo:** unique musical-themed brand that creates higher site engagement and has less promotional dependency.
- **City Bingo:** city-based theme, with new cities are introduced every month. Player engagement occurs via a proprietary voting feature. City Bingo is a value site with over £60,000 in free games per month.
- **Fancy Bingo:** penny bingo site with a dark magical theme. Fancy Bingo is an affiliate-led initiative.
- **New Bingo Brands (Skins):** In April 2014, the Company began an expansion through its ‘Skin Strategy’. New brands are launched on the City Network and games are shared across brands, but each brand has a unique theme. The Mandalay Group now has 13 of these ‘bingo skins’, including brands such as Rio Bingo, Wish Bingo, Monkey Bingo, Sparkly Bingo and Crocodile Bingo. Traffic is generated via internal cross sell and affiliates.

All bingo businesses offer three different bingo game variants: 90 ball, 75 ball pattern, and 75 ball 5 line. Customers have access to the bingo game, a chat feature, and side games.

- **Slots brands:** In 2015, the Mandalay Group launched two slots only brands: Costa Games and Slot Crazy. These sites only offer online slots and casino games, without the traditional bingo offering.

In total, the Mandalay Group now operates 19 bingo and slots brands, with more additions planned for 2016.

Affiliate sites

- **Casino Choice:** the UK’s first casino comparison website which launched in 2001. Casino Choice provides high quality online gaming reviews of trusted Internet-based casinos, which gives customers details about bonuses and promotions, casino games and software, support services, deposit and withdrawal options, and contact details. This information is offered so that customers can be fully informed before they choose where to play.
- **Ignite:** Ignite Bingo is Mandalay Media’s affiliate marketing network. It provides a single interface combining all brands and affiliates are paid based on tiering levels. Ignite has more than 1,000 registered affiliates.

InterCasino

CryptoLogic Operations (and CryptoLogic Trading for customers in the UK) is an online casino operator under its InterCasino (www.InterCasino.com) and VIP Casino (www.VIPCasino.com) brands, amongst other online names. References to CryptoLogic Operations also include CryptoLogic Trading, unless the context dictates otherwise.

Launched in 1996, InterCasino offers over 150 casino games in three currencies and nine languages. CryptoLogic Operations’ principal online offerings include InterCasino (www.InterCasino.com) and VIP Casino (www.VIPCasino.com). The main game offerings on these sites include traditional casino games such as blackjack, roulette, craps, baccarat and slot games at a variety of stakes, which service casual to VIP players.

The software platform on which InterCasino operates, the AGO, is an instant-play web-based application which is accessible from all mobile devices and developed for major operating systems, including Windows, Mac, Android, iOS and Linux. The application is browser-based but can also be wrapped into a native mobile or desktop application.

The Company has initiated a migration process to move InterCasino to the Vera&John platform, which is expected to be completed in the second quarter of 2016.

Principal Markets

Real money gambling operations, online or otherwise, are typically subject to stringent regulations, and accordingly, product offerings are typically limited to a particular national jurisdiction. European countries are the principal markets in which the Company, through its subsidiaries, actively markets its online offerings.

The InterCasino and Mandalay Group's bingo brands generate the majority (and in the case of the Mandalay Group, almost all) of their revenues in the UK and the Vera&John Group generates the majority of its revenues in the Nordic region. The Jackpotjoy Business generates the majority of its revenues in the UK. The social gaming brands are available to players in most major markets, subject to applicable consumer laws and restrictions imposed by third party platform operators (for example, and without limitation, Facebook) from time to time.

The Company's subsidiaries currently hold gaming licenses in Malta, Denmark and the UK. In addition, Mandalay Media has the contractual right to operate under Gibraltar and UK gaming licenses held by 888 Group, and Intertain Bahamas has the contractual right to operate under Gibraltar, UK and Spanish gaming licenses held by the Gamesys Group.

The Company's subsidiaries do not currently accept registrations and deposits from Canada or US based players.

Restricted Markets

Certain of the Company's subsidiaries have adopted Restricted Territories Guidance & Procedures (the "**RTG&P**"). The RTG&P have been compiled to provide an overview of guidelines relating to the restriction of geographical territories from online gaming. The restrictions contained in the RTG&P relate mainly to corporate risk, jurisdictional regulation and licensed brand restrictions and are updated on a continuous basis. This is achieved by identifying the applicable legal and quasi-legal requirements, assessing the current state of compliance, assessing the risks and potential costs of non-compliance against the projected expenses to achieve compliance, and prioritizing, funding and initiating any corrective actions deemed necessary. Corrective actions typically include the blocking of a particular territory, engaging with regulators, applying for relevant licenses or monitoring a jurisdiction in flux.

If a decision to block a country because that country is deemed, for example, to be a restricted, regulated or high risk territory, this action is taken by removing the country from the registration drop down menu and possibly implementing any one or more of the following:

- If required, informing all patrons that business from the blocked country is no longer accepted;
- Removing the restricted country from newsletter/marketing material;
- Blacklisting signup registrations via Globally Unique Identifier, or Internet Protocol ("**IP**") address;
- Restricting real money game play via Globally Unique Identifier, or IP address; and
- Blacklisting deposits deriving from the restricted territory.

In order to ensure that registrations, deposits and game play emanating from these jurisdictions are restricted, IP address geo-location methods are used. Payment methods are also reviewed to ensure compliance with the imposed restrictions.

Various other "know-your-customer" due diligence procedures are followed for all new accounts to ensure that only players from authorized locations can access the web application, such as requiring copies of identification documents to verify the identity and address of an end-user. The Company has policies and procedures in place to ensure that registrations or deposits for the online gaming operations of the Company are not accepted from individuals resident in Canada.

The procedures and technology described above are (i) provided to Intertain Bahamas by Gamesys Gibraltar pursuant to the Real Money Gaming Operating Agreement, (ii) operated and monitored by in-house built technology offered by Dumarca Gaming, (iii) provided to Mandalay Media by 888 pursuant to the 888 Agreement, and (iv) in respect of CryptoLogic Operations, operated and monitored by in-house staff members that use third party technology such as IPG & RiskIDS.

Distribution Methods

B2C Business Model

Intertain's subsidiaries operate primarily in the B2C online gambling and social gaming markets. The products and services are distributed through the Internet, which provides online operators with a number of potential advantages over traditional offline competitors, including global reach (with the ability for large numbers of customers to enjoy peer-to-peer and house banked gaming, specifically poker and traditional casino style slot and table games), additional mobility, 24/7/365 access, greater levels of player liquidity, enhanced innovation with engaging games, and a reduced cost base as a result of the elimination of overhead relating to land-based premises.

Online gambling is generally characterized by players using real money to play bingo, slots and casino games. Players bet real money and realize real money wins and losses. In contrast, social gaming typically involves players playing virtual gambling-like games for free, with the option to purchase additional credits to extend playing time or obtain other benefits for real money. There is often a social media component to the game, such as chat functions, awards, leaderboards and competitions. Unlike the real money gambling market, social games are not currently subject to gambling licensing and regulation in most major markets and accordingly are offered on almost a global basis.

B2B Business Model

Dumarca's B2B business model focuses on tailoring products and services to particular customer needs and service requirements. Typically, Dumarca will charge its B2B clients an initial set-up fee, followed by a minimum monthly retainer fee, and a share of revenue after the deduction of certain direct costs, such as content and payments.

Anti-Fraud Management and Money Laundering Procedures and Risk Management

Jackpotjoy

Each of the Gamesys Group's real money gambling operating companies responsible for operating the Jackpotjoy Business have clearly defined policies, procedures and controls which are designed to comply with the requirements of all applicable European anti-money laundering ("AML") regulations, and to deter potential criminals from using the Jackpotjoy Business for money laundering. Such operating companies have implemented an AML policy which encompasses a collection of procedures, technologies and techniques to make a risk-based assessment of all players and financial transactions using the Gamesys Group's real money gambling services. In particular, such operating companies have developed a know-your-customer protocol which includes account registration procedures, age and identity verification, enhanced due diligence procedures for high-value activities, relevant record keeping requirements and various internal and third-party systems, controls and procedures to monitor and assess ongoing player activity. Regular AML training is provided to relevant employees and procedures are in place for reporting suspicious or confirmed fraudulent activity both internally, and to the relevant law enforcement authorities.

The Gamesys Group has a dedicated Money Laundering Reporting Officer ("MLRO") and Fraud and Risk Management teams, whose responsibilities include assessing and implementing the Gamesys Group's real money gambling operating companies' policies, procedures and controls in accordance with applicable regulatory requirements and industry best practice, as well as reporting to Gamesys Group senior management on the Jackpotjoy Business' compliance with applicable regulatory requirements. The MLRO ensures that all such operating companies regularly undertake risk assessments of members, products, employees, areas of operation and payment transaction methods. The MLRO also reviews such operating companies' susceptibility to different types of money laundering, industry and product risks associated with the real money gambling elements of the Jackpotjoy Business, and develops and implements corresponding AML methodology and policies.

Real Money Gambling Player and Age Identification

Under applicable gaming regulations, it is illegal for anyone under the age of 18 to gamble on any of the Jackpotjoy Business real money gambling websites. All real money gambling players are required to positively confirm upon registration that they are over the age of 18. The Gamesys Group real money gambling operating companies' age verification policies are an integral part of their "know-your-customer" processes and use both automated and manual

methods to verify a member's age and identity. In accordance with applicable regulatory requirements, such operating companies suspend all UK, Irish, Isle of Man, Channel Islands and Swedish players who fail to verify their age within 72 hours (28 days in the case of Sweden) of their first attempted deposit. Players using the real money gambling services in Spain and Andorra must be successfully age-verified before they are permitted to play real money gambling games.

Vera&John

Dumarca has implemented a risk-based approach to AML and fraud risk assessment, and maintains policies and procedures designed to comply with the UK Proceeds of Crime Act 2002, the Money Laundering Regulations 2007, and the UK Gambling Commission's July 2013 guidance for remote and non-remote casinos. Dumarca's Compliance Officer acts as the Nominated Officer under relevant AML regulations and provides both oversight of Dumarca's risk management process, and accountability to senior management for Dumarca's compliance in this area. Dumarca also maintains a comprehensive monitoring and reporting system through which it is able to monitor customer activity and assess the effectiveness of its risk management policies. A central feature of Dumarca's AML and risk management process is the implementation of comprehensive "know-your-customer" controls, which include customer identification (including use of third-party identity validation services and screening), monitoring of suspicious customer activity, manual vetting of first-time withdrawals by trained fraud staff, and the exclusion of customers residing in jurisdictions identified by the intergovernmental Financial Action Task Force as non-cooperative. Dumarca provides all compliance and customer service staff with appropriate training in the areas of AML and risk management, and the Nominated Officer evaluates employee knowledge in this area on an annual basis. Dumarca has also implemented an enhanced due diligence process facilitated by specially-trained staff to scrutinize customers, transactions or activity that, among other things, has been identified as suspicious. Where Dumarca is unable to satisfy itself of a customer's identity or legitimacy through its due diligence processes, Dumarca will not do business with such customer.

Mandalay

All of the Mandalay Group's bingo websites are operated pursuant to the 888 Agreement, whereby the 888 Group provides software, operational and management services to the Mandalay Group and, in effect, is responsible for all non-marketing aspects of the provision and operation of the gaming offered to the Mandalay Group's customers. This includes all AML and anti-fraud procedures as prescribed by applicable laws and regulations, which are implemented by the 888 Group through an experienced fraud and risk management department.

InterCasino

In order to prevent money laundering activities through its operations, CryptoLogic Operations has adopted Anti-Fraud Management & Money Laundering Procedures (the "AM&MLP"). The AM&MLP are updated on a continuous basis. As part of implementing and managing the AM&MLP, CryptoLogic Operations has appointed an MLRO who, among other things, is responsible for applying the AM&MLP and appropriately training staff with respect to its application.

Knowing your customers is an important element in preventing money laundering. CryptoLogic Operations' client acceptance procedures consist of a number of components, including the following:

- Gathering of knowledge about the client to allow the company to confirm his or her identity; and
- Maintaining that information on file for the client's existence.

Account Registration

Upon opening an account on the casino licensees' website, clients are requested to enter the following details:

- Name;
- Address;
- Date of birth (must be of legal age);

- Email address;
- Selected username and password; and
- Selected secret question and answer (for verification and identity).

An activation link of short message service (SMS) with code is thereafter sent to the client's email address, which activates the client's account. This ensures that the email address provided belongs to the client's account.

At the registration stage, the client is informed that the company reserves the right to request additional personal information in the interests of security and enhanced customer service.

Card Registration

When the client registers a card on its account, he or she is informed that the default refund method for his or her account will be for funds to be returned to the same card (provided such a refund is possible). CryptoLogic Operations believes that the acceptance of this condition makes it more likely that the person accessing the account is the genuine holder of the card.

Withdrawal Process

As the activity on an account develops, consideration is given as to whether additional information is required, either because the activity is suspicious or because the client shows signs of a high value customer. In either case, photographic proof of identity, proof of address and proof of ownership of the card or bank account used to deposit will be requested. Until the additional information is provided to the operator of the website, no refunds may be processed on the account. If the information is not provided within seven days, the client receives a reminder and the account is suspended if such information is not received within 14 days. If the information is not received within 30 days, the account will be permanently closed and the remaining balance returned to the card/bank account used to deposit.

Anti-Money Laundering Procedures

Under the AM&MLP, rules have been coded into the operating software system to identify accounts which need to be reviewed as part of the anti-money laundering procedures. The following accounts are reviewed:

- Single deposits exceeding US\$200;
- Total deposits exceeding US\$5,000 in a 90-day period; and
- Single withdrawal requests exceeding US\$1,000.

In addition, analysts monitor deposits and withdrawals activity on an ongoing basis to verify unusual behaviour. Although such behaviour cannot be simply defined, it includes the following:

- Large values of deposits within 48 hours of opening an account;
- Large deposits, little activity, then withdraw request via different payment methods;
- Deposit values which are inconsistent with the demographics for that client's age and location;
- Concentration of activity in multi-player games, particularly when playing against the same individuals;
- Discrepancy in IP address used to access the account versus the registered address or card issuing country; and
- Withdrawal request to personal details which do not match those on the account/registration details.

Pursuant to the AM&MLP, any account which meets any of the above listed behaviour or which analysts consider unusual behaviour will be subject to the additional personal information procedures listed above. Any failure to provide the information within the delays provided therefor will result in the same actions on the client's account.

Revenue

The following sets forth, for each of the two most recently completed financial years, the percentages of total consolidated revenues generated from each of Intertain's business segments:

Business Segment	2015	2014
Jackpotjoy	63%	N/A
Vera&John	19%	4%
Mandalay	11%	42%
InterCasino	7% ⁽¹⁾	54% ⁽²⁾

Notes:

- (1) 63% this amount was generated through the Revenue Guarantee Agreement. See "Business of the Company – Operations – CryptoLogic Operations – Revenue Guarantee Agreement".
- (2) 79% of this amount was generated through the Revenue Guarantee Agreement. See "Business of the Company – Operations – CryptoLogic Operations – Revenue Guarantee Agreement".

Operations

Jackpotjoy

The principal assets owned by Intertain Bahamas with respect to the Jackpotjoy Business are the Jackpotjoy Brands. Additional elements which are important for the operation of the Jackpotjoy Business are the Real Money Gaming Operating Agreement and the Social Gaming Operating Agreement.

Operating Agreements

As part of the Reorganization which was completed prior to closing of the Jackpotjoy Acquisition, (i) Fifty States Gibraltar (a subsidiary of Fifty States) entered into a real money gaming operating agreement (the "**Real Money Gaming Operating Agreement**") on March 24, 2015 with Gamesys Gibraltar pursuant to which Gamesys Gibraltar provides to Fifty States Gibraltar certain operational, financial, marketing, player services, and support services for the Real Money Operation for up to ten years; and (ii) Fifty States (now a subsidiary of Intertain Bahamas) entered into a social gaming operating agreement (the "**Social Gaming Operating Agreement**") and together with the Real Money Gaming Operating Agreement, the "**Operating Agreements**") on March 26, 2015 with Gamesys pursuant to which Gamesys continues to provide to Fifty States certain online free-to-play and virtual currency social slots gaming services under the Jackpotjoy and StarSpins brands for up to ten years.

Services and Payments

Under the Real Money Gaming Operating Agreement, Gamesys Gibraltar hosts and makes each branded site available in the agreed territories for the relevant branded site (being initially, UK, Eire, the Channel Islands and Isle of Man for the JPJ UK and StarSpins branded sites, Sweden for the JPJ Sweden branded site and Spain for the Botemania branded site); includes games on each branded site; and provides support services (such as platform and network operations, reporting, risk management services, chat room hosting, customer support, and marketing) to Fifty States Gibraltar. Such services are provided at cost for the first five years of the applicable agreement (or three years in respect of the Botemania sites and related services), and thereafter at cost plus a 25% uplift on certain costs and fees. After the Earn-Out Period, Fifty States Gibraltar may elect to take over certain services from Gamesys Gibraltar.

Under the Social Gaming Operating Agreement, Gamesys makes available the JPJ Social and, following its full live launch, SSP Social branded applications (including games) via applicable third party platforms on a worldwide basis, subject to any technical and legal restrictions applicable to making such branded applications and games available in specific territories, whether imposed by the relevant third party platform providers or applicable law. Gamesys also provides support services in respect of the branded apps (such as social gaming software and network operations, reporting, player services, customer support, corporate services and marketing) to Fifty States. Such services are provided at cost for the first five years, and thereafter at cost plus a 25% uplift on certain costs and fees. After the Earn-Out Period, Fifty States may elect to take over certain services from Gamesys.

Under each of the Operating Agreements, Gamesys Gibraltar or Gamesys (as applicable) is required to pay an amount equal to the Intertain Charge on a monthly basis to Fifty States or Fifty States Gibraltar (as applicable). Under the Real Money Gaming Operating Agreement, the “**Intertain Charge**” for any branded site is equal to the Gross Win for such site less the platform and services fee payable to Gamesys Gibraltar under such agreement. Under the Social Gaming Operating Agreement, the “**Intertain Charge**” in respect of each branded application provided under that agreement is equal to all monies received by Gamesys in relation to the application, less irrecoverable value added tax and minus the platform and services fee attributable to such branded application. Under each of the Operating Agreements, the platform and services fee is an amount equal to the costs incurred by the Gamesys Group in connection with the provision of the services under the relevant Operating Agreement and, where applicable, a 25% uplift on certain costs and fees.

Termination and Exit

Each of the Operating Agreements may be terminated before the expiry of its ten year term in certain circumstances. The Operating Agreements provide for an exit period which commences upon the expiry of a notice to terminate the relevant Operating Agreement and is generally expected to continue for 12 months.

The foregoing summary of the Operating Agreements does not purport to be complete and is subject to, and is qualified in its entirety by reference to the provisions of the Operating Agreements, copies of which have been filed with Canadian securities authorities and are available under the Company’s profile on SEDAR at www.sedar.com.

Information Technology and Security

All of the Gamesys Group’s online systems used in connection with the real money gambling elements of the Jackpotjoy Business are compliant with the Payment Card Industry data Security Standards (known as “PCI-DSS”) and its real money gambling operating companies through its infrastructure management company, Gamesys Network Limited, are certified by the International Organization for Standardization (ISO) information security standard (ISO 27001:2015). The Gamesys Group also undertakes an annual independent audit of such companies’ operations in connection with these standards.

The Gamesys Group has implemented the following information technology and security measures for the real money gambling elements of the Jackpotjoy Business:

- a 24/7 network operations centre engaged in continuous monitoring of availability, performance and security;
- multiple firewall systems segregating the various security zones;
- host (file-integrity) and network-based intrusion detection systems;
- a Distributed Denial of Service (known as “DDoS”) protection system;
- a Secure Sockets Layer (known as “SSL”)-based data transfer from customer to gaming site;
- secure storage of sensitive data using various forms of encryption and key management;
- annual information security training for Gamesys’ real money gambling operating companies and infrastructure management;
- physical security at all data centres with 24/7 manned hosting environments, intrusion detection, closed circuit television monitoring and authorised/logged entry;
- redundant systems covering equipment, service providers and sites, which together deliver a disaster recovery solution; and
- off-site online backup systems.

Vera&John

Dumarca operates a number of online casino websites and is actively working to create online casinos that offer customers a differentiated online casino experience. The interface for the websites is user friendly and tailored to suit

customers who play less often as well as more frequent players. The websites operate off of a proprietary platform owned and operated by Dumarca. Management of Dumarca is of the view that the proprietary platform, with its scalability and structure allowing for both high transaction volumes as well as multiple sites/brands, provides Dumarca with a unique opportunity in offering online casino to end customers. Several third party content and payment solution providers, hosted individually by each provider, are integrated into the platform. The hardware to host Dumarca's services is located in state of the art hosting centres with redundant Internet service providers to ensure minimum disruption in service as well as full redundancy for disaster recovery.

Information Technology and Security

Dumarca has implemented a multi-layered data security protocol, which includes physical security, the use of ISO 27001-compliant datacentre providers, and other network security measures. Where possible, Dumarca makes use of data encryption technologies, remote-backups, access logs and system integrity monitoring. Dumarca's staff is trained to follow these procedures. Information technology and security policies are reviewed annually and in anticipation of and in response to significant events such as the opening of a new facility or a breach in security.

Mandalay

The principal assets owned by the Mandalay Group are trade-marks and the names and registrations of the end-user consumers. An additional element which is important for the operation of the business is the 888 Agreement. Pursuant to the 888 Agreement, the Mandalay Group's bingo business, other than Casino Choice and Ignite, operate off of the Dragonfish platform, a software service provided by the 888 Group. All of the bingo websites are operated pursuant to the 888 Agreement, whereby the 888 Group provides software, operational and management services to the Mandalay Group and, in effect, is responsible for all non-marketing aspects of the provision and operation of the gaming offered to the Mandalay Group's customers. The 888 Group has granted to the Mandalay Group a worldwide non-exclusive non-transferrable license to use its bingo software. In addition, the 888 Group supplies services to the Mandalay Group pursuant to the remote gambling licenses issued to Cassava Enterprises (Gibraltar) Limited (an 888 Group subsidiary).

The Mandalay Group is also dependent upon the 888 Group's abilities to enhance their current products, to develop new products on a timely and cost-effective basis and to respond to emerging industry standards and other technological changes.

The 888 Agreement expires on May 12, 2016 and renews automatically for further periods of 18 months unless terminated by either party providing 60 days prior written notice with such notice becoming effective on expiry of the term or renewal period, as the case may be. As at the date hereof, no such notice has been provided to the Mandalay Group and therefore the 888 Agreement is expected to automatically renew for a further 18 month period and would expire, subject to further renewals, on November 12, 2017.

InterCasino

The principal assets owned by CryptoLogic Operations which are required for operation of its online gaming business are the Class 1 Remote Gaming License from the Malta Gaming Authority, a full license from the Gambling Commission in Great Britain, trade-marks and the names and registrations of the end user customers. Additional elements which are important for the operation of the business, are the Services and License Agreements. Collectively, pursuant to the Services and License Agreements, the Licensors provide a turnkey operation, including hosting and operation of the game platform, the online games, game website development pursuant to the design and instruction of the Company, and also all payment processing functions until the Company wishes to assume the payment processing functions or outsource them to another third party.

Services and License Agreements

Concurrently with the QT Closing, the Services and License Agreements were entered into among the Licensors and CryptoLogic Operations for the provision of a license to the AGO and the performance of related services by the Licensors. The Services and License Agreements are comprised of four component agreements, namely: (i) the

Platform License Agreement; (ii) the Support and Service Level Agreement; (iii) the Marketing Services Agreement; and (iv) the Branded Content License Agreement. The Services and License Agreements are for an initial term of five years, unless terminated earlier in the circumstances described below. Under the Services and License Agreements, CryptoLogic Operations pays to the Licensors a percentage of Net Revenues.

Platform License Agreement

The Platform License Agreement provides CryptoLogic Operations with the necessary license to access the features required to operate the “Inter” brand online games on the AGO. The license is provided under a “software as a service” (SaaS) model whereby the AGO is accessible via an Internet connection, but hosted and operated by the Licensors. As part of its license to access the AGO, CryptoLogic Operations is provided with a payment system fully managed by the Licensors that collects wagers and pays winnings to end-users.

Support and Service Level Agreement

The Support and Service Level Agreement sets out the scope and expected levels of service from the Licensors related to the support and maintenance of the AGO, including end-user technical support, software maintenance and hosting services, software security and backup services, as well as payment and anti-fraud services. The Support and Service Level Agreement provides that support is available for the AGO 24 hours / 7 days a week and includes a related uptime warranty with standard exclusions (including for scheduled maintenance and downtime). In addition, security measures are enforced by the Licensors in connection with CryptoLogic Operations’ use of the AGO. The Support and Service Level Agreement also addresses disaster recovery measures, backup procedures and anti-fraud mechanisms related to the AGO.

Marketing Services Agreement

The Marketing Services Agreement sets out the scope of promotional and marketing services performed by the Licensors, including affiliate management services, website development services, player retention services, search engine optimization services, business intelligence services and software marketing tools.

Branded Content License Agreement

The Branded Content License Agreement provides CryptoLogic Operations with the necessary license to use the branded content featured on the online games that are made accessible through the AGO.

Termination Rights and Liquidated Damages

The Services and License Agreements are subject to restricted termination rights. Termination by the Licensors will only be possible if: (i) the Licensors fail to receive their share of the Net Revenue as per the terms of the Services and License Agreements or fail to receive the Net Revenue target bonus payments should such bonus payments become payable under the QT Share Purchase Agreement; or (ii) if an event of bankruptcy occurs with respect to CryptoLogic Operations. Should the Licensors terminate the Services and License Agreements, as a whole, other than for the reasons outlined in (i) or (ii) above, then CryptoLogic Operations shall be entitled to claim liquidated damages against the Licensors in the amount of US\$30,000,000 should this termination occur in the first, second or third contract years, US\$20,000,000 should it occur in the fourth contract year, and US\$10,000,000 should it occur in the fifth year. The foregoing claim for liquidated damages would be in addition to any amounts payable pursuant to the Revenue Guarantee Agreement, subject to certain adjustments permitted therein. See “– Revenue Guarantee Agreement” and “Risk Factors”.

Suspension of Access to the Platform or an Online Game

Except as previously described, the Licensors do not have a right to terminate the Services and License Agreements as a whole, but may suspend access to all or a portion of the AGO, or any of the online games available on said platform, in one or more jurisdictions, to the extent that: (i) the Licensors received an official communication from a governmental authority requiring that access be suspended and provided that the Licensors believe that failure to

comply would have a material adverse impact on their business; (ii) a licensor of branded online games requires that access be suspended in relation to an online game; or (iii) a third party software provider requires that its offering of an online game or certain features of its contribution to the AGO be removed or suspended.

Revenue Guarantee Agreement

As a condition of the QT Closing, a revenue guarantee agreement (the “**Revenue Guarantee Agreement**”) was entered into, whereby Amaya, CryptoLogic Holdings and the Licensors, were liable to pay to CryptoLogic Operations, during the first two years following the QT Closing, an amount equal to the shortfall between CryptoLogic Operations’ Net Revenue and certain pre-established Net Revenue targets that have been determined based on historical data. Under the Revenue Guarantee Agreement, Amaya and CryptoLogic Holdings also guaranteed the financial obligations of the Licensors under the Services and License Agreements. The Revenue Guarantee Agreement expired in accordance with its terms in February 2016.

Integrity of Software Platform and Payment System

AGO was designed to operate in a regulated environment. It contains integrated testing facilities and built in audit tools and reports. The integrated testing and auditing tools and testing procedures can be executed for any independent gaming jurisdiction or testing laboratory.

The AGO has been independently audited by the New Jersey Department of Gaming Enforcement Labs in addition to independent testing laboratories including Gaming Laboratories International and the Netherlands Metrology Institute. These testing laboratories have attested that the software is fair and secure and in accordance with the highest level of product compliance standards in the Interactive Gaming Industry.

Additional testing by the regulators and testing labs occurs during the year whenever updates or modifications to the platform occur. This tends to occur at least once a year as the functionality of the platform evolves.

Testing submissions to the independent testing labs include but are not limited to the following:

- Random Number Generator (“**RNG**”) evaluations;
- Game and mathematics evaluations;
- Ongoing RNG or game payout verification and reporting;
- Game parameters and rules, including the number of selections within one game or draw, range and if the numbers are drawn with or without replacement;
- A description of the RNG, including seeding method, frequency and size of the seed, all key functions involved in the RNG process and type and location of the RNG algorithm that is used;
- An explanation of any differences between how the data is drawn for the test application and the production application;
- Software version(s);
- A documented list of changes that have been made to the program since the last version that was submitted for the jurisdiction;
- Hardware requirements and specifications;
- Penetration testing and full security audits; and
- Testing expectations.

The Company has visibility into the operations of the payment system that is fully managed by the Licensors, and also has the opportunity to audit the payment information. On a monthly basis, accounting reconciliations are performed on all the payment accounts and the player funds balances to ensure that there is a closed loop cash movements reconciliation process. These are available to the Company to review to confirm the integrity and accuracy of the payment system. The payment system has been certified as PCI DSS (Payment Card Industry Data Security Standard) compliant at the category 1 level.

In addition, CryptoLogic’s auditors have tested the platform for audit purposes and found it accurately records revenue and is reliable in all material respects.

The Company has initiated a migration process to move InterCasino to the Vera&John platform, which is expected to be completed in the second quarter of 2016.

Specialized Skill and Knowledge

The operations of the Company's subsidiaries require specialized skills and knowledge particularly in the areas of online gaming, information technology, customer relationship management, marketing, payment processing, anti-fraud, accounting and finance. Intertain Bahamas, the Mandalay Group and CryptoLogic Operations have outsourced a significant portion of their operations pursuant to their operating agreements to the Gamesys Group, the Licensors and 888 Group, respectively, which have the personnel who possess the required specialized skills and knowledge to carry out their respective operations. The Vera&John Group currently employs 46 employees in Malta. While the current labour market in the industry is highly competitive, considering that the operations of the Company's subsidiaries are located in Gibraltar and Malta, which has an extensive cluster of online gambling companies, management believes that the companies will have the ability to attract and maintain appropriately qualified employees.

Cycles

The Company's business, like all online gaming businesses, experiences seasonal trends. Internet traffic is higher in the colder months in the Northern hemisphere with longer nights and colder days, whereas activity decreases in the summer months due to lower Internet traffic driven by shorter nights and warmer weather.

Economic Dependence

The Jackpotjoy Business and the Mandalay Group business are substantially dependent upon the Operating Agreements and the 888 Agreement, respectively, and the performance of the licensors thereunder. Most notably, all of the online games that are offered by Jackpotjoy and Mandalay remain under the control of the licensors under their respective agreements. The Company has initiated a migration process to move InterCasino to the Vera&John platform, which is expected to be completed in the second quarter of 2016.

Changes to Contracts

The Company has initiated a migration process to move InterCasino to the Vera&John platform, which is expected to be completed in the second quarter of 2016. Such migration would include the settlement and termination of the Services and Licenses Agreements.

Employees

The Company has nine employees and consultants at its head office in Toronto.

Intertain Bahamas has six employees and consultants. Other employees and consultants who carry out functions relevant to the Jackpotjoy Business are employed or engaged (as applicable) by the Gamesys Group. The Operating Agreements set out the circumstances under which certain employee roles might be transferred to Intertain if it moves certain services in-house or to a replacement service provider, provided that no such transfers can occur before the expiry of the Earn-Out Period.

Dumarca has 86 employees. Dumarca also makes extensive use of consultants and contractors.

Mandalay Media has 25 employees. In addition, multiple other individuals provide services to Mandalay Media through the 888 Agreement.

CryptoLogic Operations has approximately 10 employees. In addition, multiple other individuals provide services to CryptoLogic Operations pursuant to the Services and License Agreements.

Social or Environmental Policies

The reputations of the Company's subsidiaries are built on outstanding service and an established relationship of trust with its customers and end-users. As a result, these companies are strongly committed to achieving the goals of the regulations under which they operate.

The Company's subsidiaries endeavour to provide responsible adults with the best online gaming entertainment experience, while providing its customers tools to enjoy gambling responsibly. For most people, gambling is an enjoyable, leisure pursuit; however, for a small number of people gambling can become harmful. The Company's subsidiaries offer their customers the ability to configure their depositing and wagering limits and will not allow a player to exceed these limits. In addition, the Company's subsidiaries continuously train their staff in how to provide a safe gaming experience, which includes methods and techniques to help employees recognize and take appropriate actions if compulsive or underage activity is identified.

Foreign Operations

All operations of the Company's subsidiaries are based outside of Canada. Real money gambling operations, online or otherwise, are typically subject to stringent national or sub-national regulations, and accordingly, product offerings are typically limited to a particular national jurisdiction. See "– Regulatory Environment". Each of the Company's subsidiaries has established various procedures to prevent individuals residing in jurisdictions whose laws do not permit online gambling from accessing their online gambling or social gaming platforms. See "– Restricted Markets".

Market

The gaming industry is a large, dynamic and growing global market with a variety of segments, including online and land-based casinos, bingo halls, betting shops, track-side betting, lotteries and poker clubs. With the emergence of the Internet in the early 1990s, a number of operators began to explore ways of offering gaming services online. The Internet provided online operators with a number of potential advantages over traditional offline competitors, including global reach (with the ability for large numbers of customers to enjoy peer-to-peer and house banked gaming, specifically poker and traditional casino style slot and table games), additional mobility, 24/7/365 access, greater levels of player liquidity, enhanced innovation with engaging games, and a reduced cost base as a result of the elimination of overhead relating to land-based premises.

Online casinos were some of the first online gaming sites to emerge in the mid-1990s and have been one of the best performing segments of the online gaming sector. Online poker is the largest peer-to-peer segment of the online gaming space. Online bingo is a highly dynamic market with a dedicated player base. Similar to online poker, player liquidity in online bingo is an important factor to generate long-term success. As a pari-mutuel game, the potential prizes offered to players is directly related to the number of players participating in the bingo game, with the number of customers itself being driven by the amount of the potential prizes. Lastly, according to H2 Gambling Capital, the largest online gambling product is sports betting, which represents a significant portion of overall Gross Winnings of online gambling.

Regulatory Environment

The gaming industry is highly regulated. Gaming is generally authorized in limited circumstances under licence, with gaming authorities generating revenue from licence fees and taxation. Some jurisdictions prohibit gaming in all or certain forms. The Company's subsidiaries do not market their gaming offerings in jurisdictions where there are prohibitions that clearly apply to the activities of such subsidiaries and the business models they have adopted.

The Company's subsidiaries and the Company's commercial partners, the Gamesys Group and the 888 Group, operate in a complex environment, with jurisdictions adopting inconsistent approaches to regulation. In keeping with the industry, generally, the Company's subsidiaries and the Company's commercial partners have established their core operational presence within the licensing jurisdictions of Gibraltar and Malta, as detailed below. They will then derive revenue from players who are located in a variety of jurisdictions, having established first the extent to which such jurisdictions' laws and regulations apply and/or are enforceable and while also ensuring that their

deriving such revenue is consistent with their on-going compliance with the applicable laws in the licensing jurisdictions themselves.

While a number of European jurisdictions have enacted legislation that specifically criminalizes the activity of an unlicensed online gambling operator and have done so through legislation that is no longer subject to any challenge through any subsequent due process (for example, such a challenge could be brought where a piece of legislation has been enacted in contravention of previously issued advice from the European Commission), not all jurisdictions approach the industry in this way.

In certain territories, legislation has been enacted that may be subject to potential future challenge as to its validity (such as an aforementioned EU-law challenge). Furthermore, there may be arguments that taking business from players located in a particular jurisdiction would not necessarily contravene local laws, for example, on the basis that laws have not been updated to embrace remote supply and/or may not operate in such a way to be applied extra-territorially.

Currently, the significant international operations undertaken by the Company's subsidiaries are licensed in Malta, Gibraltar and Great Britain. Malta and Gibraltar are both key interactive gaming jurisdictions with comprehensive interactive gaming policies and regulatory frameworks. As a result, Gibraltar and Malta host and license many of the industry's largest operators.

Pursuant to the Real Money Gaming Operating Agreement, the provision of services to Fifty States (a subsidiary of Intertain Bahamas) under that agreement is to be conducted under the gambling approvals held by Gamesys Gibraltar. The maintenance of certain of such gambling approvals by Gamesys Gibraltar was a condition precedent to the completion of the Jackpotjoy Acquisition.

Each of Dumarca and CryptoLogic Operations hold a Class I license in Malta. Mandalay Media's brands operate through the 888 Group's gaming license in Gibraltar.

Each of the Gamesys Group, Dumarca, the 888 Group and CryptoLogic Operations derive revenue from the British market through licences issued by the Gambling Commission of Great Britain.

Malta

The Malta Gaming Authority ("MGA") is the regulatory body that is responsible for the governance of all gaming activities in Malta. The MGA issues licences for the operation of online casino games, games of chance, online sports betting and general games that utilize a random number generator. Pursuant to the remote gaming laws and regulations, any person who operates, promotes, sells, supplies or manages interactive gaming in or from Malta must obtain the appropriate licence from the MGA. To qualify for a licence, an applicant must be a limited liability company registered and incorporated in Malta.

Applicants must provide information, including, but not limited to:

- Personal financial background information;
- Interest in other commercial activities;
- Criminal record information;
- Information concerning all pecuniary and/or equity interests; and
- Any other information that the MGA requires, for every director and key official of the applicant and for every shareholder with 5% or more ownership of, or controlling interest, in the applicant. The MGA may, at its sole discretion, require that all beneficial owners of shares in the applicant's company provide such information.

Remote gambling operators are required to pay a gambling tax to the Maltese authorities. The amount of this tax varies depending on the type of license issued and maintained by the operator or software/services supplier.

A remote gaming license is to be renewed every five years from the date of issue of the license. The MGA requires that the licensee commence the renewal process at least 60 days from the date of expiry of the license. The renewal application should be accompanied by a fee of €1,500. Subject to the licensee following the proper renewal process and there being no material outstanding non-compliance issues, on the date of expiry of the license, a new license is issued and the annual fee of €8,500 is payable. The renewal is subject to the licensee successfully completing a compliance audit within a year.

Gibraltar

The Mandalay Group has entered into a contractual relationship with 888 Group which, in turn, provides gambling facilities to players under the Mandalay Group brands through the Gibraltar gaming license granted to 888 Group under the provisions of the Gibraltar Gambling Act 2005 (the “**Gibraltar Act**”).

Gamesys operates through a Gibraltar gaming license granted to Gamesys Gibraltar under the provisions of the Gibraltar Gambling Act 2005 (the “**Gibraltar Act**”) which was obtained on July 1, 2010. This license was retained by Gamesys following the Jackpotjoy Acquisition.

The Gibraltar Gambling Commissioner exercises regulatory oversight of the industry and is required, under section 6(4) of the Gibraltar Act, to ensure that licence holders act in accordance with the provisions of the Gibraltar Act, the terms of their licence agreements (and the provisions of the schedules to such licence agreements) and in a manner which maintains the good reputation of Gibraltar.

With regard to remote gambling, the authorities will consider applications from reputable operators with proven experience in the provision of gambling services. The licensee's operations also need to be effectively controlled and managed from Gibraltar. In this regard, key personnel involved in an applicant's business need to be vetted and approved by the authorities. To determine whether such an individual or business is fit and proper, the Licensing Authority will take into consideration (as provided for in Schedule 1, section 3(4) of the Gibraltar Act):

- The person's character, honesty and integrity;
- Business reputation, current financial position and financial background;
- Business plan;
- Experience in conducting gambling activities related to the application;
- The conduct under any similar licence granted in a comparable jurisdiction outside Gibraltar;
- The ownership structure of the business;
- Technical infrastructure to conduct gambling activities applied for;
- The ability to maintain a minimum required reserve to ensure winnings/prizes are paid;
- The proposed control measures to ensure any website operated by the licence holder would not contain obscene or indecent content or links to such content;
- The proposed control measures in respect of compulsive gamblers and minors; and
- The proposed control measures and procedures to seek to identify money laundering and other suspicious transactions.

The Gibraltar Act is currently being reviewed and is expected to be updated to provide a modern and all-encompassing regulatory framework. In particular, it is envisaged that a new class of licence for software content providers will be explicitly referred to in the revised legislation (some such businesses are already licenced in the jurisdiction under the current framework).

Great Britain

As of November 1, 2014, operators who know, or should know, that their facilities for gambling are being used by players located in Great Britain must be licensed by the Gambling Commission in Great Britain (“**GBGC**”) in order to avoid committing an offence under the 2005 Act (as amended by the 2014 Act) (the “**GB Gambling Act**”).

In carrying out its functions, the GBGC is under a statutory duty to pursue and have regard to the licensing objectives set out in the GB Gambling Act:

- preventing gambling from being a source of crime or disorder, being associated with crime or disorder or being used to support crime;
- ensuring that gambling is conducted in a fair and open way; and
- protecting children and other vulnerable people from being harmed or exploited by gambling.

The type of remote operating licence required depends on the type of gambling activity offered. A licence can cover more than one type of activity. Certain of the Company's subsidiaries and certain of its commercial partners (Gamesys and 888 Group) require one of (or a combination of) remote bingo, remote casino (including poker) and gambling software operating licences.

In addition to the operator's remote operating licence, any individual responsible for a key management function (which includes overall strategy and delivery of gambling operations, financial planning, control and budgeting, marketing and commercial development, regulatory compliance and gambling-related IT provision and security) must apply for a Personal Management Licence ("PML"). The GBGC may identify other individuals within management who it will also require to hold a PML.

Attached to licences are general licence conditions imposed by the GBGC under powers granted to it by the GB Gambling Act together with any licence conditions specific to operators or to a class of operator. Also attached to the licence are codes of practice which cover the manner in which facilities for gambling are provided. Together the licence conditions and codes of practice are known as the Licence Conditions and Codes of Practice (the "**LCCP**"). They are written and administered by the GBGC. GBGC licensed operators will also need to ensure that their software meets the technical requirements set out in the Remote Gambling and Software Technical Standards.

Spain

The Government of Spain has issued Gamesys Spain PLC a license under the provisions of State Act no. 13/2011 dated May 27, 2011 on the Regulation of Gambling Activities ("**RGA**"). This license was retained by Gamesys following the Jackpotjoy Acquisition.

Under the Spanish legislation gambling activities are regulated at two levels:

- gambling activities that are offered at a national level (i.e. the same gambling product may be accessed to or from any location within the Spanish territory) are regulated by the RGA; and
- gambling activities the scope of which is limited just to the territory of a given region (i.e. traditional brick-and-mortar gambling activities) are regulated by the regulations set forth by the corresponding regional authorities.

Under this system, online gambling activities and national lotteries are usually governed by the RGA, while traditional gambling activities are regulated at a regional level.

Article 9 of the RGA states that operators offering their gambling activities in Spain shall be required to obtain the licences defined by law in order to operate this type of activity. From a Spanish regulatory perspective "gambling" includes betting, poker, casino games and other games such as bingo or supplementary games. Under the same regime, an "operator" is an entity that has its revenue connected with the exploitation of gambling in Spain and the gambling activities offered to Spanish residents operated or commercialized by that entity.

Any licensed operator in Spain must hold two types of licences:

- A general licence that covers abstract and wide categories of games (namely, betting, contests and "other games" (i.e. all other games that may be offered under the Spanish regulations)) and is intended to ensure that the operator holding the licence is fully reliable. In this respect, any operator applying to obtain a general licence must provide evidence that such operator fulfills a number of legal, technical and financial requirements defined by law. General licences may only be applied for following a specific public call for tender by the Spanish authorities. Once a call for tender has been made interested operators are allowed to file their respective applications within a given timeframe. To date only two calls for applications for general

licences have taken place in Spain (in November/December 2011 and November/December 2014). In the absence of any such call for tender, general licences cannot be applied for and, in consequence, operators are not allowed to access the Spanish market or, if already present in the market, expand their offering to new abstract categories of games for which they do not hold general licences.

- A singular licence that covers each specific game to be offered by the operator. At present, under the “betting” general licences the following singular licences are available: (a) sport pool betting; (b) horseracing pool betting; (c) sport fixed-odds betting; (d) horseracing fixed-odds betting; (e) other fixed-odds betting –covering any other event that does not qualify as a sport or horseracing event such as social, political or entertainment events and/or other activities such as hound racing; (f) sport exchange betting; (g) horseracing exchange betting; and (h) other exchange betting. Under the “other games” general licences, operators may apply and operate the singular licences for the following games: (i) poker; (ii) roulette; (iii) black-jack; (iv) baccarat; (v) slot machine games; (vi) bingo; and (vii) the supplementary games (e.g. traditional Spanish card games). Finally, under the “contests” general licence operators must obtain a singular licence covering just contests. Singular licences can be applied for at any time by an operator as long as the general licence covering such specific game is in force.

General licences have a 10-year term and are renewable (as long as the operator in question still fulfills the applicable requirements). Singular licences have different terms depending on the games they are related to: three years (in the case of black jack, roulette, baccarat and horseracing fixed-odds betting) or five years (in regards of the rest of games). As in the case of general licences, singular licences are renewable.

Singular licenses can be revoked by the Spanish authorities if the gaming activities covered by them have not been actually exploited during one year.

Licensed operators are required to provide a financial guarantee to cover its obligations derived from the provision of gambling. The guarantee must remain in force during the entire period of validity of the operator’s general licence. Initially the financial guarantee to be filed is of €2 million per general licence, an amount that may vary on the following years depending on the actual turnover of the operator in Spain.

All licences are granted on a provisional basis, being conditioned upon the operator filing complete technical certification reports confirming full compliance with the applicable regulatory and technical requirements within a maximum term of four months following the date of provisional grant. If, after reviewing the said reports, the Spanish gambling authority (the “DGOJ” – Dirección General de Ordenación del Juego) confirms that the operator is in compliance with the requirements, the corresponding licence will be confirmed as definitive and remain in force for the relevant licence term. Licensed operators are required to offer their games in Spain through “.ES” domain names.

The operation in Spain of online gambling activities without the corresponding licences required by law constitutes a very severe breach of the RGA and may lead to very significant fines (which may amount up to €50 million) as well as to other ancillary sanctions (for example being declared ineligible to make an application for a licence in Spain for a maximum term of four years or blocking of IP addresses or of payments related to the operation of unlicensed online gambling activities in Spain).

At present Gamesys Spain PLC holds a general licence in Spain for the operation of “other games”, as well as singular licences related to bingo, black jack and roulette. Gamesys Spain PLC has also applied for singular licence related to slot machine games, which has not yet been granted. For further information see “Risk Factors – Spanish Purchase Option Risk”.

Other Markets

All the gambling regulators that oversee the operations of the Company’s subsidiaries have acknowledged that remote gambling operators are required to assess the applicability and enforceability of any laws and regulations that may impact their activities, including the laws and regulations in the jurisdictions from where the Company and its subsidiaries derive revenue and yet in which no gambling licenses are held. The Company’s subsidiaries have

done so and set out in the section below is the current legal position relating to their material unregulated market, Sweden.

Sweden

Sweden's Lotteries Act 1994 (Sw: Lotterilagen 1994:1000) ("**Swedish Lotteries Act**") is the primary legislation for gambling and governs all categories of gambling offered to the public in Sweden. The main principle of the Swedish Lottery Act is that a company or person who wishes to organize a lottery (game of chance) in Sweden is required to obtain a licence. The regulatory authority responsible for the general supervision of lotteries under the Swedish Lotteries Act is the Swedish Gambling Authority. Only public benefit organizations, the horse riding industry and the state's monopoly provider may obtain a licence. Hence, under the current regime it is not possible for a private commercial entity to obtain a licence to provide online gambling services to Swedish customers.

The Company has been advised that the Swedish Lotteries Act applies only in Sweden; as such, the prohibition against organizing gambling without a licence does not apply to gambling lawfully operated abroad. Historic case law in Sweden supports this conclusion and confirms that the prohibition does not apply to gambling offered on the Internet from another state to Swedish consumers and there is no prohibition against Swedish consumers participating in gambling organised abroad. As a result of Swedish laws not applying outside the jurisdiction, there have been no enforcement attempts against offshore operators who operate without a local licence. Instead, the authorities have attempted to curb marketing in Sweden by instigating proceedings against local media companies that advertise on behalf of offshore operators. Such activities remain the subject of on-going legal proceedings and, hence, of legal uncertainty. In conclusion, Swedish law does not apply to the supply of gambling services from offshore. There is potential culpability for local media companies that market on behalf of overseas operators but the position is still being challenged through the Swedish courts. As a result, there are coherent arguments to continue to support the Swedish market based on the lack of applicability and enforceability of the legislation.

The position in Sweden may, however change. Following a warning given towards the end of 2013, in which the European Commission urged Sweden to bring its monopolistic regime into line with its European Treaty obligations, on October 16, 2014, the European Commission then announced its decision to refer Sweden to the European Court of Justice for lack of compliance with EU law. There may be developments in the Swedish regulatory system in the medium term as it addresses the infringement proceedings.

Canada

Gaming activities are regulated in Canada under the Code as well as various provincial statutes. Part IV of the Code addresses "Disorderly Houses, Gaming and Betting". Various sections within Part IV of the Code make the provision of all gambling activities illegal throughout Canada. Part IV also includes a small number of exemptions, the most important of which is Section 207. Section 207 of the Code permits a provincial government to "conduct and manage a lottery scheme" within its jurisdiction or in conjunction with other provincial governments. Through Section 207, provincial governments are permitted to provide all types of gambling services (both land-based and online) to its residents.

On the basis of the exemption set out above, provincial governments in Canada have established lottery corporations to provide gambling services to their residents pursuant to special-purpose provincial gaming legislation. Lottery corporations often subcontract the operation of all of the gambling facilities to registered service suppliers in the private sector.

In Canada, provincial lottery corporations, including the British Columbia Lottery Corporation ("**BCLC**"), Loto-Québec and the Atlantic Lottery Corporation, have created authorized Internet gaming sites to provide online gambling services to their residents. They have also in some cases licensed other provinces to use their Internet gaming sites to provide online gaming to the residents of the licensee province. For example, Manitoba Liquor and Lotteries provides legal online gaming services to the residents of Manitoba using BCLC's online gaming platform Playnow. As with land-based gambling facilities, the lottery corporations look to private service providers to assist them in the operation of their online gambling operations. Companies such as WagerLogic may be registered in one or more provinces to provide online gambling services to the lottery corporations, and are therefore technically not

engaged in online gambling in Canada; rather the lottery corporations have subcontracted with such companies to provide services on behalf of the provincial governments to the public.

For a company to supply services to the lottery corporations, it must first apply for registration as a gaming service supplier with the Gaming Commissions in a given province. For example, in Ontario, the regulator of all provincial gaming activities is the Alcohol and Gaming Commission of Ontario (“AGCO”). The provincial Gaming Commissions work closely together and the regulatory regimes are broadly harmonized.

In Ontario, the AGCO requires that an applicant for registration provide full details of the applicant’s corporate structure, including details concerning any shareholder that holds more than 10% of any type of security (not just voting shares or equity) in a company. Disclosure must go up to the level of individual shareholders in all cases although exceptions are made if a company is broadly-held and publicly traded. Every individual shareholder, director and officer of every company for which disclosure is made must submit to a full personal disclosure and security clearance. At the AGCO, this process is conducted by Ontario Provincial Police officers who are seconded to the AGCO for this purpose, and they are assisted by the Royal Canadian Mounted Police in Canada. Any individuals located outside of Canada must submit security clearances run by the security service in their country (e.g. in the US, reports from Homeland Security and the Federal Bureau of Investigation are usually required). Individuals are typically required to submit their income tax returns for previous years as well as information about any types of investigations, charges, or disputes in which they have been involved throughout their lifetime. The AGCO also has the discretion to broaden their investigation to “persons of interest” who are not legally related in any manner to the applicant.

Once the applicant is registered, the nature and level of the reporting required will depend on the type of registration and the particular Gaming Commission. For example, the AGCO has moved away from a “command and control” regulatory approach to a standards-based regulatory model. This means that the focus in Ontario has shifted from requiring registrants to comply with a specific set of rules or processes towards self-regulation with the onus on the registrants to ensure they are compliant. Other Gaming Commissions maintain the older command and control approach and so will require more administrative reporting. Nevertheless, the level of control over the flow of funds in all Canadian gaming operations is still overseen and tightly controlled by the applicable Gaming Commission as are other mission critical components such as the software used in the games and in particular the random number generators.

Online gambling, given its nature, may be operated directly by a lottery corporation with the online gambling company licensing its software to the lottery corporation. For example, most lottery corporations already have payment systems in place on their websites and so would use those for online gaming rather than outsourcing such critical functions to their suppliers. There is therefore less oversight required of registered online gaming companies, given that their role is typically far more limited than that of a casino operator.

The Company has provided the Ontario Securities Commission with an undertaking not to accept registrations or deposits for the online gaming operations of the Company (or any of its subsidiaries) from individuals resident in Canada until such time as the Company has provided evidence reasonably satisfactory to the Ontario Securities Commission that the Company can do so in accordance with the laws of Canada and its provinces.

Other Future Developments

Another major development for the online gaming business is the introduction and passing of online gambling legislation in the US. On October 13, 2006, the Unlawful Internet Gambling Enforcement Act (the “UIGEA”) was passed into law in the US. The UIGEA officially banned online sports betting, casino, poker and bingo but did not affect online horserace wagering. Since the passage of that legislation, the US departments of justice have taken the position that online gaming is illegal. As a result of a recent court decision, the landscape has changed, permitting individual states to commence offering online gaming. Nevada, New Jersey, Delaware and the US Virgin Islands have legalized online gaming with online poker and related wagering being available in Nevada as of May 2013. New Jersey and Delaware also started to provide online gaming in 2013, while the US Virgin Islands has not yet initiated online gaming. A number of other states either have legislation pending or are actively considering introducing legislation that will legalize online gaming. The expected date for the launch of online gaming in such jurisdictions is still unknown. According to Macquarie Equities Research’s report, *Social and online gaming*

(May 2013), assuming federal online gaming legislation is passed in the US, the gross US online gaming market could grow to US\$9.5 – 14 billion. The online poker market in itself could represent US\$3.5 – 5 billion of such growth.

According to the same report, assuming all of the online gaming segments are permitted in Delaware and New Jersey and Nevada legalizes poker only, the US market may represent in the short term US\$331-490 million.

Competitive Conditions

The market for online gaming is highly competitive, constantly evolving and subject to regulatory and rapid technological change. See “Risk Factors”.

Intertain’s subsidiaries compete internationally with other online gaming operators ranging from small regional operators, such as local governments, to large multi-national operators, with greater liquidity, carrying on business activities in several jurisdictions in which the Company’s subsidiaries conduct business. In terms of overall online gaming sites, most companies are privately held, which makes it difficult to confirm the exact number of sites currently operating. As Internet gaming has matured and become more sophisticated, so have the expectations of players who can choose from a proliferation of sites. Competition for players’ attention and money is intensifying, as players are demanding more value, more games, and an enhanced entertainment experience.

Intertain’s subsidiaries face significant competition in each of their respective market segments, including on the basis of platform quality, brand awareness and reputation, access to distribution channels and ability to expand and launch products in other markets. Other developers of online gambling and social gambling products could develop more compelling content that competes with the subsidiaries’ abilities to attract and retain players. In addition, competitors in the online gambling industry may take advantage of social networks to grow. Online gambling and social gambling products also compete against other forms of entertainment, such as console gaming, going to the movies, mobile entertainment and social networking, for the time and money of its players who choose to engage such forms of entertainment.

The Company’s most significant competitors include Sun Bingo, Gala Coral, Rank, Tombola, Bwin.Party, 888 and William Hill. In addition, niche competitors that specialize in specific segments, such as bookmaking or bingo operators, could compete for certain segments of target markets. Some of these competitors have greater financial resources than the Company and have a greater footprint in the online gaming industry, or are otherwise operating online gaming websites on behalf of governments or other government sponsored lottery corporations.

The Company’s subsidiaries’ ability to compete effectively is based on a number of factors including, but not limited to:

- the pressure on operators to deliver more quality games content;
- offering a large portfolio of games with higher earnings performance for its customers than the games of its competitors;
- enhancing, expanding and constantly refreshing game offerings that are engaging and appealing to players;
- offering a very modern user experience, which simplifies access to the game offerings and promotions;
- maintaining current gaming licences and acquiring other licences in jurisdictions as the regulatory framework is put in place; and
- implementing the best possible responsible gaming program to ensure that players are protected.

Intangible Properties and Proprietary Protection

The Company protects its intellectual property in the area of its core business through a combination of trade-marks, copyright, trade secret and contractual provisions. The Company’s subsidiaries hold a portfolio of trade-marks relating primarily to their online gaming websites.

While the copyright in certain Jackpotjoy Business specific website content is held by Intertain Bahamas, the Gamesys Group continues to own key intangible assets in its software platform and games (including the copyright,

trade secrets and other intangible rights in the software code and the proprietary platform used by the Gamesys Group to operate its websites and games).

Dumarca also owns proprietary software which is used for hosting its own B2C online gaming websites and which it also licenses to third parties in its B2B business. The source code for the software is protected through trade secrets. The Company recognizes, however, that effective protection may not be available in some countries where it may offer its solutions. Dumarca licenses the use of its software to its customers. These licenses contain normal provisions prohibiting the unauthorized reproduction, disclosure or transfer of the software.

Other intangible properties of the Company include gaming licences in Malta, Denmark and the UK, as well as domain names related to the various brand related websites. The copyright, trade-marks, domain names, trade secrets, proprietary technology and other intellectual property of Company are important for its long-term success.

OPERATION OF SUBSIDIARIES

The online gaming operations of the Company are conducted through four subsidiaries (either directly or indirectly): Intertain Bahamas, Dumarca, Mandalay Media and CryptoLogic Operations.

Board and Management

The board of directors of each of the subsidiaries meet regularly in person. Management of the Company speak and interact regularly with management of the subsidiaries via email, telephone and video conference, as well as by travel, if and when necessary. The Board of Intertain generally does not meet or communicate with management of the subsidiaries.

The board of directors and management of each of the subsidiaries are as follows:

Jackpotjoy

Darren Rennick, Keith Laslop, Irina Cornides and Katie Booth comprise the board of directors of Intertain Bahamas. Mr. Rennick is President of Intertain Bahamas.

Mr. Rennick has spent the majority of the last 15 years focusing on both the land based and online gambling industries where he has run both public and private gaming entities, including M2 Global Ltd., an intellectual property acquisition company listed on the Bermuda stock exchange (“M2”), IQ Ludourum plc and Digital Gaming Solutions. While at M2, Mr. Rennick spearheaded the acquisitions of UK based prepaid card issuer Altair Technologies and Bermuda based GeoTag Inc. Mr. Rennick holds a Bachelor of Arts degree from the University of Toronto and a Master of Business Administration degree from the University of Western Ontario.

Ms. Cornides has been with Mandalay Media since 2011, where she was Managing Director prior to the QT Transactions. With a Bachelor of Science degree in Economics from University College London and a Master of Science degree in Management from the London School of Economics, Ms. Cornides has over 10 years of experience in the online gaming industry. She previously worked for PartyGaming (BwinParty), where she held various positions including Retention and VIP Management.

Ms. Booth is a qualified British solicitor and member of the Society of Trust and Estate Practitioners. She has in excess of 20 years’ experience as a private client advisor both onshore and offshore, having practised in both London and The Bahamas in a legal and banking capacity. Ms. Booth is currently the Managing Director of Katie Booth Limited and of Amber Private Office Limited, each dedicated to asset structuring and succession planning for high net worth entrepreneurs and their families. She was named CityWealth Woman of the Year 2009 and a member of the Institutional Trust Company Team of the Year at the STEP Awards in 2010 (as well as an Expert Advisor in the Spears Wealth Management Index of 2010).

Vera&John

Dan Andersson, Mr. Laslop and Johan Konigslehner comprise the board of directors of Dumarca, and Messrs. Andersson, Laslop, Konigslehner and Monroe Schmidt comprise the board of directors of Dumarca Gaming. Mr. Andersson is Chairman and Chief Executive Officer of Dumarca. Mr. Konigslehner is Chief Executive Officer and acting Chief Marketing Officer of Dumarca Gaming. Mr. Schmidt is the Compliance Director and “Key Official” of Dumarca Gaming.

Mr. Andersson has significant experience in the online gaming industry, including founding Maria Bingo, a successful bingo gaming platform and operator which was acquired by Unibet Group plc (“**Unibet**”) in 2007. He then established Dumarca in 2010. Mr. Andersson is responsible for business strategy and development for the Vera&John Group.

Mr. Konigslehner has been with Vera&John since 2011. He previously acted as Chief Executive Officer of Heptalon Solutions AB and has also held senior positions with Unibet and Maria Bingo. Mr. Konigslehner holds a Master of Science in Computer Science from KTH Royal Institute of Technology and a Bachelor of Science in Business from Stockholm University.

Mr. Schmidt has 10 years of experience in the gaming industry in Malta. His prior roles include Head of Anti-Fraud, MLRO, Payments, Risk & Compliance Officer and Key Official for companies such as NYX, GamingVC, Betway.com and Gnufr.com. As the “Key Official” of CryptoLogic Operations, Mr. Schmidt is responsible for the reviewing of all processes, operations and procedures adopted by, or delegated by, Dumarca Gaming and CryptoLogic Operations for the purposes of ensuring that these comply with the conditions of the license, as well any other applicable rules and regulations. Mr. Schmidt is also responsible for informing the board of directors of any impending problems connected with or involving Dumarca Gaming’s or CryptoLogic Operations’ actions relating to, among other things, corporate, regulatory and business matters, any threatened or actual disputes, litigation, investigations, penalties, as well as administrative or official notices or communications from government agencies, departments, authorities or otherwise relating to or involving Dumarca Gaming or CryptoLogic Operations.

Mandalay

Mr. Rennick, Mr. Laslop and Sovereign Directors Limited comprise the board of directors of Mandalay Media, and Jet Management and Sovereign Directors (T&C) Limited comprise the board of directors of Jet Media. Ms. Cornides is Chief Revenue Officer and a director of Intertain Bahamas and is responsible for Profit & Loss of the Mandalay Group.

InterCasino

Mr. Schmidt, Robert Zammit and Mr. Laslop comprise the board of directors of CryptoLogic Operations. Mr. Schmidt is the Compliance Director and “Key Official” of CryptoLogic Operations.

Mr. Zammit is a regulatory, licensing and litigation lawyer at WH Partners in Malta. His principal areas of expertise are licensing of gambling businesses and regulatory compliance in the areas of gambling, taxation (direct and indirect), information security, and privacy and data protection. Robert graduated as Doctor of Laws from the University of Malta in 2007 and was admitted to the Bar in Malta in 2008.

Maltese Corporate Law

Under the Malta *Companies Act* (the “**Maltese Act**”), directors of the company may be added, removed or replaced at any time by shareholder resolution. The Company, as the direct or indirect sole shareholder of CryptoLogic Operations and Dumarca, shall elect all members of their boards as it sees fit.

As a general rule, a company incorporated under Maltese law is managed and directed by the board of directors. The board of directors has the powers to act on behalf of the company, represent and bind the company in all matters except for those matters that, either by virtue of the Memorandum and/or Articles of Association of the company or

by virtue of the Maltese Act, are explicitly reserved for the general shareholders meeting, and are required to be approved by the shareholder. In addition, the Company will make such amendments to the Articles of Association of each of the companies as the Board determines is in the best interests of the Company.

The minute books of CryptoLogic Operations and Dumarca are held in Malta.

Bahamian Corporate Law

Appointment and Removal of Directors

Under the International Business Companies Act (the “**IBC Act**”), the first directors of an International Business Company (“**IBC**”) are elected by the subscribers of the Memorandum of Association. Thereafter, directors are elected by the Members for such terms as the Members may determine. Where permitted by the Memorandum or Articles of Association, directors may also elect directors for such term as the directors may determine. The office of a director is vacated in any of the following events, namely:

- a) If the director resigns office by notice in writing;
- b) If the director becomes of unsound mind;
- c) If the director dies; or
- d) If a resolution is passed by either the board of directors or the Members removing him as a director and declaring his office vacant.

A vacancy in the board of directors may be filled by a resolution of Members or resolution of a majority of the remaining directors.

Powers of Directors

Unless limited by the Memorandum or Articles of Association, or a unanimous shareholder agreement, the business and affairs of an IBC shall be managed by at least one director, whether it is a company or an individual. The directors may establish one or more committees for managing any of the affairs of an IBC and may appoint any person to be member of such committee. The committee must conform to any regulations that may be imposed on them by the directors.

Amendments to Memorandum and Articles of Association

Subject to any limitation in its Memorandum or Articles, an IBC may amend its Memorandum or Articles by a resolution of Members or, where permitted by its Memorandum or Articles or by the IBC Act, by a resolution of directors.

Distribution of Funds

Typically, the Company’s subsidiaries will transfer funds to its parent by way of a distribution of dividends. Dividends are distributed upon the board of director’s recommendation for the level of dividend to be distributed. The Company may impose any distribution policy that it sees fit, subject to the legal limitation that no dividend may exceed profits available for distribution at any time.

Internal Control of Financial Reporting

The Company has adopted the *Internal Control – Integrated Framework* (2013) (the “**COSO Framework**”) published by The Committee of Sponsoring Organizations of the Treadway Commission (“**COSO**”). There are no significant differences in the banking systems and controls, business cultures, and flow of funds between Canada and Malta. Therefore, management of the Company feels that the COSO Framework, as the accepted standard for internal control over Financial Reporting (“**ICFR**”), will adequately address the ICFR requirements of the Company.

RISK FACTORS

The Company and its subsidiaries operate in a rapidly changing environment that involves numerous risks and uncertainties, many of which are beyond the Company's control and which could have a material effect on its business, revenue, operating results and financial condition. The following highlights these risks and uncertainties, and should be carefully considered in evaluating the Company. While the Company believes that these factors could cause actual results to be different from expected and historical results, the risks and uncertainties presented below may not be all of the risks and uncertainties that the Company may face. Other sections of this AIF include additional factors that could have an effect on the Company's business, revenue, operating results and financial condition. New risks and uncertainties may also emerge and the Company may not be able to predict all of them, or be able to predict how they may cause actual results to differ from those contained in any forward-looking information. You should not rely upon forward-looking information as a prediction of future results. See "General Information – Cautionary Note Regarding Forward-Looking Information".

Highly Regulated Industry

Online gambling is a highly regulated industry. The Company's subsidiaries are subject to applicable laws in the jurisdictions in which their assets, infrastructure and employees are located. Some countries have introduced regulations attempting to restrict or prohibit Internet gambling, while others have taken the position that Internet gambling should be regulated and have adopted or are in the process of considering legislation to enable that regulation. Changes to the nature and scope of existing gambling regulation (and applicable law and regulation more generally) in the territories in which the Company's subsidiaries operates or may operate could have a material adverse effect on the Company and its business.

While certain European countries such as Malta and Gibraltar have adopted "point-of-supply" regimes which generally permit their licensees to accept wagers from any jurisdiction into which the supply of online gaming from outside such a jurisdiction is not expressly prohibited, other countries, including Great Britain (see "– Gambling (Licensing and Advertising) Act 2014 (Great Britain)", below), Italy, France, Spain and Denmark have, or are in the process of, implementing "point-of-consumption" regimes which only permit the targeting of the domestic market, provided a local license is obtained and local taxes accounted for (regardless of where the operator's assets, infrastructure and employees may be located).

Other European territories continue to defend limited licensing regimes that protect monopoly providers and, in certain jurisdictions, have combined this with an attempt to prohibit or otherwise restrict all other supplies into the territory. Restrictive approaches to the regulation of Internet gambling may yet be deemed to be in potential conflict (in any specific jurisdiction) with the Treaty for the Functioning of the European Union ("TFEU") treaty laws (governing the free movement of trade and services throughout the European Union ("EU")) and case law rendered by the European Court of Justice (the "ECJ").

A challenge to the validity of any EU jurisdiction's approach to gambling regulation would focus on restrictions on the freedoms of establishment or the freedom to provide services. Restrictions usually take one of a number of forms, including (i) granting exclusive rights in certain, or all, gambling activities to one or a few providers; (ii) implementing a blanket exclusion of all gambling activities; (iii) prohibiting, on pain of criminal penalties, the pursuit of activities in the betting and gaming sector without a license or police authorization issued by the relevant Member State; (iv) limiting the number of licenses available to conduct particular gambling activities; (v) limiting the duration of licenses; (vi) unfair or discriminatory procedures for awarding licenses; and/or (vii) requirement for local establishment.

A series of recent ECJ decisions have given EU Member States wide latitude in regulating the online gambling market. However, a framework within which Member States must operate has evolved through such jurisprudence and, once evidence of a restriction has been established, it is necessary to determine if such a restriction can be justified by the Member State. As case law developed, the assessment as to whether a restriction on the European market freedoms is justified became divided into four criteria, which must be cumulatively met. Any restriction must be non-discriminatory; for the public interest; suitable (such that it achieves the purposes for which the restriction is introduced); and necessary (i.e., does not go beyond the intended purposes).

As a result of various ECJ decisions over the past several years that clearly indicated a lack of recognition by various Member States of their obligations flowing from the TFEU, as highlighted in the aforementioned jurisprudence, the European Commission (the “EC”) attempted to prompt the introduction of initiatives that would harmonize the regulation of online gambling within the EU, which is in line with the TFEU’s stated objective of encouraging a free and open cross-border market. In early 2011, the EC’s Internal Market Commissioner, Michel Barnier, began an EU-wide consultation and review process to assess the possibility of harmonising the regulation of certain aspects of online gambling regulation. Harmonization in the area of online gambling, however, has met with substantial opposition in the past, and it is now considered highly unlikely that the harmonization will occur (not least as the ECJ have also made it clear, within jurisprudence, that provided they enact legislation that is in line with the four criteria stated in the paragraph immediately above, then they are not obliged to recognise any licences issued to a gambling operator in any other Member State).

Contemporaneous with its efforts to harmonize European online gambling laws, the EC has initiated infringement proceedings against various member states in relation to perceived breaches of Article 56 of the TFEU, including the latest such action commenced against Sweden in late 2013, which culminated in October 2014 with a referral of Sweden to the European Court of Justice for lack of compliance with EU law. In other cases, there has not been such action and some have not reached conclusion. There remains an ongoing risk that any resolution of such cases will result in a regulatory regime unfavourable to the Company, its subsidiaries or their commercial partners. In the interim period, there remains uncertainty and an unpredictability around how Member States may approach the on-going supply into their jurisdictions by operators based outside the jurisdiction. This uncertainty creates on-going risk to the business of any operator.

As companies and consumers involved in Internet gambling are located around the globe, there is uncertainty regarding which government has authority to regulate or legislate the industry. The UIGEA, which is designed to prohibit payments relating to illegal Internet gambling was enacted on October 13, 2006 in the US, and similar legislation may be adopted in other jurisdictions.

Future legislative and court decisions may have a material impact on the Company’s operations and financial results. There is a risk that governmental authorities may view the Company’s subsidiaries as having violated their local laws. Therefore, there is a risk that civil and criminal proceedings, including class actions brought by or on behalf of prosecutors or public entities, incumbent monopoly providers, or private individuals, could be initiated against the Company’s subsidiaries, Internet service providers, credit card processors, advertisers and others involved in the Internet gambling industry. Such potential proceedings could involve substantial litigation expense, penalties, fines, seizure of assets, injunctions or other restrictions being imposed upon the Company’s subsidiaries or other business partners, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company’s business, revenues, operating results and financial condition as well as its reputation.

There can be no assurance that legally enforceable prohibiting legislation will not be proposed and passed in jurisdictions relevant or potentially relevant to the Company’s business to legislate or regulate various aspects of the Internet or the Internet gambling industry (or that existing laws in those jurisdictions will not be interpreted negatively). Compliance with any such legislation may have a material adverse effect on the Company’s business, financial condition and results of operations, either as a result of determining that a jurisdiction should be blocked, or because a local license may be costly to obtain and/or such licences may contain other commercially undesirable conditions.

The clarification of the regulation of online gaming may restrict the Company’s subsidiaries’ ability to continue to operate in its existing and future markets and may lead to increased competition.

Certain countries in which laws currently prohibit or restrict online gaming or the marketing of those services, or protect monopoly providers of gaming services, may implement changes to open their markets through the adoption of competitive licensing and regulatory frameworks. While these changes may provide growth opportunities for the Company’s subsidiaries, a new licensing and regulatory regime adopted in any such country may not grant a license to the Company’s subsidiaries or may impose onerous conditions such as a requirement to locate significant technical infrastructure within the relevant territory or establish and maintain real-time data interfaces with the regulator, together with enforcement sanctions for breach thereof, taxation liabilities that make the market unattractive to the Company’s subsidiaries, or impose restrictions that limit its ability to offer certain of its key products or to market its

products in the way it would wish to do so. Moreover, licensing regimes may require licensees to ring-fence player liquidity, as has happened in the development of the Italian and French licensing regimes, and a significant reduction of this liquidity could have a detrimental effect on the Company's wider business. There is also the associated cost of creating specific bespoke, localised platforms.

The Company's subsidiaries exclude, and unless the US regulations change in favour of online gaming, will continue to exclude, players resident in the US from access to its online gaming services in compliance with US laws. As of the date hereof, Nevada, New Jersey and Delaware have enacted legislation regulating intra-state online gaming at the local level and certain operators have licences in these states. The Company's subsidiaries do not have and there can be no assurance that they will obtain a license in these states. This situation may put the Company's subsidiaries at a disadvantage in competing for player liquidity, in particular in respect of its poker offering.

Furthermore, the Company's subsidiaries' competitors may be established in a country or market prior to the Company's entry. If regulation is liberalised or clarified in some jurisdictions, then the Company may face increased competition from other providers, and competition from those providers may have a material adverse effect on the overall competitiveness of the online gaming industry. Any of these factors may materially adversely affect the Company's operations, financial performance and prospects. The opening of new markets, and the clarification of restrictions surrounding online gaming in other markets where the legal position is currently unclear, may encourage new entrants to the online gaming sector or strengthen the position of competing gaming operators. A significant increase in competition may have a material adverse effect on the Company's operations, financial performance and prospects.

Gambling (Licensing and Advertising) Act 2014 (Great Britain)

On November 1, 2014, the 2014 Act into force in Great Britain. The 2014 Act amends certain provisions of the 2005 Act, which will continue to apply as amended. The 2005 Act makes it an offence to provide "facilities for gambling" without a license. The term "facilities for gambling" is defined very broadly to include inviting others to gamble; providing, operating or administering arrangements for gambling by others; and participating in the operation or administration of gambling. Under the 2014 Act, the territorial scope of the offence has been broadened so that it applies not only to remote gambling (including online and mobile gambling) where at least one piece of remote gambling equipment used in the provisions of the facilities is situated in Great Britain, but now also to remote gambling where the "facilities for gambling" are used in Great Britain. Under the 2014 Act, those who provide "facilities for gambling" which are used in Great Britain (or which a person should know are being used or which could be used) are now required to hold an operating license authorizing such activity. The scope of the 2005 Act and 2014 Act remains open to interpretation by the British courts. In addition, the British Gambling Commission periodically revises its view of how the 2005 Act and 2014 Act should be interpreted and applied. There can be no assurance that the Company will be able to secure and/or retain the licenses required from time to time under the 2014 Act and failure to do so could have a material adverse effect on each entity's business, financial condition and results of operations.

Taxation

The Company is subject to income and other taxes in Canada, Malta, the UK and Israel, and potentially other jurisdictions in the future. The income tax obligations of the Company are based in part on its corporate operating structure and intercompany arrangements, including the manner in which it develops, values, and uses its intellectual property and the valuations of its intercompany transactions, as well as its operations in online gaming. The Company's tax calculations involve estimates in several areas including, but not limited to, transfer pricing. The tax laws applicable to the Company's business are subject to interpretation, and certain jurisdictions are aggressively interpreting their laws in new ways in an effort to raise additional tax revenue from companies such as the Company and its subsidiaries. The taxing authorities of the jurisdictions in which the Company operates may challenge its estimates and methodologies for determining applicable gaming tax and duties and for valuing developed technology or intercompany arrangements, all of which could increase its worldwide effective tax rate and harm its financial position and results of operations. In addition, the Company's effective tax rate in the future could be adversely affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in tax treaties and changes in tax laws. The Company is subject to regular review and audit by domestic and foreign tax authorities. Tax authorities may disagree with certain positions the Company has taken and any adverse outcome of such a review or

audit could have a negative effect on its financial position and results of operations. In addition, the determination of the Company's worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are many transactions where the ultimate tax determination is uncertain. Although the Company believes that its estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in its financial statements and may materially affect its financial results in the period or periods for which such determination is made. In addition, the Company's future income taxes could be adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of the Company's deferred tax assets and liabilities, or by changes in tax laws, regulations, or accounting principles, or as a result of taxes in new jurisdictions where it does not currently operate but may in the future as a result of licensure, approval or otherwise.

The jurisdictions in which the Company's subsidiaries hold licences or operate also impose taxes and duties on licensed activities. Adverse changes to the taxation of online betting and gaming or the imposition of, or adverse changes to, statutory levies or other duties or charges could materially adversely affect the operations, financial performance and prospects of the Company.

Effective December 1, 2014, a new tax regime was introduced in the UK which taxes betting and gaming revenues derived from UK customers. From that date, all gaming revenues derived from a person who usually lives in the UK are subject to a 15% remote gaming duty tax ("RGD") payable by the licence holder on the 'gaming provider's profits' (essentially stakes received for pooled prize and ordinary gaming, less winnings with other adjustments). At present, the definition of 'winnings' includes both prizes paid to players for pooled prizes and ordinary gaming, and also the crediting to a player's account by way of bonuses other than as prizes. However, the UK government announced in its March 2016 budget that, with effect from August 1, 2017, there will be a change in the taxation of bonuses, such that the tax base for RGD will be expanded to include the full value of freeplays given to UK customers. In addition to significant tax costs arising from the UK's tax regime and the pending changes to that tax regime, the Company's subsidiaries may also face substantial dual or additional regulation, compliance and licensing costs. There is a risk that new taxation schemes (or changes to existing taxation schemes) may materially adversely impact affect the Company's subsidiaries' ability to market their offerings, profitability, financial condition and results of operations.

Foreign Exchange

The Company generates revenues predominantly in GBP and EUR, and prepares its financial statements in Canadian dollars. The Credit Facilities are denominated in USD. The Company may be subject to foreign exchange risk as a result of fluctuations in the value of any of these currencies relative to the Canadian dollar. The Company manages some of its foreign exchange settlement risk using appropriate hedging activities where circumstances dictate, such as with the Currency Swap. However, these procedures may not be adequate and do not address the impact that any changes in currency values may have on the Company's financial reporting in Canadian dollars and the possibility that such changes may have an adverse impact on the Company's business and financial condition. Foreign exchange risk may also arise where revenues and expenses, are paid in currencies other than Canadian dollars, EUR, GBP or USD.

Licensing

Most, if not all, jurisdictions require licences, permits and documentation of suitability, demonstrating the responsibility, character and financial stability of gaming operators in addition to their officers, directors, major shareholders and other key personnel and each jurisdiction has different regulations and regulatory processes for gaming. This finding of suitability process may be expensive and time-consuming. The Company's subsidiaries' delay or failure to obtain these licences and approvals in any jurisdiction may prevent it from operating and generating revenues in those jurisdictions. A gaming regulatory body may refuse to issue or renew a registration if the Company or its subsidiaries, or one of their directors, officers, employees or associates: (i) is considered to be a detriment to the integrity or lawful conduct or management of gaming; (ii) no longer meets a registration requirement; (iii) has breached or is in breach of a condition of registration or an operational agreement with a lottery company; (iv) has made a material misrepresentation, omission or misstatement in an application for registration or in reply to an enquiry by a person conducting an audit, investigation or inspection under the gaming control legislation; (v) has been refused a similar registration in another jurisdiction; (vi) has held a similar registration, or license in that

province or another jurisdiction which has been suspended or cancelled; or (vii) has been convicted of an offence, inside or outside of Canada, that calls into question the Company's or its any of its subsidiaries' honesty or integrity or the honesty or integrity of one of its directors, officers, employees or associates.

In addition, gaming licenses held by the Company's subsidiaries, the Gamesys Group or the 888 Group may not be renewed or may be revoked. Such revocation or non-renewal may materially adversely affect the operations, financial performance and prospects of the Company's subsidiaries. In addition, the revocation or non-renewal of these gaming licences or any other licence which may become material to the Company's subsidiaries may lead to adverse publicity and could adversely impact the Company's subsidiaries' ability to successfully maintain current licences, apply for future licences in jurisdictions where they currently have a licence or jurisdictions in which they may seek licences in the future. The occurrence of any of these events could result in reputational damage to the Company's subsidiaries, may cause their other licences to be subject to review or revocation and could materially adversely affect their operations, financial performance and prospects. The revocation or non-renewal of these licences may arise as a result of the failure by the Company's subsidiaries directors, officers or senior management or the Company's significant shareholders or other investors to adequately comply with the suitability, information reporting or other requirements of licensing and regulatory authorities. Moreover, renewal of the licences may be on terms that are less favourable to the Company's subsidiaries, which could have a material adverse effect on their operations, financial performance and prospects.

Foreign Operations

A significant portion of the Company's subsidiaries' operations are or may be conducted in foreign jurisdictions. As such, their operations may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within their control, including, but not limited to, renegotiation or nullification of existing contracts or licences, changes in gaming policies, regulatory requirements or the personnel administering them, currency fluctuations and devaluations, exchange controls, economic sanctions, tax increases, retroactive tax claims, changes in taxation policies, risk of terrorist activities, revolution, border disputes, implementation of tariffs and other trade barriers and protectionist practices, volatility of financial markets and fluctuations in foreign exchange rates, difficulties in the protection of intellectual property, labour disputes and other risks arising out of foreign governmental sovereignty over the areas in which operations are conducted. The Company's subsidiaries' operations may also be adversely affected by laws and policies of such foreign jurisdictions affecting foreign trade, taxation and investment. If the Company's subsidiaries' operations are disrupted or the economic integrity of their contracts are threatened for unexpected reasons, their business may be harmed.

In the event of a dispute arising in connection with operations in a foreign jurisdiction where the Company's subsidiaries conduct their business, they may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Company's subsidiaries may also be hindered or prevented from enforcing their rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, their activities in foreign jurisdictions could be substantially affected by factors beyond the Company's control, any of which could have a material adverse effect on the Company.

Doing business in the gaming industry often requires compliance with numerous and extensive procedures and formalities in the jurisdictions in which the Company's subsidiaries operate. These procedures and formalities may result in unexpected or lengthy delays in commencing important business activities. In some cases, failure to follow such formalities or obtain relevant evidence may call into question the validity of the entity or the actions taken. The Company is unable to predict the effect of additional corporate and regulatory formalities which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

The Company's subsidiaries may also enter into agreements and conduct activities outside of the jurisdictions in which they currently carry on business, which expansion may present challenges and risks that they have not faced in the past, any of which could adversely affect the results of operations and financial condition of the Company.

Swedish Operations

Swedish laws relating to online gambling prohibit private commercial entities from obtaining the necessary licenses to offer online gambling products to Swedish consumers. These laws do not, however, prohibit Swedish consumers from participating in online gambling over the Internet offered from a jurisdiction outside of Sweden (“**Offshore Gambling**”). There is a risk that existing Swedish laws relating to online gambling could either change, or be interpreted by Swedish courts, regulators or enforcement authorities in such a manner as to prohibit Swedish consumers from participating in Offshore Gambling. In late 2013, Sweden received a warning from the EC urging it to undertake certain regulatory reforms in the area of online gambling (see “Business of the Company – Regulatory Environment – Sweden”), and, following inaction, on October 16, 2014, the EC announced its decision to refer Sweden to the European Court of Justice for lack of compliance with EU law. It is likely that legislative changes may be enacted in response, as in November 2015, the Swedish government appointed the head of the Gambling Board to review Swedish gambling law and put forward proposals for a licensing system. Changes to or interpretations of Swedish law which would prohibit Offshore Gambling, or require the Company to obtain additional licences and registrations, or pay taxes or royalties, may result in a material adverse effect on the Company’s business, operations or financial performance.

Swedish authorities have also, in certain instances, instigated proceedings against Swedish media companies that advertise online Offshore Gambling. The legality of such local market advertising activities under Swedish law is currently unclear, and such enforcement actions are currently being challenged in Swedish courts. An inability by the Company to effectively market its products in Sweden may have a material adverse effect on the business, operations and financial performance of the Company.

Marketing Effectiveness

Customer acquisition and retention, and therefore the Company’s business, financial condition and results of operations, will depend upon the effectiveness of marketing activities. Ineffective and/or inefficient marketing activity undertaken by the Company’s subsidiaries, including, in particular, any wasted costs and/or missed opportunities associated therewith, may also have a material adverse effect on the Company’s operations, financial performance and prospects.

Erosion of User Base

The Company’s subsidiaries’ efforts to maintain and expand its user base may not be successful. The Company intends to expand its player base by increasing the number of geographic markets into which it markets its products. The Company will also seek alternative geographic markets in the event that the operating environment of an existing or intended geographic market becomes unattractive to the Company. A new or existing geographic market may be unattractive by reason of a range of factors including, but not limited to, regulatory restrictions and taxation, unavailability of payment methods, failure or restrictions on marketing and branding strategy, local competitors or slow attraction of members due to lack of cultural acceptance of gaming or limited internet access. If the Company fails to maintain or expand its player base, then this could have a material adverse effect on its business and profitability.

Mandalay Group Reliance on 888 Group for Software and Licenses

The Mandalay Group’s bingo business, other than Casino Choice and Ignite, operate off of the Dragonfish platform, a software service provided by the 888 Group. All of the bingo websites are operated pursuant to the 888 Agreement, whereby the 888 Group provides software, operational and management services to the Mandalay Group and, in effect, is responsible for all non-marketing aspects of the provision/operation of the gaming offered to the Mandalay Group’s customers. The 888 Group has granted to the Mandalay Group a worldwide non-exclusive non-transferrable license to use its bingo software. In addition, the 888 Group supplies services to the Mandalay Group in respect of CostaBingo pursuant to the remote gambling licenses issued to Cassava Enterprises (Gibraltar) Limited. Although the Mandalay Group believes that there are alternatives to these services and licenses generally available, any significant interruption in the supply of such third party software and licenses, or the eventual obsolescence, incompatibility or failure to maintain such third party software and licenses, could have a material adverse effect on the its business, unless and until the Mandalay Group can replace the software and licenses. In addition, the Mandalay Group is

dependent upon the 888 Group's abilities to enhance their current products, to develop new products on a timely and cost-effective basis, and to respond to emerging industry standards and other technological changes. Delays in the release of new and upgraded versions of such software products could have a material adverse effect on the financial condition and results of operations of the bingo business.

InterCasino Dependence on Services and License Agreements

The gaming technology, including the online platform, content and services in relation thereto are provided by the Licensors to CryptoLogic Operations. The Company's business, financial condition or results of operations could be adversely affected if the Licensors experience technical or financial difficulties that they are not able to overcome, from worldwide economic conditions, software development problems, infringement of intellectual property rights, or regulatory issues. CryptoLogic Operations' dependence on the Licensors for gaming technology and services in relation thereto (unless and until a suitable replacement supplier can be found) subjects CryptoLogic Operations to the risk of supplier failure and customer dissatisfaction with the quality of its products, and may thereby materially harm its business and the Company. If there is any interruption to the products or services provided by the Licensors, if their services are not as scalable as required, or if the Licensors breach the Services and License Agreements in any material respect, the Company's business could be adversely affected.

The Services and License Agreements have an initial term of five years from the date of the QT Closing, and are not subject to automatic renewal. As a result, that portion of the Company's business is only guaranteed for a period of five years. The Services and License Agreements can be terminated during the initial term for the reasons described under the heading "Business of the Company – Operations – InterCasino – Services and License Agreements". If the Services and License Agreements are not renewed beyond their original term, or are otherwise terminated, CryptoLogic Operations' business will be significantly reduced or halted, unless CryptoLogic Operations is able to provide those services internally or enter into satisfactory substitute arrangements with third parties for such services. There is no assurance that CryptoLogic Operations would be able to replace those services in a cost-effective or on a timely basis, or enter into satisfactory substitute arrangements, which could have a material adverse effect on the Company's business, results from operations and financial condition.

Dependence on Key Personnel

The Company's success is largely dependent upon the performance of its and its subsidiaries' key management and marketing personnel. In particular, the Company announced in February 2016 that Keith Laslop, Chief Financial Officer of the Company, is relocating to a new senior operational management position at Intertain Bahamas. Over the coming months, Intertain expects to recruit additional experienced personnel to join the management of Intertain Bahamas. To accommodate Mr. Laslop's move, the Company expects to appoint of a qualified interim Chief Financial Officer at Intertain. Additionally, the Company will be recruiting a new operationally-focused Chief Executive Officer at Intertain, and intends to include in its search suitably experienced and qualified candidates based in European cities closer to the Company's core operations. Competition for highly skilled management and marketing personnel is intense. Any inability to retain employees and to attract and retain additional key employees who have the necessary skills may have a material adverse effect upon the Company's growth and profitability.

Third Party Suppliers

The Company's subsidiaries depend on third party suppliers such as payment processing, telecommunications, advertising, technology, banking and other service providers. The willingness of such providers to provide their services to the Company's subsidiaries may be affected by their own assessment of the legality of their provision of services to these companies, of their business or of the online gaming sector, and by political or other pressure brought to bear on them. Adverse changes in law or regulation in any jurisdiction may make the provision of key services to the Company's subsidiaries unlawful in such jurisdictions. To the extent that third party suppliers are unwilling or unable to provide services to the Company's subsidiaries, this may have an adverse impact on their operations, financial performance and prospects.

The introduction of legislation or regulations restricting financial transactions with online gaming operators, other prohibitions or restrictions on the use of credit cards and other banking instruments for online gaming transactions may restrict the Company's subsidiaries abilities to accept payment from its customers. These restrictions may be

imposed as a result of concerns related to fraud, payment processing, anti-money laundering or other issues related to the provision of online gaming services. A number of issuing banks or credit card companies may from time to time reject payments to the Company's subsidiaries that are attempted to be made by their customers. Should such restrictions and rejections become more prevalent, or any other restriction on payment processing be introduced, gaming activity by the Company's subsidiaries' customers could be adversely affected, which in turn could have a material adverse effect on the operations, financial performance and prospects of the Company.

The introduction of legislation or regulations requiring Internet service providers in any jurisdiction to block access to the Company's subsidiaries' websites and products may restrict the ability of their customers to access products and services offered by them. Such restrictions, should they be imposed, could have a material adverse effect on the operations, financial performance and prospects of the Company.

In addition, the Jackpotjoy Acquisition may have a negative effect on marketing partner or affiliate relationships between Gamesys or Intertain and the key partners or affiliates of the Jackpotjoy Business. To the extent that the Company is unable to successfully renew or negotiate agreements with marketing partners and/or affiliates, or offer products that are an attractive source of marketing partner and/or affiliate referrals, the Company's revenues and player base growth may be negatively affected.

Payment Processing

The provision of convenient, trusted, fast and effective payment processing services to the Company's subsidiaries' customers and potential customers is critical to their business. If there is any deterioration in the quality of the payment processing services provided to these customers or any interruption to those services (including with respect to system intrusions, unauthorized access or manipulation), or if such services are only available at an increased cost to the Company's subsidiaries or their customers or terminated and no timely and comparable replacement services are found, the Company's subsidiaries' customers and potential customers may be deterred from using the Company's subsidiaries' products. In addition, the Company's inability to secure payment processing services in markets into which the Company intends to expand will seriously impair its growth opportunities and strategies. Any of these occurrences may have a material adverse effect on the Company's subsidiaries' operations, financial performance and prospects. Furthermore, in the event that legislation is enacted that prevent banks and credit card companies from processing payments to online gaming sites, the Company's subsidiaries' operations and financial condition could suffer a material adverse effect.

Competition

The online gambling and social gaming industries are highly competitive and the Company expects more competitors to enter the sector. The Gamesys Group, in particular, has a history of successfully operating and growing online bingo games and real-money online slots and casino businesses in each Restricted Territory. While the Jackpotjoy Agreement imposes restrictive covenants on Gamesys which restrict its ability to compete with the Jackpotjoy Brands during the First Restricted Period, there is a risk that the Gamesys Group may, at the conclusion of the First Restricted Period, launch products or services that compete with the Jackpotjoy Brands. Such competition may have a material adverse effect on the Company's business, operations or financial performance.

Existing and new competitors may also increase marketing spend, including to unprofitable levels, in an attempt to distort the online gambling or social gaming market to build market share quickly. A wider range of new social games may also be introduced in the future. Online game developers and distributors that do not currently develop social games, including high-profile companies with significant online presences (such as Facebook, Apple Inc., Google Inc. and Microsoft Company), may decide to develop social games of a nature that constitute a significant competitive threat to the Company's social gaming operations. Some of the Company's subsidiaries' competitors have significantly greater financial, technical, marketing and sales resources and may be able to respond more quickly to changes in customer needs. Additionally, these competitors may be able to devote a greater number of resources to the enhancement, promotion and sale of their games and gaming systems. The Company's future success is dependent upon its subsidiaries' ability to retain their current customers and to acquire new customers. Failure to do so could result in a material adverse effect on the Company's revenue, results of operations and financial condition.

In addition to its known current competitors, traditional land-based casino operators and other entities, many of whom have significant financial resources, an entrenched position in markets and name-brand recognition may provide software for Internet gambling in the future and thereby become new competitors for the Company.

Players also face a vast array of entertainment choices. Other forms of entertainment, such as offline, traditional online, personal computer and console games, television, movies, sports and the Internet are much larger and more well-established markets and may be perceived by the players of the Company's subsidiaries' online games to offer greater variety, affordability, interactivity and enjoyment. These other forms of entertainment compete for the discretionary time and income of the Company's subsidiaries' player base. If the Company's subsidiaries are unable to sustain sufficient interest in their games in comparison to other forms of entertainment, their business model may no longer be viable.

See also "Business of the Company – Competitive Conditions."

Dependence on Market Growth

The online gaming market has experienced historical growth, however, there can be no assurance that the market for the Company's gaming solutions will continue to grow, that consumers will continue to adopt its solutions, or that it will be successful in selling into new and existing markets. With the Jackpotjoy business in particular being heavily reliant on the UK market as a source of revenue, if the markets in which the Company's subsidiaries' products compete fail to grow or expand, or if the business of the licensees who use its products fails to grow or expand, or grows or expands more slowly than anticipated, the Company's business, results of operations and financial condition may be materially adversely affected.

Gaming Industry Volatility

The online gaming market industry has been and continues to be a volatile industry, which is sensitive to economic conditions and regulatory developments. When economic conditions are prosperous, gaming industry revenues tend to increase. Conversely, when economic conditions are unfavourable, gaming industry revenues tend to decline. Any significant decline in general corporate conditions or the economy that affect consumer spending could have a material adverse effect on the Company's revenue, results of operations and financial condition.

Brand Development

As the online gaming industry becomes increasingly competitive, the success of the Company depends on the maintenance, development and enhancement of its subsidiaries' brands. If they are unable to maintain, develop and enhance the brands, their ability to implement their strategic goals may be adversely affected. As a result, the Company's operating results would be adversely affected. In addition, increased competition may require more management time and resource and greater levels of expenditure to maintain, develop and enhance the brands, which may have a material adverse effect on the Company's operations, financial performance and prospects.

System Infrastructure, Reliability and Viability

The growth of Internet usage has caused interruptions and delays in processing and transmitting data over the Internet. There can be no assurance that the Internet infrastructure or the Company's subsidiaries' own network systems will continue to be able to support the demands placed on them by the continued growth of the Internet, the overall online gaming industry or that of their customers.

The Internet's viability could be affected by delays in the development or adoption of new standards and protocols to handle increased levels of Internet activity or by increased government regulation. If critical issues concerning the commercial use of the Internet are not favourably resolved (including security, reliability, cost, ease of use, accessibility and quality of service), if the necessary infrastructure is not sufficient, or if other technologies and technological devices eclipse the Internet as a viable channel, this may negatively affect Internet usage, and the Company's business, revenues, financial condition and operating results will be materially adversely affected.

End-users of the online gaming offerings depend on ISPs and system infrastructure for access to the sites operated by the Company's subsidiaries. These services have experienced service outages in the past and could experience service outages, delays and other difficulties due to system failures, instability and interruption. The Company's subsidiaries may lose customers as a result of delays or interruption in service, including delays or interruptions relating to high volumes of traffic or technological problems. As a result, the Company's subsidiaries may not be able to provide their products and services to its customers during substantial periods of time, which could have a material adverse effect on the business, revenues, results of operations and financial condition of the Company.

Also, the increasing presence of viruses and cyber-attacks may affect the viability and infrastructure of the Internet and could materially adversely affect the business of the Company.

Security

The gaming platforms used by the Company's subsidiaries are reliant on technologies and network systems to securely handle transactions and user information over the Internet, which may be vulnerable to system intrusions, unauthorized access or manipulation. As users become increasingly sophisticated and devise new ways to commit fraud, the security and network systems may be tested and subject to attack. Two of the more common security issues affecting the online gaming industry are Denial of Service and Trojan Horse attacks. There is no assurance that such intrusions or attacks or other unauthorized access or manipulation of the software will or can be prevented in the future and any occurrences may cause a delay in or an interruption of operations of the Company's subsidiaries, which could have a material adverse effect on the Company's business, results of operations and financial condition.

Privacy Laws and Use of Customer Data

The Company's subsidiaries processes customer data about users of its online games, including personal information about such customers and the customers' game play history, which comprises information, the storage, use or disclosure of which is regulated by data protection and privacy laws in the jurisdictions in which they operate. The Company's subsidiaries are exposed to the risk that such regulated personal data could be wrongfully appropriated, lost or misused in breach of applicable laws and thereby either face liability or the loss of goodwill with customers.

Intellectual Property Protection

The Company's subsidiaries rely on a combination of laws and contractual provisions to establish and protect its rights in their software, trade-marks, copyrights, trade secrets, proprietary technology and domain names. Their ability to protect their intellectual property is crucial to the success of its business. The Company's subsidiaries currently possess a number of trade-mark applications and registrations and their strategy is to continue to selectively file intellectual property applications in Europe, Canada and other applicable jurisdictions. There can be no assurance that the steps taken to protect proprietary rights will be adequate to deter misappropriation of technology. Any such misappropriation or resulting litigation to enforce proprietary rights could have a material adverse effect on the Company's business, revenues, results of operations and financial condition. Similarly, given the nature of the business environment in which the Company's subsidiaries operate, other parties may threaten to issue legal proceedings against them based on alleged infringement of intellectual property rights. There can be no assurance that such threats would never materialize into actual litigation or that the Company's subsidiaries would prevail in such litigation. An adverse determination in legal proceedings, a costly litigation process or a costly settlement could have a material adverse effect on the Company's business, revenues, results of operation and financial condition.

Debt Obligations and Financial Covenants

The Company's ability to make scheduled payments on or to refinance its debt obligations and to make distributions to enable it to service its debt obligations depends on its financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business, legal, regulatory and other factors beyond the Company's control, including fluctuations in interest rates, market liquidity conditions, increased operating costs and trends in its industry. If the Company's cash flows and capital resources are insufficient to fund its debt service obligations, it may be forced to reduce or delay activities and capital expenditures, sell assets, seek additional capital, or restructure or refinance its indebtedness. Depending on the debt market conditions at the time, it

is possible that such restructuring or refinancing could lead to a significant increase in debt service costs and interest expenses or result in additional restrictions being placed on the Company's operations. Furthermore, these alternative measures may not be successful and may not permit the Company to meet the Company's scheduled debt service obligations. In such circumstances, the Company could face substantial liquidity problems and might be required to dispose of material assets or operations to meet debt service and other obligations.

In particular, the Company has a substantial amount of debt and significant interest payment requirements in connection with the Credit Facilities. The Company's substantial indebtedness could have significant consequences, including: (i) increasing the Company's vulnerability to adverse economic and industry conditions; (ii) requiring the Company to dedicate a substantial portion of its cash flow from operations to make interest and principal payments on its indebtedness, reducing the availability of its cash flow to fund earn-out payments and other ongoing acquisition costs, capital expenditures, working capital and other general corporate purposes; (iii) limiting the Company's flexibility in planning for, or reacting to, changes in its businesses and the industries in which it operates; (iv) placing the Company at a competitive disadvantage compared to its competitors that have less debt or greater financial resources; and (v) limiting, along with the financial and other restrictive covenants in its indebtedness, among other things, the Company's ability to borrow additional funds. Any failure to pay such indebtedness or other liabilities when due could have a material adverse effect on the Company. The Company may also be able to incur substantial additional debt in the future under the Credit Facilities, which could intensify the risks described above.

The terms of the Credit Facilities also contain operating and financial covenants on it, including maintaining a maximum ratio of total funded debt to consolidated EBITDA, and restrictions on the Company's ability to, among other things, incur additional debt, pay dividends and make restricted payments, encumber its assets, sell assets, and enter into certain merger or consolidation transactions. The Company's failure to comply with the covenants contained in the Credit Facilities could result in an event of default which could materially and adversely affect the Company's operating results and its financial condition.

Significant Future Earn-Out Liabilities

The Jackpotjoy Purchase Price was funded by payments on the Jackpotjoy Closing Date and future Earn-Out Payments that are to be calculated by reference to the financial performance of the Jackpotjoy Business. The Company currently expects to fund a portion of those earn-out payments with external capital sources, including the Credit Facilities. If the ability to draw on the Credit Facilities is adversely affected for any reason, the Company's ability to fund the Earn-Out Payments will be delayed or jeopardized. The Company's right to use the Credit Facilities to fund any Earn-Out Payments is also subject to certain negative financial covenants with the Lenders. Further, the earn-out portion of the Jackpotjoy Purchase Price is structured in such a way that if the Jackpotjoy Business performs better than expected in relation to the Company's other segments, the Earn-Out Payments may be substantially greater than the Company's internal resources and ability to fund those Earn-Out Payments. If the Company is not able to meet the earn-out obligations, the Company's relationship with Gamesys would likely suffer, which could affect the Company's ability to deliver services, having a material effect on the Company's financial condition and results of operation.

The earn-out provisions of the Jackpotjoy Agreement also require that initially 65% of the Company's cash flows (subject to the terms of the Credit Agreement) are restricted from use other than satisfying the Earn-Out Payments, which may be increased to as much as 90% in certain circumstances. The operation of the cash sweep provisions of the Jackpotjoy Agreements provides a risk that the Company will not have sufficient cash flow from time to time to service its business.

The Gamesys Group will have substantial control over the Jackpotjoy Business during the Earn-Out Period and has an interest in maximizing its potential earnings under the earn-out structure. Although the Jackpotjoy Agreement and the Operating Agreements were agreed in good faith, there is a risk that the Gamesys Group may deliver the services contemplated in the Operating Agreements in such a way that maximizing earn-out potential will be detrimental to the Company's business, which could have a material adverse effect on the Company's business, financial condition and results of operations.

See "General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement" and "Business of the Company – Operations – Jackpotjoy – Operating Agreements".

Relationship with Gamesys Group pursuant to Operating Agreements

The Company is highly dependent on the Gamesys Group to continue providing platform services and gaming content to Intertain Bahamas pursuant to the Operating Agreements. The Gamesys Group has substantial control over the Jackpotjoy Business, and the ongoing relationship with the Gamesys Group may present geographical or other barriers to expanding the Company's business, or limit growth in other ways. The Gamesys Group may reduce its investment in the development of platform technology and new content for the Jackpotjoy Business, either as a result of focusing on other B2C customers or mobile content development to the detriment of the Company, or for lack of incentive after achieving its targeted Earn-Out Payments, in which case the results of the Jackpotjoy Business may not meet the Company's expectations. Each of the parties to the Operating Agreements may terminate the Operating Agreements in certain circumstances. It is uncertain if the Company would be able to continue to operate the Jackpotjoy Business upon termination of the Operating Agreements. If the Company decides, after the Earn-Out Period, or pursuant to termination of the Operating Agreements, to exit the Gamesys Group's platform, there is no assurance players would follow onto a new platform, or such migration may pose operational or logistical difficulties that make it impractical or unappealing for players to follow the business onto a new platform. Any such impact, among others, could materially and adversely affect the Company's business, operating results and financial condition.

The services pursuant to the Operating Agreements are also to be provided "at cost" during the first five years of the terms for the Jackpotjoy and Starspins brands, and (with reference to the Real Money Gaming Operating Agreement) three years for the Botemania brand, and at cost plus a 25% uplift on certain costs and fees thereafter. The determination of cost allocation will be pursuant to a formula set out in the Operating Agreements, but may be disputed, which may lead to significant costs for auditing the costs of services and ensuring indirect costs are properly allocated as between the Jackpotjoy Business and the Gamesys Group. Disputes with respect to the fees payable pursuant to the Operating Agreements may have a negative effect on the Company's relationship with Gamesys and exacerbate the risks described above.

Unregulated Jurisdictions

In certain jurisdictions, online gambling is either not regulated at all, is subject to very limited regulation, or its legality is unclear. These jurisdictions are referred to as "unregulated jurisdictions". Certain of the Company's subsidiaries' products are made available to players in unregulated jurisdictions, such as Sweden. There is a risk that such jurisdictions may enact regulations relating to online real money or social gaming and that the Company may be required to register its activities or obtain licenses (or obtain further registrations or licenses, as applicable), pay taxes, royalties or fees, or that the operation of online gambling businesses in such jurisdictions may be prohibited entirely. The implementation of additional regulatory requirements or payments in such jurisdictions may have an adverse effect on the viability of the Company's operations, business, or financial performance. Where the Company's subsidiaries fail to obtain the necessary registrations or licenses, make the necessary payments, or operate in a jurisdiction where online gambling is deemed to be or becomes prohibited, the Company and its subsidiaries may be subject to investigation, penalties or sanctions, or be forced to discontinue operations entirely, which may negatively impact the Company's operations, business, reputation or financial performance.

There is a risk that certain of the Company's subsidiaries' technology providers, payment processing partners, or other suppliers of content or services (collectively, "**Infrastructure**") may cease to provide, or limit the availability of, such Infrastructure to the extent the Company's subsidiaries operate in, or makes such Infrastructure available in, unregulated jurisdictions. Were the Company's subsidiaries' access to such Infrastructure to become unavailable or limited as a result of operations in unregulated jurisdictions, the Company's operations, business, reputation or financial performance may be adversely affected. There is also a risk that they may not be able to source suitable or economical replacements if such Infrastructure becomes unavailable.

Unregulated jurisdictions may lack or have diminished regulations relating to, among other things, consumer protection, the prevention of money laundering, game fairness, and technology or data security. The Company believes its operations in unregulated jurisdictions maintain appropriate safeguards, meet or exceed industry best practices, and implement policies and procedures which are compliant with the laws of the jurisdictions in which it operates. There is a risk that unscrupulous online gambling operators in unregulated jurisdictions may fail to maintain effective policies, procedures and safeguards in the aforementioned areas and that the actions or omissions of such

unscrupulous operators may damage the reputation of all online gambling businesses operating in unregulated jurisdictions. This may put all online gambling businesses operating in unregulated jurisdictions at a competitive disadvantage relative to those operating in regulated jurisdictions, which may negatively impact the Company's operations, business, reputation or financial performance.

Transition of Core Operating Functions

Gamesys remains in possession or control of certain assets, relationships, content, technologies and business infrastructure necessary for the successful and profitable operation of the Jackpotjoy Business, including player databases, partner contracts, and advertising assets and relationships (the “**Core Operations**”). The Operating Agreements contemplate that a detailed exit plan will be developed by the parties to enable the Core Operations to be transitioned to the Company in an orderly manner (the “**Transition Plan**”). There is a risk that the parties will fail to agree to a Transition Plan that is satisfactory to both parties, or that the Transition Plan agreed to will not transfer the Core Operations to the Company in an effective manner. There is also a risk that the parties may fail to properly implement the Transition Plan, or that the Transition Plan may not be implemented in a timely or cost-effective manner. The risk of failing to negotiate or implement a Transition Plan will be increased where a material dispute arises between Gamesys and the Company, or where Gamesys becomes subject to bankruptcy or insolvency proceedings, or similar forms of creditor protection. The failure to effectively negotiate and implement a Transition Plan may have a material adverse effect on the operations, business and financial performance of the Company, and the future viability of the Jackpotjoy Business.

Software Escrow

Pursuant to the Operating Agreements, Gamesys will, within two years from the Jackpotjoy Closing Date, be required to deposit the source code and executable code of the software owned by Gamesys necessary for the operation of the primary branded site for each of JPJ UK, JPJ Sweden, Star spins and Botemania under the Real Money Gaming Operating Agreement, and the primary branded applications for JPJ Social and SSP Social under the Social Gaming Operating Agreement, together with relevant installation and user documentation with a neutral third party in escrow to be released to the Company in the event that Gamesys is placed into insolvency or liquidation. The purpose of the escrow is to ensure the continuation of the Jackpotjoy Business in the event of Gamesys' insolvency. The failure of Gamesys to deposit such information on a timely basis or at all, the deposit of inaccurate or incomplete information into escrow by Gamesys, or the corruption, theft or destruction of the escrowed code may have a material adverse effect on the business, operations and financial performance of the Company, and the future viability of the Jackpotjoy Business.

Data Escrow

Pursuant to the Jackpotjoy Agreement, Gamesys deposited a back-up of that part of the Gamesys Group's production database which includes the player data with a neutral third party in escrow, and, pursuant to the Operating Agreements, within two years from the Jackpotjoy Closing Date, Gamesys is required to deposit the then-current back-up of that part of the Gamesys Group's production database which includes the player data with a neutral third party in escrow (together with annual updates and, if reasonably required by the Company, more regular updates of up to once per month), in each case to be released to the Company in the event that the relevant Operating Agreement is terminated. The purpose of the escrow is to ensure the continuation of the Jackpotjoy Business in the event of termination of the Operating Agreements. The failure of Gamesys to deposit such information on a timely basis or at all, the deposit of inaccurate or incomplete information into escrow by Gamesys, or the corruption, theft or destruction of the escrowed player data may have a material adverse effect on the business, operations and financial performance of the Company, and the future viability of the Jackpotjoy Business.

Tax Liabilities in Connection with Reorganization

The Reorganization gave rise to UK and Curacao tax charges in Gamesys' subsidiary, PPNV, and may (in combination with the completion of the Jackpotjoy Acquisition) have given rise to potential UK de-grouping tax charges. It is considered more likely that any such de-grouping charges would have arisen in Fifty States (a subsidiary of Intertain Bahamas) but it is also possible that they could have arisen in Gamesys.

Although Gamesys and the Company have entered into tax cost sharing arrangements in respect of these tax charges, Fifty States may not be able to pay any de-grouping charges for which it may be liable, and, to the extent that the liability is within the Fifty States Group, the Company may not be able to collect any amounts due to it from Gamesys under the tax cost sharing arrangements. To the extent Fifty States is not able to satisfy its tax obligations pursuant to any assessed tax liabilities, or the Company is not able to satisfy its obligations under the tax sharing arrangements with Gamesys, or Gamesys is unable or unwilling to satisfy its obligations under the tax sharing arrangements, such inability could have a material adverse effect on the Company's business, financial condition and results of operations. See "General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – Tax Cost Sharing Arrangements".

Website Content and Product Liability Claims

As a distributor of Internet enabling content, the Company's subsidiaries face potential liability for negligence, copyright, patent and trade-mark infringement, defamation, disparagement and other such claims based on the nature and content of the materials that they transmit. Similar claims could be brought against 888 Group in relation to the content and services provided under the 888 Agreement, or against the Licensors in relation to the AGO or the related content and services provided under the Services and License Agreement. Such claims have been brought, and sometimes successfully pursued against Internet content distributors. Additionally, the Company's subsidiaries face risk of exposure to product liability claims in the event that its products contain errors, "bugs" or other defects. The Company's subsidiaries do not possess product liability insurance and there can be no assurance that such coverage will be available in the future on commercially reasonable terms, or at all. Any imposition of liability that is not covered by insurance, or is in excess of insurance coverage, if available, or not covered by an indemnification in favour of the Company's subsidiaries could have a material adverse effect on the Company's business, revenues, results of operations and financial condition. Additionally, if a claim in the nature described above was successful against the 888 Group or the Licensors, the 888 Group or the Licensors could be unable to provide all or a portion of the content and services to be provided under the 888 Agreement or the Services and License Agreements, respectively, which could have a material adverse effect on the Company's business, revenues, results of operations and financial condition.

Decay Rates and Declining Popularity of Games

Bookings and revenue from online games tend to decline over time after reaching a peak of popularity and player usage. The speed of this decline is referred to as the decay rate of a game. As a result of this natural decline in the life cycle of the Company's subsidiaries' games, the Company's business depends on the ability of its subsidiaries to consistently and timely launch new games across multiple platforms and devices that achieve significant popularity. The Company's subsidiaries' ability to successfully launch, sustain and expand games largely will depend on their ability to: (i) anticipate and effectively respond to changing game player interests and preferences; (ii) anticipate or respond to changes in the competitive landscape; (iii) develop, sustain and expand games that are fun, interesting and compelling to play; (iv) minimize launch delays and cost overruns on new games; (v) minimize downtime and other technical difficulties; and (vi) acquire high quality assets, personnel and companies. There is a risk that the Company's subsidiaries may not launch any new games according to schedule, or that those games do not attract and retain a significant number of players which would have a negative effect on the Company's business.

In addition to creating popular new games, the Company's subsidiaries must extend the life of their existing games, in particular their most successful games. While it is difficult to predict when bookings from one of their games will begin to decline or the decay rate for any particular game, for a game to remain popular, the Company's subsidiaries must constantly enhance, expand or upgrade the game with new features that players find attractive. There is a risk that they may not be successful in enhancing, expanding or upgrading its current games or any new games in the future. Additionally, if decay rates are higher than expected in a particular quarter and/or the Company's subsidiaries experience delays in the launch of new games that they expect to offset these declines, the Company may not meet its expectations or the expectations of securities analysts or investors for a given quarter.

End-User and B2B Customer Non-Compliance

The Company's subsidiaries have implemented RTG&P to ensure that registrations, deposits and game play emanating from certain jurisdictions are restricted. While the Company's subsidiaries believes their RTG&P are

effective, certain end-users in restricted markets may seek to undermine the Company's subsidiaries' safeguards through the use of unauthorized applications, such as virtual private networks, IP proxy servers, and other technology and software. While the Company's subsidiaries are constantly improving their technologies and procedures to identify this unauthorized behaviour, there is a risk that end-users in restricted markets may defeat the safeguards and restrictive measures and gain access to its products. Should the policies, procedures and safeguards in respect of preventing access from restricted markets be found to be deficient by a government or regulatory authority, the Company's subsidiaries may be subject to investigation, fines, penalties or sanction which may have a negative effect on the Company's operations, business, reputation or financial performance, or jeopardize its existing gaming licenses.

The Company cannot be certain that Dumarca's B2B customers will not provide interactive gaming services to end-users in jurisdictions which prohibit online gambling. The Company cannot guarantee that Dumarca's B2B customers will comply with such restrictions or that Dumarca will be able to identify a B2B customer's operations in restricted jurisdictions in a timely manner. There is a risk that a regulatory body in a restricted jurisdiction in which a B2B customer operates may view that the Company and Dumarca as having infringed the laws or regulations of that jurisdiction on the basis that they aided the B2B customer's infringement by providing products or services to that customer. In such a case, the Company and Dumarca may face investigation, fines, penalties or sanctions that may have a material adverse effect on the Company's operations, business, reputation or financial performance. There is a risk such regulatory action may jeopardize the Company's subsidiaries' existing gambling licenses by virtue of its association with, or provision of products or services to, such B2B customer.

Underage gambling is also an inherent risk associated with the online gaming industry. While the Company's subsidiaries implement procedures to verify a player's age and identity, there is a risk underage players could defeat these measures and access the Company's subsidiaries' real money online gambling products.

Fraud and Money Laundering Detection

Dumarca's AML, fraud detection and risk management processes rely heavily on trained staff to monitor and investigate suspicious transactions, gaming activity or behaviour, and to conduct due diligence investigations. Manual processes are augmented by automatic checks and flagging of risk factors, where appropriate. Were the number of Dumarca's monthly active users or instances requiring manual review to increase substantially, there is a risk that Dumarca may be unable to train or hire an adequate number of qualified staff to effectively administer its AML, fraud detection and risk management policies and procedures.

There is a risk that Dumarca's existing automated AML and fraud detection processes may be insufficiently scalable to cope with significant increases in monthly active users or player activity, and that Dumarca may be unable to source further automated solutions in a timely or cost-effective manner, or that it may fail to effectively integrate such solutions into its existing risk management processes. The failure by Dumarca to maintain effective and compliant AML, fraud detection and risk management processes may have a material adverse effect on the Company's business, operations or financial performance.

Chargebacks

As a result of increased player deposit levels, the Company's subsidiaries are subject to higher exposure to credit card chargebacks, which may also result in possible penalties. A chargeback is a credit card originated deposit transaction to a player account with an operator that is later reversed or repudiated. Credit card chargebacks are deducted from the operator's revenues. Even though security measures are in place, this factor could have a material adverse effect on the Company's business, results of operations and financial condition.

Internet and Electronic Commerce

In addition to regulations pertaining specifically to online gambling, the Company's subsidiaries may become subject to any number of laws and regulations that may be adopted with respect to the Internet and electronic commerce. New laws and regulations that address issues such as user privacy, pricing, online content regulation, taxation, advertising, intellectual property, information security, and the characteristics and quality of online products and

services may be enacted. As well, current laws, which predate or are incompatible with the Internet and electronic commerce, may be applied and enforced in a manner that restricts the electronic commerce market. The application of such pre-existing laws regulating communications or commerce in the context of the Internet and electronic commerce is uncertain. Moreover, it may take years to determine the extent to which existing laws relating to issues such as intellectual property ownership and infringement, libel and personal privacy are applicable to the Internet. The adoption of new laws or regulations relating to the Internet, or particular applications or interpretations of existing laws, could decrease the growth in the use of the Internet, decrease the demand for our products and services, increase our cost of doing business or could otherwise have a material adverse effect on the Company's business, revenues, operating results and financial condition.

Dependence on Payback Ratio

The revenue from certain of the Company's subsidiaries' gaming products depends on the outcome of random number generators built into the gaming software. Payback ratio is measured by dividing the amount of real money won by players by the total real money wagers over a particular period. An increasing payback ratio negatively affects Gross Win as it represents a larger amount of money being won by players. Payback ratio is driven by the overall random number generator outcome, the mechanics of different games and jackpot winnings. Each game has its own random number generating engine, however, generally the payout ratio fluctuates in the short-term based on large wins or jackpots, or a large share of wagers made for higher-payout games.

The payback ratio is set by the Lotteries and Gaming Authority of Malta, and is not controlled by the Company's subsidiaries. As a result, there is a risk the Maltese authorities may make changes to the payback ratio without notifying or consulting the Company's subsidiaries and that such changes may adversely affect the economics of certain of their games and reduce their profitability or competitive viability. To the extent the Company's subsidiaries are unable to adapt to these changing economic circumstances, the long-term viability and profitability of their games may not be certain.

Failure to Realize Anticipated Benefits of Acquisitions

There can be no assurance that the Company will be able to fully realize the expected benefits of its recent acquisitions, including from a margin, accretion and cash flow perspective. The ability to realize the anticipated benefits will depend in part on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as on the ability to realize the anticipated growth, cross-selling opportunities and potential synergies from integrating the acquired businesses within the Company's existing business. This integration will require the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the loss of key employees and the disruption of ongoing business, customer and employee relationships that may adversely affect the Company's ability to achieve the anticipated benefits of its recent acquisitions. In particular, the Jackpotjoy Acquisition represented a significant increase in the size and scope of the Company's operations. There is no assurance that the Company will be able to effectively manage its business upon completion of the Jackpotjoy Acquisition, as a result of any of, but not limited to, increased management responsibilities, increased costs of doing business, increased regulatory oversight, operating in additional jurisdictions and managing additional partner or supplier relationships. The failure to manage an entity much greater in size and scope than the Company's current operations may adversely affect the Company's ability to achieve the anticipated benefits of the Jackpotjoy Acquisition and have a material adverse effect on the Company's business in the future. There is a risk that some or all of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by the Company. The realization of such benefits may be affected by a number of factors, many of which are beyond the control of the Company.

Potential Undisclosed Liabilities Associated with Acquisitions

Although the Company has conducted what it believes to be a prudent and thorough level of investigation in connection with its recent acquisitions, an unavoidable level of risk exists that there may be liabilities and contingencies that management did not discover in its due diligence, and the Company may not be indemnified for some or all of these liabilities and contingencies. While the Company has no reason to believe that the information provided by the applicable vendors in response to the Company's due diligence investigations is misleading, untrue or

incomplete, it does not assume any responsibility for the accuracy or completeness of such information or the failure by the applicable vendors to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to the Company. The discovery of any material liabilities or contingencies could have a material adverse effect on the Company's business, financial condition and results of operations.

No Retention of Sale Proceeds

No portion of the Initial Consideration was held back, sequestered in a retention account, placed in escrow, or otherwise segregated as a reserve to satisfy potential warranty or other contractual claims made by the Company against Gamesys. There is a risk that Gamesys could dispose of all or substantially all of the Initial Consideration or its assets, or shield the Initial Consideration or its assets from efforts by the Company to recover against them for damages. There is no assurance that Gamesys will have sufficient assets available in the future to compensate the Company for damages it may incur in connection with a breach of contractual warranties or undertakings by Gamesys in the Jackpotjoy Agreement, the Operating Agreements, or any other agreement entered into in connection with the Jackpotjoy Acquisition. While the Company has a limited right of set-off against the Earn-Out Payments under the Jackpotjoy Agreement, the Company cannot rely on this right as an avenue for recourse until Gamesys has achieved Earn-Out Payments under the terms of the Jackpotjoy Agreement. There is no guarantee that, nor can the Company predict whether, Gamesys will achieve Earn-Out Payments under the Jackpotjoy Agreement in the future.

Spanish Purchase Option

Pursuant to the Jackpotjoy Acquisition, the Company was granted an option by Gamesys Gibraltar to purchase the entire issued share capital of Gamesys Spain, which is a subsidiary of Gamesys Gibraltar, and will be responsible for operating the Spanish-facing Botemania brand (the "**Spanish Purchase Option**"). It is intended that this option would only be exercisable in the event that the Gamesys Group were to cease conducting the Real Money Operations in respect of the Botemania brand. The Spanish Purchase Option cannot be exercised by the Company until the end of the Earn-Out Period, except in limited circumstances. The Company believes that exercising the Spanish Purchase Option in those circumstances would minimize any disruption in the provision of gambling services to the Botemania player base, and facilitate the process by which responsibility for those gambling services would be transitioned from the Gamesys Group to Intertain. Both the Company and Gamesys Gibraltar are required to negotiate in good faith the terms upon which the Spanish Purchase Option will be exercised and effected; however, there is a risk that the parties will be unable to successfully negotiate mutually agreeable terms or that the terms of exercise agreed upon may fail to reflect the original intentions of the parties. There exists a further risk that changes to Spanish laws, regulations, taxation policy or rules, or business or operating conditions, may frustrate the purpose or effect of the Spanish Purchase Option intended by the parties. If there is any disruption in the process by which the Botemania player base is transitioned from the operational control of the Gamesys Group to the operational control of the Intertain group, then this may have a material adverse effect on the operations, business or financial performance of the Company.

Substitute Platform

Under the terms of the Jackpotjoy Acquisition, Gamesys did not transfer to the Company certain key operating assets, such as marketing algorithms, game platforms and certain underlying technology infrastructure (the "**Operating Platforms**"). The Company may decide in the future to develop and build its own Operating Platforms to replace those currently owned and used by Gamesys in connection with the Jackpotjoy Brands. There is a risk that the Company may be unsuccessful in developing adequate replacement Operating Platforms, may fail to develop replacement Operating Platforms in a timely and cost-effective manner, or that the replacement Operating Platforms developed by the Company may be inferior to those provided by Gamesys. The failure by the Company to develop effective substitute Operating Platforms may have a material adverse effect on the Company's operations, business or financial performance, and the future viability of the Jackpotjoy Business.

Attraction and Retention of Highly Profitable Players

A portion of revenues from the Jackpotjoy Business depend on players who individually contribute a comparatively high level of bets and revenues as compared to other classes of players. The success and profitability of the Jackpotjoy Business is dependent on attracting and retaining these players. To the extent the Company is unable to

attract or retain such players, the profitability of the Jackpotjoy Business may suffer and the overall profitability and quality of the Jackpotjoy Business' player base may suffer.

Decreasing Brand Awareness and Dependence on Endorsement Relationships

Customer acquisition and retention will depend upon the effectiveness of future marketing activities. JPJ UK marketing campaigns have made use of celebrity endorsements to raise brand awareness and attract players. English actress Barbara Windsor has been a central feature of Gamesys' award-winning "Queen of Bingo" advertising campaign. Ms. Windsor's current contract with the Gamesys Group expires in 2016, with an option to extend for another year. Were Ms. Windsor's services to become unavailable, or unavailable on substantially the same terms, the Company may experience a disruption in the effectiveness of its brand awareness and marketing efforts. There is a further risk that any replacement spokesperson or substitute advertising campaign may fail to replicate the prior success of the "Queen of Bingo" campaign, which may result in ineffective or inefficient marketing activity, and associated wasted costs or missed opportunities.

In addition to Ms. Windsor, the Company may seek the services of other spokespersons for use in the Company's marketing, advertising or brand development efforts. Actions taken by such persons that harm their individual reputations may also harm the Company's brand image with consumers and could, among other things, have an adverse effect on the Company's revenues, reputation and financial performance.

Social Gaming Assets' Distribution Channels and Platform Providers

The Social Gaming Operators currently make use of social media platforms, such as Facebook, among others, to distribute, market, promote, and operate as a payment platform for, social games. To date, the Social Gaming Operators have derived a significant portion of their bookings and revenue and acquired a significant number of their players through social media platforms. Generally, the Social Gaming Operators are subject to the applicable social media platform's standard terms and conditions governing promotion and distribution between the Social Gaming Operators and the operation of the Social Gaming Assets on the social media platform. These standard terms and conditions are subject to change in the platform operator's discretion at any time. If any such change is detrimental to the Social Gaming Assets, the business of the Social Gaming Operators would be harmed and their operating results would be adversely affected.

In addition to unfavourable changes to a platform's terms and conditions, each Social Gaming Operator's business may be harmed if, among other things, the platform operator: (i) discontinues or limits the Social Gaming Operator's access to or use of the platform; (ii) terminates or seeks to terminate a contractual relationship relating to the Social Gaming Assets; (iii) changes how the personal information of platform users is made available to application developers or how it is shared by platform users themselves; (iv) establishes more favourable relationships with one or more of the Social Gaming Operator's competitors; or (v) develops its own competitive offerings in the social gaming market.

The Social Gaming Operators have benefitted from the strong brand recognition and large user base of certain social media platforms, such as Facebook. If such social media platforms lose their market position or otherwise fall out of favour with Internet users or other factors cause the platform's user base to either stop growing or to shrink, the Social Gaming Operators would need to identify alternative channels for marketing, promoting and distributing the Social Gaming Assets, which would consume substantial resources and may not be effective or available at all.

Social Gaming Revenue Reporting

Changes in the policies of any third party social media platforms or accounting policies promulgated by securities regulators or accounting standards bodies affecting software and virtual goods revenue recognition could significantly affect the way the Social Gaming Operators report revenue related to the Social Gaming Assets. Such changes could have an adverse effect on the Social Gaming Operators' reported revenue, net income and earnings per share under IFRS.

Social Gaming Industry Developments

Given the rapidly evolving social gaming industry in which the Social Gaming Operators operate, the Social Gaming Operators' historical operating results may not be useful in predicting future operating results. In addition, metrics developed by the Social Gaming Operators or that are available from third parties regarding the social gaming industry and the performance of the Social Gaming Assets may not be indicative of such assets' actual financial performance.

The growth of the social gaming industry and the level of demand and market acceptance of the Social Gaming Assets are also subject to a high degree of uncertainty. In addition to factors affecting online gaming in general, the future operating results of the Social Gaming Operators will depend on certain factors specific to the Social Gaming industry, many of which are beyond their control, including the continued worldwide growth in the adoption and use of social networks and the ability of the Social Gaming Operators to effectively monetize games on mobile devices and across multiple platforms and devices. The growth of the social gaming industry may result in increased governmental awareness in a wide range of jurisdictions and a corresponding heightened potential for regulation similar to online gambling regulatory schemes. Depending on the nature of such regulation, the regulation of social gaming could have a negative effect on the Company, its business, operations and financial performance.

Unauthorized or Fraudulent Virtual Goods and "Cheating" Programs

The virtual goods available in the Social Gaming Assets have no monetary value outside of such games. Nonetheless, some of the players of the Social Gaming Assets may make sales and/or purchases of these virtual goods through unauthorized third-party sellers in exchange for real currency. These unauthorized or fraudulent transactions are usually arranged on a third-party website and the virtual goods offered may have been obtained through vulnerabilities in the Social Gaming Assets, credit card fraud, or from defrauding the players of the Social Gaming Assets with fake offers, virtual goods or other game benefits. Additionally, unrelated third-parties have developed, and may continue to develop "cheating" programs that enable players to exploit vulnerabilities in the Social Gaming Assets, play them in an automated way, or obtain unfair advantages over other players who play fairly. These programs harm the experience of players who play fairly and may disrupt the virtual economies of the Social Gaming Assets. The Social Gaming Operators devote significant resources to discovering and disabling these programs and activities, and if the Social Gaming Operators are unable to do so quickly, operations may be disrupted, the reputation of the Social Gaming Assets, the Social Gaming Operators, or the Company may be damaged and players may stop playing the Social Gaming Assets. This may lead to lost revenue from paying players, increased cost of developing technological measures to combat these programs and activities, legal claims relating to the diminution in value of the Social Gaming Assets' virtual goods, and increased customer service costs needed to respond to dissatisfied players.

Dependence of Virtual Good Value

Paying players purchase virtual goods in the Social Gaming Assets because of the perceived value of these goods, with such value being largely dependent upon the relative ease of securing an equivalent good via non-paid means within the game. The perceived value of these virtual goods can be impacted by a social media platform through which the Social Gaming Assets are distributed offering free or discounted credits, local currency-based payments and/or other incentives to the Social Gaming Assets' players or by various actions that the Social Gaming Operators take in the Social Gaming Assets, including offering discounts and promotional giveaways of virtual goods or providing easier non-paid means of securing these goods. If a Social Gaming Operator fails to manage its virtual economies properly, players may be less likely to purchase virtual goods and the Social Gaming Operator's business may suffer.

Reliance on Small Portion of Paying Players

Compared to all players who play the Social Gaming Assets in any period, only a small portion are paying players. The Social Gaming Operators lose players, including paying players, in the ordinary course of business and therefore, in order to sustain revenue levels, the Social Gaming Operators must attract and retain the number of paying players or more effectively monetize existing players. If the Social Gaming Operators fail to grow their paying player base, or if the rate at which the Social Gaming Assets attract and retain paying players declines or if the average amount paid

by such players declines, the business of the Social Gaming Operators may not grow and their financial results will suffer.

DIVIDENDS AND DISTRIBUTIONS

During the year end December 31, 2014, the Company declared a cash dividend of \$0.0317 per Common Share. No dividends were paid during the year end December 31, 2013 and December 31, 2015. Other than the foregoing, since inception, the Company has not declared nor paid any dividends on its Common Shares. The Company has no restrictions on paying dividends. The Board will determine if and when dividends should be declared and paid in the future based upon the Company's financial position at the relevant time. Holders of Common Shares are entitled to an equal share in any dividends declared and paid

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Common Shares, and as at March 29, 2016, 70,567,286 Common Shares were issued and outstanding as fully paid and non-assessable. In addition, 2,863,776 Common Shares are reserved for issuance pursuant to stock options, and 2,828,166 Common Shares are reserved for issuance pursuant to the potential conversion of Convertible Debentures.

The holders of Common Shares are entitled to dividends, if, as and when declared by the Board, to one vote per share at meetings of the shareholders of the Company and, upon liquidation, dissolution or winding-up of the Company to receive such assets of the Company as are distributable to the holders of Common Shares.

MARKET FOR SECURITIES

The following table summarizes the trading history of the Common Shares on the TSX during the year ended December 31, 2015:

Date	High (\$)	Low (\$)	Monthly Trading Volume
December, 2015	14.50	6.76	16,449,286
November, 2015	15.25	12.83	8,639,007
October, 2015	15.14	11.61	10,711,584
September, 2015	12.31	10.35	12,030,711
August, 2015	18.20	10.56	13,366,922
July, 2015	18.61	16.48	5,627,883
June, 2015	20.09	16.34	11,834,324
May, 2015	19.52	15.19	14,214,669
April, 2015	18.09	14.70	6,854,325
March, 2015	17.39	14.60	7,488,165
February, 2015	17.60	15.00	11,780,477
January, 2015	17.27	11.15	8,932,690

The chart below provides the trading history of the Convertible Debentures on the TSX during the year ended December 31, 2015:

Date	High (\$)	Low (\$)	Monthly Trading Volume
December, 2015	200.00	178.00	18,000
November, 2015	246.95	246.95	7,000
October, 2015	N/A	N/A	N/A
September, 2015	195.00	195.00	8,000
August, 2015	260.00	220.00	30,000
July, 2015	N/A	N/A	N/A
June, 2015	332.73	290.00	29,000

Date	High (\$)	Low (\$)	Monthly Trading Volume
May, 2015	317.09	295.27	191,000
April, 2015	296.83	245.00	218,000
March, 2015	289.01	261.40	37,000
February, 2015	271.01	271.01	10,000
January, 2015	280.00	250.00	23,000

PRIOR SALES

During the year ended December 31, 2015, Intertain issued the following Common Shares and securities convertible into Common Shares:

Date of Issue	Number of Securities Issued	Issue Price	Reason for Issuance
January 14, 2015	12,500	\$5.00	Exercise of Replacement Warrants
January 30, 2015	10,700	\$4.00	Exercise of stock options
February 10, 2015	37,000	\$5.00	Exercise of Replacement Warrants
February 11, 2015	24,050	\$5.00	Exercise of Replacement Warrants
February 12, 2015	66,666	\$6.00	Conversion of Convertible Debentures
February 26, 2015	32,200,000	\$15.00	Issuance of February 2015 Subscription Receipts
February 26, 2015	4,255	\$5.00	Exercise of Replacement Warrants
March 3, 2015	15,625	\$5.00	Exercise of Replacement Warrants
April 7, 2015	236	\$5.00	Exercise of Replacement Warrants
April 8, 2015	32,200,000	-	Conversion of February 2015 Subscription Receipts
April 8, 2015	7,361,365	-	Issuance of Consideration Shares in connection with the Jackpotjoy Acquisition
April 28, 2015	1,625	\$5.00	Exercise of Replacement Warrants
April 29, 2015	5,000	\$6.00	Conversion of Convertible Debentures
May 14, 2015	50	\$5.00	Exercise of Replacement Warrants
May 15, 2015	1,666	\$6.00	Conversion of Convertible Debentures
October 14, 2015	2,500	\$5.00	Exercise of Replacement Warrants
October 29, 2015	1,125	\$5.00	Exercise of Replacement Warrants
October 30, 2015	13,750	\$5.00	Exercise of Replacement Warrants
November 3, 2015	5,000	\$5.00	Exercise of Replacement Warrants
November 5, 2015	2,500	\$5.00	Exercise of Replacement Warrants
November 17, 2015	2,055	\$5.00	Exercise of Replacement Warrants
November 19, 2015	1,625	\$5.00	Exercise of Replacement Warrants
November 20, 2015	625	\$5.00	Exercise of Replacement Warrants
November 24, 2015	1,000	\$5.00	Exercise of Replacement Warrants
November 25, 2015	3,319	\$5.00	Exercise of Replacement Warrants
December 3, 2015	2,895	\$5.00	Exercise of Replacement Warrants
December 7, 2015	3,030	\$5.00	Exercise of Replacement Warrants
December 8, 2015	2,375	\$5.00	Exercise of Replacement Warrants
December 9, 2015	23,125	\$5.00	Exercise of Replacement Warrants
December 10, 2015	12,500	\$5.00	Exercise of Replacement Warrants
December 10, 2015	6,465	\$5.00	Exercise of Replacement Warrants
December 10, 2015	50,000	\$5.00	Exercise of Replacement Warrants
December 10, 2015	6,250	\$5.00	Exercise of Replacement Warrants
December 11, 2015	10,605	\$5.00	Exercise of Replacement Warrants
December 14, 2015	15,624	\$5.00	Exercise of Replacement Warrants
December 15, 2015	6,000	\$5.00	Exercise of Replacement Warrants

Date of Issue	Number of Securities Issued	Issue Price	Reason for Issuance
December 16, 2015	202,906	\$5.00	Exercise of Replacement Warrants
December 18, 2015	6,250	\$5.00	Exercise of Replacement Warrants
December 21, 2015	35	\$5.00	Exercise of Replacement Warrants
December 22, 2015	81,125	\$5.00	Exercise of Replacement Warrants
December 24, 2015	141,603	\$5.00	Exercise of Replacement Warrants
December 31, 2015	40,625	\$5.00	Exercise of Replacement Warrants

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The Company does not currently have any Common Shares or other securities subject to an escrow agreement.

Lock-Up Agreements

In connection with the Jackpotjoy Acquisition, the Company issued consideration shares to Gamesys, which Gamesys has since distributed to the shareholders of its holding company. Recipients of such consideration shares were required to enter into lock-up agreements with the Company, whereby such recipients agreed to refrain from selling or otherwise disposing of their consideration shares (subject to certain exceptions) for a period of two years following the Jackpotjoy Closing Date, in the case of Noel Hayden, principal shareholder, founder and Managing Director of Gamesys, and one year following the Jackpotjoy Closing Date, in respect of all other recipients (each such period, a “**Lock-up Period**”). At the conclusion of the applicable Lock-up Period, holders of the consideration shares will be free to sell or transfer such shares.

In connection with the Dumarca Acquisition, the Company issued consideration shares to certain shareholders of Dumarca. Recipients of certain consideration shares were required to enter into lock-up agreements with the Company, whereby such recipients agreed, subject to certain exceptions and until December 23, 2016, to only sell or otherwise dispose of their consideration shares through the Company’s brokers (with the consideration shares to be sold in connection with such disposition in any one day not exceeding 20% of the number of Common Shares traded during such day). After December 23, 2016, such holders will be free to sell or transfer their consideration shares.

DIRECTORS AND OFFICERS

The following table sets out the directors and executive officers of the Company, and the respective number and percentage of Common Shares beneficially owned by such directors or executive officers:

Name and Place of Residence	Position with Company ⁽¹⁾	Number of Common Shares Beneficially Owned, Directly or Indirectly ⁽²⁾	Percentage of Common Shares Beneficially Owned, Directly or Indirectly ⁽²⁾
John Kennedy FitzGerald Ontario, Canada	President, Chief Executive Officer and Director	1,040,817	1.47%
Keith Laslop New Providence, Bahamas	Chief Financial Officer	738,606	1.05%
Robert Bressler Ontario, Canada	Vice-President, Finance and Corporate Controller	11,775	0.02%
David Danziger ⁽³⁾⁽⁴⁾ Ontario, Canada	Chairman of the Board	36,875	0.05%
Brent Choi ⁽⁴⁾⁽⁵⁾ Ontario,	Director	27,458	0.04%

Name and Place of Residence	Position with Company⁽¹⁾	Number of Common Shares Beneficially Owned, Directly or Indirectly⁽²⁾	Percentage of Common Shares Beneficially Owned, Directly or Indirectly⁽²⁾
Canada			
John Fielding ⁽³⁾⁽⁴⁾ Ontario, Canada	Director	910,000	1.29%
Noel Hayden London, England	Director	2,427,708	3.44%
Paul Pathak ⁽⁵⁾ Ontario, Canada	Director	25,875	0.04%
Jim Ryan ⁽³⁾ Ontario, Canada	Director	Nil	0.00%
Total		5,219,114	7.40%

Notes:

- (1) Directors stand for re-election annually. The directors of the Company will serve until the end of the next annual meeting of shareholders of the Company. Messrs. FitzGerald, Choi and Fielding have been directors of the Company since February 7, 2014. Messrs. Danziger and Pathak have been directors of the Company since November 26, 2010. Mr. Hayden has been a director of the Company since April 8, 2015. Mr. Ryan has been a director of the Company since March 9, 2016.
- (2) The information as to Common Shares beneficially owned, or over which control or direction is exercised, directly or indirectly, is based upon information available on the System for Electronic Disclosure for Insiders, as at March 29, 2016.
- (3) Audit Committee member.
- (4) Compensation and Nominating Committee member.
- (5) Corporate Governance Committee member.

John Kennedy FitzGerald – President, Chief Executive Officer and Director

Mr. FitzGerald is the President and Chief Executive Officer of the Company. Prior to founding Intertain, Mr. FitzGerald was the Chief Executive Officer and Director of the Interactive Gaming Council (IGC), an industry association that advocates for the regulation of the online gaming industry globally. He also co-founded Ethoca and Virgin Gaming (now World Gaming Ltd). From 2002 to 2005, Mr. FitzGerald acted as General Counsel for CryptoLogic Inc. (then listed on the TSX, NASDAQ, and the main board of the London Stock Exchange), where he was responsible for corporate governance and compliance.

Keith Laslop – Chief Financial Officer

Mr. Laslop is the Chief Financial Officer of the Company. Prior to that, Mr. Laslop served as principal of Newcourt Capital, a boutique private equity group. From 2004 to 2008, Mr. Laslop served as the Chief Financial Officer, then President of Prolexic Technologies, Inc., the world's largest Distributed Denial of Service (DDoS) mitigation provider. From 2001 to 2004, he served as the Chief Financial Officer and Business Development Director of Elixir Studios Ltd. ("Elixir"), a London-based video gaming software developer. Prior to Elixir, Mr. Laslop served in various corporate development, mergers and acquisitions, and gaming consultant roles in London, England and Toronto, Canada. Mr. Laslop is a Chartered Accountant and holds the Chartered Financial Analyst (CFA) accreditation.

Robert Bressler – Vice-President, Finance and Corporate Controller

Mr. Bressler is the Vice-President, Finance and Corporate Controller of the Company. From 2004 to 2013, Mr. Bressler held senior auditing positions at Ernst and Young LLP, and has extensive accounting and auditing experience with public international corporations and asset management companies. Mr. Bressler is a Chartered Public Accountant.

David Danziger – Chairman of the Board

Mr. Danziger is a Chartered Accountant and the Senior Vice President of Assurance Services at MNP LLP, Chartered

Professional Accountants, a full service audit and accounting firm. He also leads the firm's Public Markets practice. Mr. Danziger is experienced in management consulting and business advisory services. He was Chief Executive Officer and a director of Aumento Capital Corporation (now Annidis Corporation), a capital pool company that completed its qualifying transaction in June 2011, Aumento Capital III Corporation (now Exo U Inc.), a capital pool company that completed its qualifying transaction in June 2013 and Aumento Capital IV Corporation (now GreenSpace Brands Inc.), a capital pool company that completed its qualifying transaction in April 2015. He is currently a director of Eurotin Inc. (TSXV), Carpathian Gold Inc. (CSE), Marengo Mining Inc. (TSX) and Poydras Gaming Finance Inc. (TSXV). He graduated with a B.Comm from the University of Toronto in 1978 and was designated a Chartered Accountant in 1983.

Brent Choi – Director

Mr. Choi is Chief Creative Officer of J. Walter Thompson New York & Canada, a multinational integrated marketing solutions company. From 2009 to 2013, he was the Chief Creative Officer of Cundari, one of Canada's largest independent advertising agencies. His work has led to multiple Cannes Lions (including two golds), D&AD pencils, Clios and named AdAge's Top 5 ads of the year. Mr. Choi's work has also been featured in publications such as Mashable, Forbes, Fast Company, CNN and Sports Illustrated. Mr. Choi has been a speaker at Facebook and Google, and he was one of only eleven worldwide winners of the inaugural Fast Company Innovation by Design Award.

Noel Hayden – Director

Mr. Hayden founded the Gamesys Group in 2001. The organization created the Jackpotjoy online gaming site, which has become one of the most popular and successful gaming brands in the UK. Under Mr. Hayden's tenure as Chief Executive Officer, Gamesys has continually been recognized for innovation, technical excellence and its unique focus on player and community features.

John Fielding – Director

Mr. Fielding co-founded IDMD Design and Manufacturing in 1981, an award-winning retail merchandising company. In 2000, Mr. Fielding and his co-founder sold IDMD; however, Mr. Fielding remained as a consultant and shareholder with what is now known as Array Marketing, and he currently serves on its board of directors. Mr. Fielding is also a director of Woodbine Entertainment Group, a leading horse racing and entertainment organization. He is also Chairman of the Board of Directors and a founding shareholder of Ethoca Technologies, an e-commerce fraud solutions provider. Mr. Fielding is also a principal of the following companies: StudentHouses.ca, a large holder of student residences; Amsterdam Brewing, a microbrewery based in Toronto, Canada, along with the New Amsterdam Brew Pub in Toronto; NovaCore Communities, a full service contaminated land remediation company and home builder; and John Fielding Horses, an active standard bred horse racing operation and a global thoroughbred commercial breeding enterprise.

Paul Pathak – Director

Mr. Pathak has been a partner of Chitiz Pathak LLP since 1996, a Toronto law firm serving clients in the securities and investment industries. Mr. Pathak practices principally in the areas of corporate, securities, mergers, acquisitions and commercial law. Mr. Pathak has acted for issuers in a broad range of securities transactions, including initial public offerings, reverse take-overs, establishment of capital pool companies, going-private transactions and numerous financing structures. Mr. Pathak has served as a member of the Board of Directors of several private and public companies listed on both Canadian and American stock exchanges including, Aumento Capital Corporation (now Annidis Corporation), a capital pool company that completed its qualifying transaction in June 2011 and Aumento Capital III Corporation (now Exo U Inc.), a capital pool company that completed its qualifying transaction in June 2013. Mr. Pathak was called to the Ontario Bar in 1994, having completed his LL.B. at Osgoode Hall Law School in 1992.

Jim Ryan – Director

Mr. Ryan is currently Chief Executive Officer of Pala Interactive, LLC and brings extensive experience in the online gaming industry, having previously served as Co-Chief Executive Officer of bwin.party digital entertainment plc and as Chief Executive Officer of PartyGaming plc. Mr. Ryan also sits on the boards of Gaming Realms plc and Duke Royalty plc. Mr. Ryan obtained professional qualifications as a Chartered Accountant from the Canadian Institute of Chartered Accountants and a degree in business from the Goodman School of Business at Brock University.

Corporate Cease Trade Orders or Bankruptcies

On September 26, 2005, the Ontario Securities Commission (the “OSC”) issued a management cease trade order against Fareport Capital Inc. (“**Fareport Capital**”) in connection with Fareport Capital’s failure to file its interim and annual financial statements and related management’s discussion and analysis. The management cease trade order was allowed to expire on May 29, 2007. Mr. Danziger served as a director of Fareport Capital from February 2004 to June 2006.

On April 16, 2014, the OSC issued a management cease trade order against Carpathian Gold Inc. (“**Carpathian**”) in connection with Carpathian’s failure to file its annual financial statements and related management’s discussion and analysis. The management cease trade order was lifted on June 19, 2014, following the filing of the required continuous disclosure documents. During the period of the management cease trade order, Mr. Danziger was a director of Carpathian.

Mr. Danziger was appointed director of American Apparel, Inc. (“**American Apparel**”), a company listed on the NYSE MKT LLC exchange, on July 11, 2011 and resigned as director on June 14, 2015. Subsequently, on October 5, 2015, American Apparel announced that it had reached an agreement with its lenders to significantly reduce its debt and interest payments through a consensual pre-arranged reorganization under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Delaware. On October 6, 2015, NYSE Regulation, Inc. suspended trading and commenced proceedings to delist American Apparel’s common stock from NYSE MKT LLC. The Chapter 11 reorganization was approved by the Court in January 2016.

Other than as set out above, to the knowledge of the Company, as at the date of this AIF and within the ten years before the date of this AIF, no director or executive officer of the Company is or has been a director, chief executive officer or chief financial officer of any person or Company (including the Company), that while that person was acting in that capacity:

- (a) was subject of a cease trade order or similar order or an order that denied the relevant person or Company access to any exemptions under securities legislation (an “**order**”), for a period of more than 30 consecutive days; or
- (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Other than as set out above, to the knowledge of the Company, as at the date of this AIF and within the ten years before the date of this AIF, no director or executive officer of the Company or securityholder anticipated to hold a sufficient number of securities of the Company to affect materially its control:

- (a) is, or has been within the ten years before the date of this AIF, a director or executive officer of any Company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings,

arrangement, or compromise with creditors or had a receiver manager or trustee appointed to hold the assets of that individual.

Penalties or Sanctions

To the knowledge of the Company, no director or executive officer of the Company or securityholder anticipated to hold a sufficient number of securities of the Company to affect materially its control, has:

- (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the knowledge of the Company, no director, officer of the Company or a subsidiary of the Company has any existing or potential material conflicts of interests with the Company. However, certain of such directors and officers may become directors or officers of other companies with businesses that may conflict with the Company's business. Accordingly, conflicts of interest may arise which could influence these individuals in generally acting on behalf of the Company.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No person who is, or who has been, a director, executive officer or employee of the Company or any associate of any of the aforementioned, is or has been indebted to the Company, or any of its subsidiaries or to any entity which has been provided a guarantee, support agreement, letter of credit or similar arrangement by the Company at any time before the date of this AIF.

AUDIT COMMITTEE

Audit Committee Charter

The Board has adopted the Audit Committee charter, a copy of which is attached hereto as Schedule "A".

Composition

The Audit Committee of the Company is currently composed of David Danziger, John Fielding and Jim Ryan. During the year ended December 31, 2015, the Audit Committee, which was composed of Mr. Danziger, Stan Dunford, Mr. Fielding, and Mark Redmond, held total of six meetings.

Independence

National Instrument 52-110 *Audit Committees*, ("NI 52-110") provides that a member of an Audit Committee is "independent" if the member has no direct or indirect material relationship with the issuer, which could, in the view of the issuer's board of directors, reasonably interfere with the exercise of the member's independent judgment. Messrs. Fielding and Ryan are independent within the meaning of NI 52-110. See "– Reliance on Certain Exemptions".

Relevant Education and Experience

The Company considers each member of its Audit Committee to be financially literate as defined by NI 52-110 by reason of having the ability to read and understand a set of financial statements that present a breadth and level of

complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

The members of the Audit Committee and their relevant education and experience are set forth below:

- **David Danziger.** Mr. Danziger is a Chartered Accountant with over 29 years of experience in audit, accounting and management consulting. He is currently the Senior Vice President of Assurance Services at MNP LLP, Chartered Accountants, Chairman of the Board of Intertain, and a director of Eurotin Inc., Carpathian, Marengo Mining Inc. and Poydras Gaming Finance Inc. Mr. Danziger has served as both a member and chairman on numerous audit committees of companies listed on each of the TSX, the TSXV and the Canadian Securities Exchange. He also serves as audit partner for many public companies and regularly presents to audit committees on all exchanges.
- **John Fielding.** Mr. Fielding's financial literacy comes from a wealth of experience acting in various senior management and board positions with multiple companies. He is currently a director of Woodbine Entertainment Group, Chairman of the Board of Directors and a founding shareholder of Ethoca Technologies, and is involved in principal roles at StudentHouses.ca, Amsterdam Brewing, NovaCare Communities and John Fielding Horses.
- **Jim Ryan.** Mr. Ryan is currently Chief Executive Officer of Pala Interactive, LLC and brings extensive experience in the online gaming industry, having previously served as Co-Chief Executive Officer of bwin.party digital entertainment plc and as Chief Executive Officer of PartyGaming plc. Mr. Ryan also sits on the boards of Gaming Realms plc and Duke Royalty plc. Mr. Ryan obtained professional qualifications as a Chartered Accountant from the Canadian Institute of Chartered Accountants and a degree in business from the Goodman School of Business at Brock University.

Reliance on Certain Exemptions

Since June 2015, David Danziger has been a member of the Company's Audit Committee. Mr. Danziger was the President of the Company prior to the QT Closing on February 11, 2014 and, as such, may be deemed not to be independent pursuant to NI 52-110. The Company has relied on the exemption from the independence requirements under section 3.6 of NI 52-110, on the basis that the Board has determined in its reasonable judgement that Mr. Danziger is able to exercise the impartial judgement necessary to fulfill his responsibilities as an Audit Committee member and that his appointment to the Audit Committee is in the best interests of the Corporation and its shareholders.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, the Audit Committee of the Company has not made any recommendations to nominate or compensate an external auditor which were not adopted by the Board.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted any specific policies and procedures for the engagement of non-audit services.

Audit Fees

In 2013, the Company changed auditors from MNP LLP, Chartered Professional Accountants ("MNP") to Collins Barrow Toronto LLP, Chartered Accountants ("Collins Barrow") on June 21, 2013. In 2014, the Company changed auditors from Collins Barrow to Grant Thornton, Chartered Accountants ("Grant Thornton") on June 16, 2014, and again from Grant Thornton to BDO LLP, Chartered Accountants ("BDO") on October 15, 2014. Ernst & Young Malta Limited, Certified Public Accountants ("Ernst and Young") were the auditor of Dumarca and performed the audit in respect of the audited consolidated annual financial statements of Dumarca as at and for the year ended December 31, 2013.

The following table sets forth the fees paid by the Corporation and its subsidiaries to MNP, Collins Barrow, Grant Thornton, BDO and Ernst and Young, for services rendered during the fiscal years ended 2014 and 2015:

	2015 (\$)	2014 (\$)	Description of Nature of Services
Audit fees			
Collins Barrow	Nil	66,342	Audit services
Grant Thornton	Nil	45,882	Audit services related to the WagerLogic Acquisition
BDO	248,815	47,216	Audit services related to the Company and its subsidiaries
Audit-related fees			
MNP	6,763	Nil	Comfort and consent procedures
Collins Barrow	Nil	13,286	Comfort and consent procedures
Grant Thornton	17,112	57,121	Comfort and consent procedures
BDO	339,870	40,637	Quarterly review services
Tax fees			
BDO	2,093	3,161	Tax administration services
All other fees			
BDO	806,223	89,944	Due diligence and tax advisory services
Ernst and Young	135,761	Nil	Accounting advisory services
PricewaterhouseCoopers LLP	93,599	Nil	Tax advisory services
Total	1,650,236	363,589	

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no material pending legal proceedings or regulatory actions to which the either the Company, is, or, so far as management of the Company is aware, is likely to be, a party.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

John Kennedy FitzGerald and Keith Laslop were directors, officers and shareholders of Goldstar. See “General Development of the Business – QT Transactions (including the WagerLogic Acquisition) and Related Financings”. Noel Hayden is a founding shareholder and executive chairman of Gamesys. See “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities” and “Business of the Company – Operations – Jackpotjoy – Operating Agreements”. Other than the foregoing, no director, executive officer or securityholder that owns, controls or directs, directly or indirectly, more than 10% of any class or series of outstanding voting securities of the Company, or associate or affiliate of such person, has or had any material interest, direct or indirect, in any transaction within the three most recently completed years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Company is CST Trust Company, 320 Bay Street, 3rd Floor, Toronto, Ontario, M5H 4A6.

MATERIAL CONTRACTS

As of the date hereof, the Company and its subsidiaries are parties to the following material contracts:

1. Credit Facilities. See “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – Credit Facilities”.
2. Jackpotjoy Agreement. See “General Development of the Business – The Jackpotjoy Acquisition, Related Financing and Credit Facilities – The Jackpotjoy Agreement”.
3. Real Money Gaming Operating Agreement. See “Business of the Company – Operations – Jackpotjoy – Operating Agreements”.
4. Social Gaming Operating Agreement. See “Business of the Company – Operations – Jackpotjoy – Operating Agreements”.
5. Dumarca Agreements. See “General Development of the Business – The Dumarca Acquisition”.
6. Convertible Debenture Indenture. See “General Development of the Business – QT Transactions (including the WagerLogic Acquisition) and Related Financings”.

EXPERTS

The audited financial statements of the Company filed pursuant to National Instrument 51-102- *Continuous Disclosure Obligations* (“**NI 51-102**”) during 2015 were passed upon on behalf of the Company by BDO LLP, Chartered Accountants. As of the date of this AIF, the partners and associates of BDO LLP, Chartered Accountants, as a group, beneficially own, directly or indirectly, no Common Shares.

ADDITIONAL INFORMATION

Additional information relating to the Company is available under the Company’s profile on SEDAR at www.sedar.com.

Additional financial information is provided in the Company’s annual consolidated financial statements for the year ended December 31, 2015 and related MD&A. Intertain’s Audit Committee charter is appended to this AIF as Schedule “A”.

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities and securities authorized for issuance under equity compensation plans is contained in the Company’s management proxy circular dated May 20, 2015, a copy of which has been filed with Canadian securities authorities and is available under the Company’s profile on SEDAR at www.sedar.com.

Schedule “A”

AUDIT COMMITTEE CHARTER

THE INTERTAIN GROUP LIMITED (the “Company”)

Primary Objective

The primary objective of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities to: (i) review financial reports and financial information provided to any regulatory authority or provided for release to the public and the Company’s shareholders; (ii) review the Company’s disclosure control systems; (iii) review the Company’s internal control systems with respect to finance, accounting and legal compliance; and (iv) review the Company’s accounting and financial reporting processes.

Composition

The Committee shall be composed of not less than three (3) directors, all of whom shall be independent and ‘unrelated’, as determined by the Board of Directors in accordance with applicable legislation and any requirements of such exchanges on which the securities of the Company are traded. The Committee’s composition shall be in compliance with the stated requirements of Multilateral Instrument 52-110 “Audit Committees” and any amendments thereto.

All members of the Committee shall be financially literate and have a working familiarity with basic accounting and finance practices.

All members of the Committee shall be appointed by the Board of Directors at such time as shall be determined and shall serve until their successors are duly appointed. Any member may be removed or replaced by direction of the Board of Directors and shall in any event cease to be a member of the Committee forthwith upon such member ceasing to be a director of the Company. Committee members shall be entitled to such remuneration for serving on the Committee as may from time to time be determined by the Board.

Meetings

The members of the Committee so appointed shall elect from among their number a Chairman of the Committee. Such Chairman will appoint a secretary with responsibility for maintaining minutes of all meetings. The Secretary shall not be required to be a member of the Committee or a director of the Company and can be changed at any time upon notice from the Chairman.

The Committee shall meet as many times as it in its discretion deems necessary to discharge its responsibilities but in no event shall the Committee meet less than four (4) times per year. The time at which, and the place where, Committee meetings are held, the calling of the meetings and the procedure in respect of such meetings shall be determined by the Committee, unless provisions to the contrary are contained in the Company’s by-laws or other constating documents or the Board of Directors shall determine otherwise. No business may be transacted unless a quorum of the Committee is present, the majority of the members of the Committee comprising such quorum. If the number of members of the Committee is an even number, one half of the number of members plus one shall constitute a quorum.

The Committee may invite or require the attendance at any meeting of such officers and employees of the Company, internal and external legal counsel or such other persons as the Committee deems necessary in order for the Committee to discharge its duties and responsibilities. The external independent auditors of the Company should be requested and, if deemed necessary, required to attend meetings of the Committee and to make presentations to the Committee as is deemed appropriate.

The Committee shall meet not less than once annually with the Company’s independent auditors and without the presence of management. The Committee shall also meet with the independent auditors and management at least

quarterly to review the Company's financial statements, including Management's Discussion and Analysis of Financial Condition and Results of Operations, and any press releases related thereto.

Notwithstanding the foregoing, and subject to the Company's constituting documents, governing legislation and applicable regulatory and exchange rules, the Chairman of the Committee may exercise the powers of the Committee between meetings if required. In the event the Chairman does so exercise such powers, the Chairman shall immediately report in writing to the members of the Committee the actions or decisions taken in the name of the Committee and the same shall be recorded in the minutes of the Committee.

Duties and Responsibilities

- review interim quarterly financial statements and the audited annual financial statement, including related Management's Discussion and Analysis of Financial Condition and Results of Operations, together with any press releases related thereto and make a recommendation to the Board of Directors for approval and implementation
- discuss and review with management all financial information and earnings guidance which may be provided to the public in advance of the provision of such communication
- satisfy itself, on behalf of the Board of Directors, that all quarterly and annual financial results, and attendant Management's Discussion and Analysis of Financial Condition and Results of Operations, present fairly the financial condition of the Company and are in accordance with generally accepted accounting principles
- act as an independent and objective party to monitor the Company's financial reporting process and the system of internal controls, including, as required, inspection of all books and records of the Company and its subsidiaries, discussion of such accounts and records and the financial position of the Company with senior management and the auditors of the Company and its subsidiaries and the commissioning of such reports or supplemental information as may be required in relation to the above
- recommend to the Board of Directors the appointment, retention, termination and compensation of the Company's independent auditors
- evaluate and oversee the work of the Company's independent auditors, including receipt and review of all reports and recommendations
- review the independent auditor's reports of all critical accounting policies and practices to be used, alternative treatments of financial information within generally accepted accounting principles, ramifications and use of alternative disclosures and treatments and other communications between the independent auditors and the Company's management
- satisfy itself on behalf of the Board of Directors as to the 'independence from management' of the external auditors, within the meaning given to such term in the rules and pronouncements of the applicable regulatory authorities and professional governing bodies
- ensure the independent auditor's rotation of the audit partner satisfies all regulatory requirements
- annually review and evaluate the performance of the Company's independent auditors and the audit partner, including opinions of management, and make such recommendations to the Board of Directors as appropriate
- review the annual audit plan and such advice as may be provided with respect to management and internal controls
- monitor the Company's internal accounting controls, information gathering systems and management reporting of internal control systems

- review with management and the independent auditors the relevance and appropriateness of the Company's accounting policies, recommended changes and approval thereof
- satisfy itself that the Company has implemented appropriate systems of internal control over financial reporting and the safeguarding of the Company's assets; review "risk management" procedures, including the identification of significant risks and the establishment of appropriate procedures to manage such risks; monitor corporate performance in light of acceptable risks
- review and approve the Company's communication and disclosure policies and controls and monitor compliance therewith
- review and approve the Company's investment and treasury policies and monitor compliance therewith
- review the annual proposed budget prepared by the Company's executive and make a recommendation to the Board of Directors for approval and implementation
- perform such other activities consistent with the Company's constituting documents, governing law and regulatory and exchange requirement as may be requested by the Board of Directors
- periodically review and, as required, recommend to the Board of Directors any revisions or updates to this Charter