ANNUAL
REPORT
2014

Intertain

The Intertain Group Limited
Annual Report 2014

Investment meets entertainment.
This is Intertain.

Intertain is an online gaming company that provides entertainment to a global consumer base. Intertain currently offers bingo and casino to its customers using the InterCasino www.intercasino.com, Costa www.costabingo.com, Vera&John www.verajohn.com, and Jackpotjoy www.jackpotjoy.com brands. For more information about Intertain, please visit **www.intertain.com**.

UNLESS OTHERWISE INDICATED, ALL DOLLAR ("$") AMOUNTS IN THIS ANNUAL REPORT ARE EXPRESSED IN CANADIAN DOLLARS.

JOHN KENNEDY FITZGERALD
PRESIDENT & CHIEF EXECUTIVE OFFICER

Dear Shareholders

2014 was an incredible first year for Intertain, and it represents the result of three years of hard work and planning.

The company completed its listing on the TSX in February 2014 and immediately embarked on a series of accretive acquisitions. Intertain is now one of the top 10 online gaming companies globally[1], the largest online bingo-led company globally, has the highest percentage of revenue from regulated markets amongst its peer group, and is a major player in M&A activity – after only 12 months of operation.

Add to that, Intertain became one of the fastest growing companies on the TSX in 2014 and the one to watch in the technology sector. Intertain today is a highly focused company whose goal is to solidify and grow its current position based on size, scale, and unmatched capabilities in a single vertical — bingo.

A Brief History of Intertain

Intertain was formed upon completion of its listing on the TSX on February 14, 2014 when it acquired the InterCasino brands from a subsidiary of Amaya Inc.

With this acquisition, Intertain became the owner of one of the best and oldest online casino brands in the market and started on an aggressive series of deals to establish the company as a leader in online gaming.

By July 2014, Intertain had acquired Mandalay Media Group. Mandalay owns some of the United Kingdom's leading online bingo websites including Costa Bingo, Sing Bingo, City Bingo, Fancy Bingo and Rio Bingo, as well as leading affiliate sites Casino Choice and Ignite.

In December 2014, Intertain completed the acquisition of Vera&John, a, fully integrated global online casino that operates under three core brands: Vera&John, Vera&Juan, and Vera&John Social.

And in early February 2015, Intertain and privately held Gamesys Ltd, the leading online bingo-led business and owner and operator of Jackpotjoy, Starspins, and Botemania, announced they had entered into a binding agreement for the purchase of these brands by Intertain. This acquisition closed on April 8, 2015.

[1] BASED ON COMPARABLE ONLINE GAMING COMPANIES WITH A SIMILAR SCOPE AND NATURE OF OPERATIONS.

STAN DUNFORD
CHAIRMAN OF THE BOARD

Intertain raised several hundred million dollars in both debt and equity to finance these transactions:

GAMESYS: $483.0 million (Equity) and $352.0 million (USD Debt) was raised in cash and $108.5 million through the issuance of common shares to Gamesys

VERA&JOHN: €44.5 million (Cash) was deployed from cash on hand and the exercise of warrants and €36.5 million through the issuance of common shares to the vendors

MANDALAY: $52.3 million (Equity) and $51.2 million (Debt) was raised in cash

These three deals, combined with management's successful implementation of its intensive business development strategy, have powered Intertain's rise to its current position of distinction.

The Bingo Focus

The online gaming industry had already seen what could be done with an exclusive and laser-like focus on poker, but no one was looking at online bingo through the same lens until Intertain arrived on the scene. Unlike Intertain's competitors, which are chasing the same pool of players (men, aged 18-34) for poker, sports betting and casino games in a very competitive environment, Intertain saw an opportunity to target and attract the female demographic, which represents the vast majority of online bingo players and was woefully underserviced. Bingo also has low market saturation compared with poker and casino.

Bingo was attractive to us because of several significant value drivers:

1

LIQUIDITY

Like poker, online bingo is a peer-to-peer game and relies on player liquidity to drive greater jackpots and amount of games. Liquidity refers to having enough players to create a good experience for the customer and to make the operation profitable. Jackpotjoy has the most liquidity, which we plan to expand to new regulated markets globally.

2

COMMUNITY AND LOYALTY

Bingo has a built-in community as friends arrange to play online together. Communities tend to be very loyal to a particular brand or website and yield substantial retention rates compared to other gaming verticals. A large community means low volatility and higher predictability when it comes to revenue.

3

DECREASED COST PER ACQUISITION

With a handful of strong and popular brands in Intertain's inventory, customer acquisition can involve minimal effort. Customers actively seek out our brands because they are so big and their products are outstanding.

4

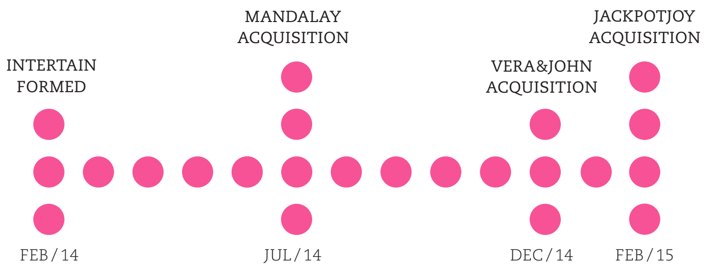
COST OF SUPPLIES

The sheer scale of our company now allows us to negotiate effectively with suppliers, which means lower costs spread across all the brands.

5

CUSTOMER AND MARKET DIVERSIFICATION

Now that Intertain has the dominant position in the UK, including significant liquidity and large communities of players, we will look to leverage these assets in new regulated markets throughout the globe in the latter half of 2015 and 2016.



2014 in Review

Intertain's financial story in 2014 was one of growth, with an assertive focus on building our company.

We owe our 2014 results to the continuing successful implementation of our organic and acquisitive business development strategy to become the world's largest online gaming operator focused on the female demographic.

Given the three rapid acquisitions that followed the purchase of InterCasino, and the new and partial revenue streams that have been introduced throughout several quarters, the best way to evaluate Intertain at this time is through cash flow and earnings.

Intertain is a free cash flow company. We are moving away from EBITDA, as EBITDA alone cannot be used to create an accurate cash flow picture and does not truly reflect the availability of cash and the ability of our company to service debt and sustain our operations and growth potential.

Intertain had an adjusted net income[2] of $16,563,821 for the 12 months ended December 31, 2014.

Intertain's 2014 total revenue consisted of $4.7 million from InterCasino's operational activities, the proceeds earned from the Revenue Guarantee of $17.3 million, $17.2 million from Mandalay's operational activities after July 14, 2014, and $1.6 million from Vera&John's operational activities after December 22, 2014.

For 2014, Intertain incurred a basic adjusted net income per share of $0.93 and a diluted adjusted net income per share of $0.80.

Management

In addition to **John Kennedy FitzGerald,** President & CEO, **Keith Laslop,** CFO, and **Peter Marcus,** CMO, **Irina Cornides,** Head of Bingo Operations and Managing Director of Mandalay Media Group, and **Dan Andersson,** Principal, Vera&John, have now rounded out the Intertain management team.

Outlook for 2015

We are very pleased with Intertain's position as one of the largest online gaming companies with the highest percentage – approximately 80% – of revenue from regulated jurisdictions.

The online gaming market, and specific to our interests, the online bingo market, is growing thanks to improved accessibility through mobile devices and new, regulated markets that are continuously opening up throughout the world.

The new 15% UK Place of Consumption (POC) tax for UK-facing gaming operators went into effect on December 1, 2014. The POC tax actually provides Intertain with opportunity for future acquisitions because it also puts pressure on the bottom line of some of our competitors. We have the ability to leverage our size, which is significant in the UK market.

To that end, we expect the trend of industry consolidation, which Intertain actively participated in last year, to continue through 2015.

According to H2 Gambling Capital, the value of the global online casino and online bingo market will be approximately €12 billion by 2018, representing a compounded annual growth rate of more than 10% from 2014.

Intertain's corporate growth strategy is unchanged: we are focused on developing the current online gaming brands we own and operate through innovative customer retention and acquisition initiatives, and by offering creative technology and games that optimize the customer experience.

We also aim to grow our business through strategic acquisitions both within our current gaming verticals and gaming verticals that we do not currently service, which will provide accretive value to shareholders.

2015 comes with great opportunity for Intertain as we look to activate our long-term partnership with Gamesys to launch the Jackpotjoy brands globally. Jackpotjoy's popularity is exceptionally strong and will translate well as we enter into new markets.

We are committed to building a company with high-quality, world-class products that will allow us to continue providing strong financial returns to our shareholders.

Intertain's financial story in 2014 is one of growth, with an assertive focus on building our company.

Thank you

This was a truly historic period for Intertain. We would like to thank our employees for their hard work and dedication during our first year together, as well as the directors of Intertain for their guidance and encouragement, and finally our shareholders for their ongoing support.

ON BEHALF OF THE BOARD OF DIRECTORS,

John Kennedy FitzGerald
President & CEO

Stan Dunford
Chairman of the Board

[2] ADJUSTED NET INCOME AS DEFINED BY THE COMPANY MEANS INCOME BEFORE SHARE-BASED COMPENSATION, AMORTIZATION OF INTANGIBLE ASSETS RESULTING FROM PURCHASE PRICE ALLOCATION FOLLOWING ACQUISITIONS, LOSS ON FOREIGN EXCHANGE, ACQUISITION RELATED COSTS, INTEREST ACCRETION, AND THE FAIR VALUE ADJUSTMENT FOR CONTINGENT CONSIDERATION. ADJUSTED NET INCOME IS A NON-IFRS MEASURE. RECONCILIATION TO NET LOSS IS INCLUDED IN THIS RELEASE.

Management Team

John Kennedy FitzGerald is the President and Chief Executive Officer of Intertain. Prior to founding the Company, Mr. FitzGerald was the CEO and Director of the Interactive Gaming Council (IGC), an industry association that advocates for the regulation of the online gaming industry globally.

Mr. FitzGerald also co-founded Ethoca and Virgin Gaming (now World Gaming Ltd.) and between 2002 and 2005 he assumed the role of General Counsel for CryptoLogic Inc. He was responsible for corporate governance and compliance as CryptoLogic Inc. was listed on the TSX, NASDAQ,and the main board of the London Stock Exchange.

Keith Laslop is the Chief Financial Officer of Intertain. Prior to co-founding the Company, Mr. Laslop served as principal of Newcourt Capital, a boutique private equity group. From 2004 to 2008, Mr. Laslop served as the CFO, then President of Prolexic Technologies, Inc., the world's largest and most trusted Distributed Denial of Service (DDoS) mitigation provider. Mr. Laslop was responsible for the performance of the company, ultimately securing a high realization multiple for all investors.

From 2001 to 2004, he served as the Chief Financial Officer and Business Development Director of Elixir Studios Ltd., 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.

John Kennedy FitzGerald
President & CEO

Keith Laslop
CFO

Peter Marcus is the Chief Marketing Officer for Intertain and is a 12-year veteran of the online gaming industry, having worked for regulated online casinos, poker rooms and sportbooks at a senior management level. Mr. Marcus is also the former Chief Operations Officer for William Hill Online and UK Managing Director of Betfair Plc; Vice President, Marketing for CryptoLogic; Chief Strategy Officer for BetClick Everest Group; and the Director of Account Management at DoubleClick EMEA.

Mr. Marcus is an expert in real money iGaming strategy, marketing, and operations. He has proven he can provide double-digit growth and has produced some of the most memorable European gaming advertising campaigns. Outside of marketing, he has overseen two major company mergers from negotiation through to full company integration and in the process, obtained and held a converted gaming licence in Gibraltar. Mr. Marcus also holds a UK Gambling Commission personal licence.

Peter Marcus
CMO

Irina Cornides is the Managing Director of the Mandalay Media Group, which was acquired by Intertain in July 2014. She has been with the company since 2011 and is responsible for the management of 14 bingo brands including Costa Bingo, Sing Bingo, Rio Bingo and Monkey Bingo. She has been instrumental in the rapid growth of the company, managing the launch of 10 new brands over the course of the last year and increasing player numbers by 30% and revenue by over 20%.

An economist with degrees from UCL and LSE, Ms. Cornides started her career in management consulting before moving into gaming in 2004 when she joined PartyGaming. During her time with the company, both pre and post-IPO, she held various positions including Retention and VIP Management and oversaw the company's presence at several WSOP events.

Ms. Cornides has also worked in the not-for-profit sector in Africa and India in her capacity as CEO of a charitable trust with a £25m endowment.

Irina Cornides
Managing Director,
Mandalay Media Group

Dan Andersson is the CEO of Vera&John, which was acquired by Intertain in October 2014. He has held this role since 2010. Prior to that, he was the Chief Operating Officer for both Maria Bingo and Carlos Poker between 2004 and 2008. Mr. Andersson has also held a number of e-business consulting, business development, and project management positions throughout his career.

Mr. Andersson has extensive experience with online startups including Tetre (Spray), Gigazond, www.Livanda.com, Mariainvest (Mariabingo.com & carlospoker.com), Dumarca Gaming (verajohn.com), gavagai.se, telegramstudios.com, and joors.com.

Trained as a computer science engineer, Mr. Andersson also studied business administration. He currently sits on a number of boards in addition to his management responsibilities.

Dan Andersson
CEO, Vera&John

Licences & Locations

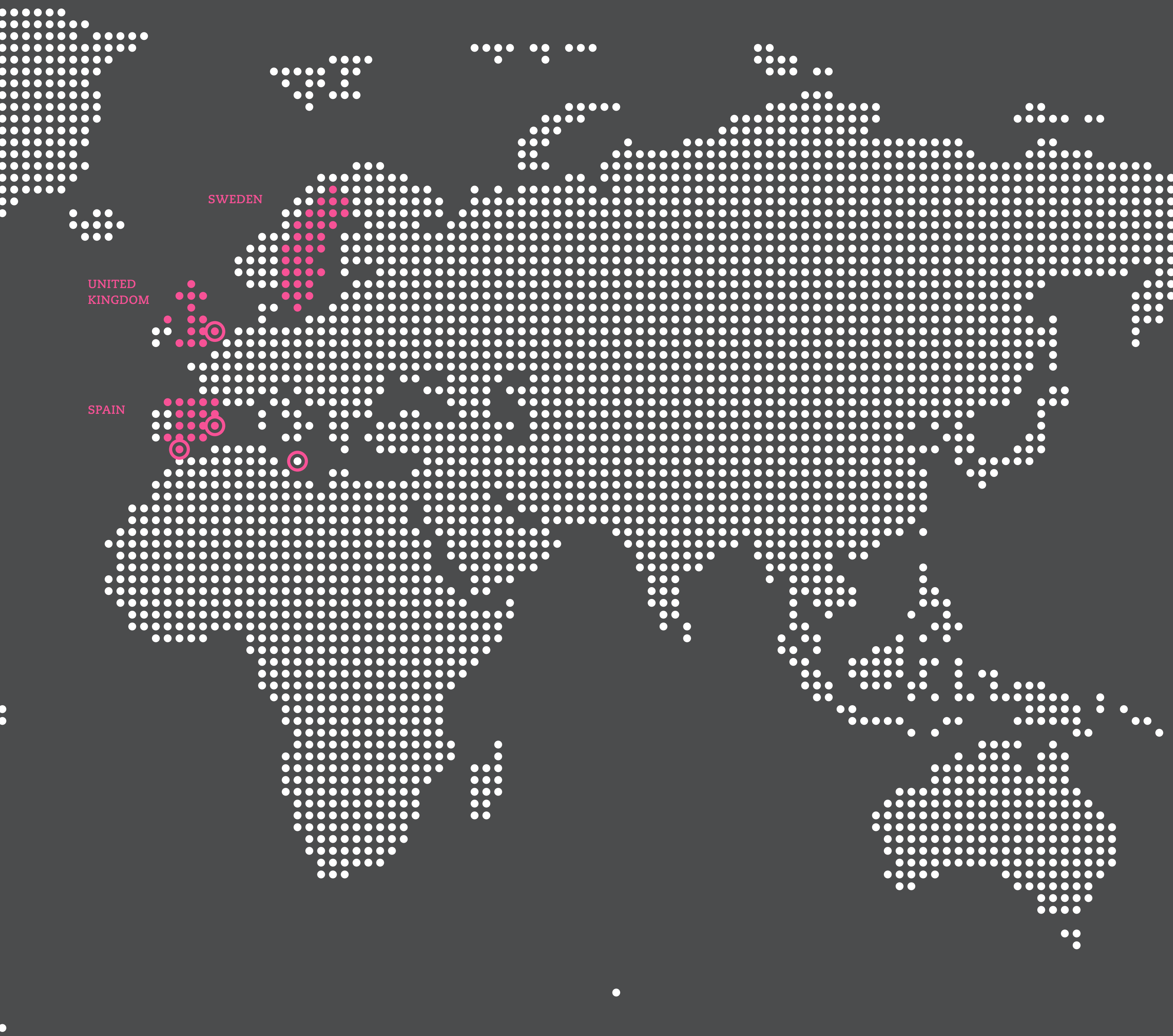
Intertain at a Glance

- **8th largest** online gaming operator globally
- **Largest online bingo-led** operator globally
- **Largest online gaming** company focused on the female demographic
- **Highest percentage of revenue** from regulated markets across peer group
- **One of the fastest growing companies** on the TSX in 2014*

* BASED ON MARKET CAP AND SHARE PERFORMANCE

Intertain:
United Kingdom,
Sweden, Spain

Licences:
Gibraltar, Spain,
UK Continuation, Malta



Our Brands

Jackpotjoy Business

BUSINESS:

Online Bingo (Jackpotjoy, Botemania)
Online Casino (Starspins)
Social Casino (Jackpotjoy Social, Starspins Social)

SOFTWARE PROVIDER: Gamesys

EMPLOYEES: ≈250

LICENCES: Gibraltar, Spain, UK Continuation

Vera&John

BUSINESS:

Online Casino (Vera&John, Vera&Juan)
B2B White Label (Plain Gaming)

SOFTWARE PROVIDER: Proprietary

EMPLOYEES: ≈103

LICENCES: Malta, UK Continuation

Mandalay Media

BUSINESS:

Online Bingo (Costa Bingo, Sing Bingo, City Bingo, Fancy Bingo, Rio Bingo)
Affiliate Business (Casino Choice)

SOFTWARE PROVIDER: 888 Holdings (Dragonfish)

EMPLOYEES: ≈17

LICENCES: Gibraltar[1], UK Continuation[2]

InterCasino

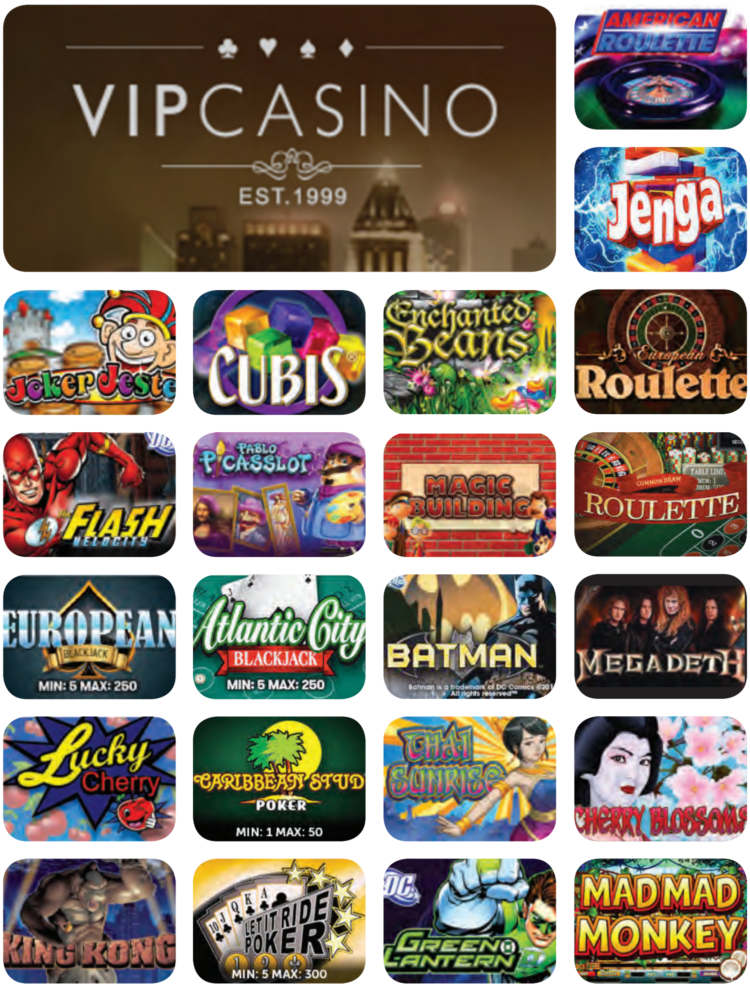
BUSINESS:

Online Casino

SOFTWARE PROVIDER: NYX Gaming

EMPLOYEES: ≈15

LICENCES: Malta, UK Continuation



1 LICENCE REGISTERED TO 888 HOLDINGS

2 LICENCE REGISTERED TO 888 HOLDINGS

Our Vision

To extend our leadership in online gaming through the growth and leverage of liquidity-based gaming verticals.

Focus on Regulated or Pre–Regulated Markets

- United Kingdom
- Nordic region, specifically Sweden, Spain

Focus on Growing Markets

- Nordic region
- Other areas in Europe that have recently regulated (such as Spain, Portugal)

#1 Bingo Provider Globally

- World's leading online bingo provider
- Bingo players have one of the highest retention/loyalty profiles among interactive gaming users
- Bingo has low market saturation relative to other offerings (such as casino and poker):

  United Kingdom is the only market with high penetration

  Much of Europe, Central and **South America**, and the **United States** are untouched

Strategic Acquisitions

- Enhance offering liquidity, particularly with bingo
- Acquire leading-edge platforms and integrate existing brands
- Leverage management expertise:

  MANDALAY MEDIA: United Kingdom bingo, affiliate business

  VERA&JOHN: Nordic region, both bingo (Maria Bingo) and casino expertise

  JACKPOTJOY: Continue to establish dominance in United Kingdom bingo market and grow in newly regulated Spanish market and also in social

The Intertain Group Limited

Management's Discussion and Analysis | Audited Financial Statements | Notes to the Consolidated Financial Statements

for the year ended December 31, 2014

Management's Discussion and Analysis ("MD&A")

(in Canadian dollars, except where otherwise indicated)

The following discussion and analysis provides a review of the Intertain Group Limited's (the "Company") results of operations, financial condition and cash flows for the year ended December 31, 2014. This MD&A has been prepared with an effective date of March 9, 2015, and should be read in conjunction with the information contained in the Company's audited consolidated financial statements and related notes for the year ended December 31, 2014, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). The audited consolidated financial statements and additional information regarding the business of the Company are available at www.sedar.com.

For reporting purposes, the Company prepares consolidated financial statements in Canadian dollars and in conformity with IFRS. Unless otherwise indicated, all dollar ("$") amounts in this MD&A are expressed in Canadian dollars. References to "€" are to European Euros, references to "£" are to Pounds Sterling and references to "USD" are to U.S. dollars.

All references to "we," "our," "us" and "Intertain" refer to the Company, together with its consolidated operations controlled by it and its predecessors.

All references to "management" refer to the directors, senior officers and other officers of Intertain, unless otherwise stated. Based on the Company's audit committee's review and recommendation, the Intertain board of directors ("Board of Directors") has approved the audited consolidated financial statements and related notes for release.

Non-IFRS Financial Measures

The following non-IFRS definitions are used in this MD&A because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to revenues and net income (loss) and comprehensive income (loss) for the period determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities. Accordingly, our measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions.

- **Adjusted Net Income,** as defined by the Company, means net income plus or minus items of note that management may reasonably quantify and believes will provide the reader with a better understanding of the Company's underlying business performance. For the purposes of the Company's MD&A for the year ended December 31, 2014, Adjusted Net Income is calculated by adjusting Net Income for interest accretion, fair value adjustment recognized on contingent consideration, amortization on acquisition-related purchase price intangibles, share-based compensation, loss on foreign exchange and acquisition costs. Management believes that Adjusted Net Income is an important indicator of the issuer's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt, and fund future capital expenditures, and uses the metric for this purpose. Adjusted Net Income is also used by investors and analysts for the purpose of valuing an issuer.
- **Adjusted EBITDA,** as defined by the Company, is income before financing costs (net of interest income and including the fair value adjustment recognized on contingent consideration), income taxes, amortization, share-based compensation, loss on foreign exchange, and acquisition costs. Management believes that Adjusted EBITDA is a useful measure because it provides information to management about the operating and financial performance of the Company and its ability to generate operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures.

The intent of Adjusted EBITDA and Adjusted Net Income is to provide additional useful information to investors and analysts; the measure does not have any standardized meaning under IFRS. Adjusted EBITDA and Adjusted Net Income should therefore not be considered in isolation or used as a substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA and Adjusted Net Income differently.

A reconciliation of the adjusted measures noted above are included in the "Selected Financial Information" section of this MD&A.

Overview

The Company was incorporated by Articles of Incorporation pursuant to the provisions of the Business Corporations Act (Ontario) on November 26, 2010. Intertain is an online gaming company that provides entertainment to a global customer base. The Company currently offers bingo, casino and other games to its customers using the Costa Bingo™, Vera&John, Vera&Juan, InterCasino™, VIP Casino™, and other brands. The InterCasino and VIP Casino gaming platform is supplied by NYX Gaming Group Limited, and the Company's bingo offerings operate off of the Dragonfish platform, a leading software service provided by the 888 Group. The Vera&John and Vera&Juan brands operate off of proprietary software owned by Dumarca Holdings PLC ("Dumarca"), a wholly-owned subsidiary of the Company. Europe is the principal market in which the Company, through its subsidiaries, actively markets its online offerings. The Company currently holds gambling licences in Malta, Denmark, and Great Britain (continuation licence) which facilitates access to certain European markets.

Recent Highlights

QUALIFYING TRANSACTION AND WAGERLOGIC ACQUISITION

On February 11, 2014, the Company (formerly Aumento Capital II Corporation) completed its acquisition of Goldstar Acquistionco Inc. ("Goldstar") through an amalgamation (the "Amalgamation") between Goldstar and 2399274 Ontario Inc., a wholly-owned subsidiary of the Company, to form an amalgamated company named "Intertain Holdings Inc.," which became a wholly-owned subsidiary of the Company. The Amalgamation constituted the Company's Qualifying Transaction (as defined in the policies of the TSX Venture Exchange (the "TSXV")). The TSXV approved the Qualifying Transaction of the Company and the Toronto Stock Exchange ("TSX") approved the listing of the common shares of the Company, which commenced trading on the TSX under the symbol "IT" on February 18, 2014, at which time the Aumento Capital II Corporation's common shares were delisted from the TSXV.

Prior to the closing of the Qualifying Transaction, Goldstar completed a private placement of 11,625,000 unit subscription receipts and 17,500 convertible debenture subscription receipts for net proceeds of approximately $61 million.

On February 11, 2014, contemporaneous with completion of the Amalgamation, Goldstar acquired all of the issued and outstanding common shares of WagerLogic Malta Holding Ltd. ("WagerLogic"), the parent Company of CryptoLogic Operations Limited ("CryptoLogic") which operated an online casino under the brand "InterCasino," from a subsidiary of Amaya Gaming Group Inc. ("Amaya") (TSX:AYA) (the "WagerLogic Acquisition") pursuant to the terms of a share purchase agreement dated November 27, 2013 (the "Share Purchase Agreement"). Launched in 1996, InterCasino™ is considered by management to be one of the first ever online casinos. InterCasino™ offers 150+ casino titles in three currencies and nine languages and has a customer database of over 2 million registered players worldwide through its online casino website www.intercasino.com.

Goldstar completed the transaction for consideration of $70 million, less working capital adjustments, which consisted of a cash payment of $60 million and the issuance of a $10 million vendor take-back in the form of a promissory note, bearing interest of 6% per annum payable semi-annually in arrears beginning in the second year following its issuance and maturing on the fourth anniversary. On September 30, 2014, Intertain made a principal payment of $5.2 million on this promissory note. On December 31, 2014, Intertain made second principal payment of $1 million with a remainder of $3.8 million outstanding as at December 31, 2014.

The Share Purchase Agreement included a bonus payment of USD$10 million to Amaya if Cryptologic achieves a net revenue target of USD$30 million during the second year following closing, and a bonus payment of USD$10 million to Amaya if CryptoLogic achieves a net revenue target of USD$40 million during the third year following closing.

In conjunction with the WagerLogic Acquisition, the following agreements were entered into with Amaya:

- **Services and Licences Agreements** whereby Amaya's affiliates agree to provide key support services, including hosting and operation of the game platform, the online games, game website development pursuant to the design and instruction of Cryptologic, certain marketing services and payment processing functions for a fee of 17% of Net Revenue earned by CryptoLogic.

- **Revenue Guarantee Agreement** (the "Revenue Guarantee"), whereby Amaya agrees to pay, during the first two years following the signing of the Services and Licences Agreements, an amount equal to the shortfall between CryptoLogic's actual Net Revenues (the difference between total amounts wagered by players less all winnings payable to players, bonuses allocated, affiliate costs, gaming licences, and jackpot contributions) and USD $19 million annually.

MANDALAY ACQUISITION

On July 14, 2014, Intertain completed the acquisition of Mandalay Media Limited ("Mandalay") for an initial payment of £45 million in cash, exclusive of working capital adjustments, with up to a further cash payment of £15 million, contingent on future profit performance (the "Mandalay Acquisition").

Mandalay owns some of the United Kingdom's leading online bingo websites, including Costa Bingo, Sing Bingo, City Bingo, Fancy Bingo and Rio Bingo as well as leading affiliate sites Casino Choice and Ignite (collectively, the "Bingo Business"). The Bingo Business was founded in 2009 and offers online bingo 24 hours a day with cash prizes and experiences for over 9,000 daily unique players. Since Mandalay launched its first bingo offering, it has had 1.1 million users register to its bingo sites and has collected approximately £120 million in deposits.

The Mandalay Acquisition was financed by the net proceeds of the previously completed $103.5 million offering of securities consisting of $52.3 million of equity subscription receipts and $51.2 million of equity-linked debenture subscription receipts, inclusive of subscription receipts issued pursuant to the exercise in full of the underwriters' over-allotment option. With the closing of the Mandalay 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 warrant, with each whole warrant exercisable to purchase a common share of the Company at $7.75, expiring two years after its issuance (the "Series B Warrants")) without payment of additional consideration or further action. In addition, the equity-linked debenture subscription receipts were exchanged on a one-for-one basis for debt units (consisting of one $1,000 senior secured debenture, maturing on December 31, 2019, with an annual interest rate of 8.5%, payable semi-annually in arrears on the last day of June and December in each year commencing on December 31, 2014 (the "Debentures") and 40 Series B Warrants) without payment of additional consideration or further action. In aggregate, 7,475,000 common shares, 3,915,750 Series B Warrants and 51,175 Debentures were issued and commenced trading on the TSX on July 16, 2014.

On November 7, 2014, the Company elected to accelerate the expiry date of the Series B Warrants through certain acceleration provisions contained in the Series B Warrants which allow for the Company to cause the Series B Warrants to expire within 30 days if the Company's common shares trade at a 50% premium to the exercise price of the Series B Warrants for 20 consecutive trading days. 3,914,538 Series B Warrants were exercised prior to their expiry on December 7, 2014.

VERA&JOHN ACQUISITION

On December 23, 2014, Intertain completed the acquisition of Dumarca, the Malta-based parent company of Vera&John for a consideration of €44.5 million in cash, exclusive of certain net cash and working capital adjustments, and 5,024,869 common shares of Intertain (the "Vera&John Acquisition"). Intertain may be required to make a further cash payment (subject to a cap of €8.1 million) in the event Vera&John generates EBITDA over certain thresholds in 2015 and 2016.

Vera&John was acquired on a debt-free basis. The transaction was funded through a combination of cash-on-hand, an interim bridge loan provided by certain management of Intertain, on an arm's length basis, and a vendor take-back loan which expires on March 23, 2015.

Vera&John is a leading, fully integrated global online casino, operating in 13 countries globally. Vera&John operates under three core brands: Vera&John, Vera&Juan, and Vera&John Social. Vera&John offers 800 games and has approximately 490,000 registered customers. Vera&John receives approximately 10,000 deposits per day and reached 1 billion real-money spins in 2014.

JACKPOTJOY ACQUISITION

On February 5, 2015, Intertain and Gamesys Limited ("Gamesys") entered into a share purchase agreement whereby Intertain will purchase the entire issued share capital of a wholly-owned subsidiary of Gamesys which has been established to hold, directly or indirectly, the Jackpotjoy, Starspins and Botemania brands (the "Jackpotjoy Acquisition"), for the sum of: (i) approximately £369 million in cash, less certain intra-group debt; (ii) approximately £1.4 million in cash; (iii) 7,361,365 common shares of Intertain; (iv) the assumption of the obligation to repay certain intra-group debt; (v) certain cash adjustments; 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 closing of the Jackpotjoy Acquisition.

The earn-out is further described in the Company's final prospectus dated February 23, 2015, under the heading "The Jackpotjoy Acquisition – The Jackpotjoy Agreement – Earn-Out Payments."

The Company has put in place a foreign currency hedge to protect against adverse exchange rate movements between signing and closing of the Jackpotjoy Acquisition.

Approximately 90% of the Jackpotjoy business' net revenue is generated from players acquired through bingo.

CREDIT FACILITIES

On February 5, 2015, the Company entered into a binding commitment letter with Macquarie Capital (USA) Inc. in respect of certain credit facilities (the "Credit Facilities") to be made available to the Company.

The Credit Facilities will consist of (i) a seven-year USD$335 million term loan credit facility, to be used (together with the net proceeds of the Offering (as defined below)) to finance the Jackpotjoy purchase price, refinance certain indebtedness of the Company, and for working capital purposes, and (ii) a five-year senior secured USD$17.5 million revolving credit facility to be used for working capital and general corporate purposes.

SUBSCRIPTION RECEIPTS

On February 26, 2015, Intertain closed an offering (the "Offering") of 32,200,000 subscription receipts of the Company (the "Subscription Receipts"). The Subscription Receipts were issued at a price of $15.00 per Subscription Receipt for aggregate gross proceeds of $483,000,000.

The Subscription Receipts were sold pursuant to an underwriting agreement with a syndicate of underwriters led by Canaccord Genuity Corp. and began trading on the Toronto Stock Exchange under the symbol "IT.R" on February 26, 2015. Each Subscription Receipt will entitle the holder to receive, upon the satisfaction of all conditions precedent to the Jackpotjoy Acquisition, but for the payment of the purchase price and any other amounts to be satisfied by the release of the escrowed funds, without payment of additional consideration or further action, one common share of the Company in exchange for each Subscription Receipt. The net proceeds of the Offering will be used to fund, in part, 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 Debentures; and for general corporate purposes.

Outlook

Our corporate growth strategy consists of developing the current online gaming brands we operate through innovative customer retention, acquisition initiatives and through technology and gaming offerings that optimize the customer experience. We also aim to grow our business through strategic acquisitions both within our current gaming verticals and gaming verticals which we do not currently service, that will provide accretive value to shareholders.

The online gaming market is vibrant and growing. The marketplace's growth over the coming years will continue to be driven by a combination of improved accessibility of customers through the growing use of mobile devices, expanding customer demographics, and regulatory trends that are opening up more markets to online gaming.

It is forecasted that the value of the global online gaming market will be approximately €28 billion by 2015, representing a CAGR of more than 9% from 2012 (Source: H2 Gambling Capital). This does not consider additional opportunities being opened up in the United States, which represent a potentially significant opportunity for the industry.

Selected Financial Information

	12 MONTH PERIOD ENDED DECEMBER 31, 2014 $	12 MONTH PERIOD ENDED DECEMBER 31, 2013 $	3 MONTH PERIOD ENDED DECEMBER 31, 2014 $	3 MONTH PERIOD ENDED DECEMBER 31, 2013 $
Total revenue and other income	40,776,239	—	18,281,704	—
Net loss	(26,067,946)	(1,003,239)	(12,044,986)	(1,003,239)
Basic loss per share	(1.46)	(0.71)	(0.77)	(0.71)
Diluted loss per share	(1.46)	(0.71)	(0.77)	(0.71)

The Company's 2014 total revenues consisted of revenue earned from InterCasino's operational activities of $4.7 million, the proceeds earned from the Revenue Guarantee of $17.3 million, $17.2 million in revenue earned from Mandalay's operational activities after July 14, 2014, and $1.6 million in revenue earned from Vera&John's operational activities after December 22, 2014. The Company's net loss is primarily related to acquisition costs incurred of $19.8 million, as the Company completed three acquisitions during the period, and amortization of purchase price intangible assets of $14.8 million related to the acquisitions completed. As the Company had no revenue generating assets in the three month period ended December 31, 2013, no revenue was earned. Expenses incurred during the period ended December 31, 2013 relate to costs associated with the Qualifying Transaction and InterCasino purchase which completed in February 2014.

The Company's total revenue for the three months ended December 31, 2014 consisted of revenue earned from InterCasino's operational activities of $1.5 million and the proceeds earned from the Revenue Guarantee of $5.3 million, $9.8 million in revenue earned from Mandalay's operational activities, and $1.6 million in revenue earned from Vera&John's operational activities after December 22, 2014. The Company's net loss is primarily related to acquisition costs incurred, as the Company completed one acquisition during the period, and amortization of purchase price intangible assets related to prior acquisitions completed. As the Company had no revenue generating assets in the three month period ended December 31, 2013, no revenue was earned. Expenses incurred during the three month period ended December 31, 2013 relate to costs associated with the Qualifying Transaction and InterCasino purchase which completed in February 2014.

SUMMARY OF RESULTS BY QUARTER

	3 MONTHS ENDED DECEMBER 31, 2014 $	3 MONTHS ENDED SEPTEMBER 30, 2014 $	3 MONTHS ENDED JUNE 30, 2014 $	3 MONTHS ENDED MARCH 31, 2014 $
Total revenue and other income*	18,281,704	13,696,413	5,667,989	3,130,133
Net loss	(12,044,986)	(11,959,397)	(837,475)**	(2,499,122)
Basic loss per share	(0.50)	(0.67)	(0.06)	(0.13)
Diluted loss per share	(0.50)	(0.67)	(0.06)	(0.13)

* BALANCES ADJUSTED TO REFLECT THE CHANGE IN ACCOUNTING POLICIES RELATED TO REVENUE RECOGNITION AND AMORTIZATION OF INTANGIBLE ASSETS ADOPTED IN THE 3 MONTH PERIOD ENDED SEPTEMBER 30, 2014.

** BALANCE INCLUDES AN UNREALIZED FOREIGN EXCHANGE LOSS OF $1.3M WHICH WAS REALIZED AT $0.9 MILLION IN THE SUBSEQUENT QUARTER.

Adjusted EBITDA & Adjusted Net Income for year ended December 31, 2014

The following table highlights Adjusted EBITDA and Adjusted Net Income for the year ended December 31, 2014 and 2013 and the three months ended December 31, 2014 and 2013 and a reconciliation of Intertain's reported results to its adjusted measures.

	12 MONTH PERIOD ENDED DECEMBER 31, 2014 $	12 MONTH PERIOD ENDED DECEMBER 31, 2013 $	3 MONTH PERIOD ENDED DECEMBER 31, 2014 $	3 MONTH PERIOD ENDED DECEMBER 31, 2013 $
Net loss for the period	(26,067,946)	(1,003,239)	(12,044,986)	(1,003,239)
Financing costs, net	7,937,157	81,570	5,089,060	81,570
Taxes	381,934	—	89,871	—
Amortization	14,831,041	—	4,187,133	—
EBITDA	(2,917,814)	(921,669)	(2,678,922)	(921,669)
Loss on foreign exchange	2,084,053	—	1,193,022	—
Share-based compensation	1,116,537	—	253,901	—
Acquisition related costs	19,779,817	895,539	8,858,642	895,539
Adjusted EBITDA	20,062,593	(26,130)	7,626,643	(26,130)

Net income (loss) for the period	(26,067,946)	(1,003,239)	(12,044,986)	(1,003,239)
Share-based compensation	1,116,537	—	253,901	—
Amortization of acquisition related purchase price intangibles	14,778,217	—	4,154,738	—
Loss on foreign exchange	2,084,053	—	1,193,022	—
Acquisition related costs	19,779,817	895,539	8,858,642	895,539
Interest accretion	1,492,003	—	414,974	—
Fair value adjustment for contingent consideration	3,381,140	—	3,381,140	—
Adjusted Net Income	16,563,821	(107,700)	6,211,431	(107,700)

Basic Adjusted Net Income per share	$0.93	($0.09)	$0.25	($0.09)
Diluted Adjusted Net Income per share	$0.80	($0.09)	$0.22	($0.09)

Summary of Results by Segment

During the Company's first year of operations, operating segments were determined on an acquisition basis (InterCasino, Mandalay, and Vera&John) in addition to a corporate segment. As the Company has experienced rapid growth, operating segments will be further analyzed and are subject to future change.

The InterCasino segment consists of the online casino operating results of the InterCasino™ and VIP Casino™ brands and revenues earned from the Revenue Guarantee. The Mandalay segment consists of the operating results of various online bingo websites operated off of the Dragonfish platform and the operating results of affiliate portal websites. The Vera&John segment consists of the online casino operating results of various brands including Vera&John and Vera&Juan.

SEGMENT SELECTED FINANCIAL RESULTS

The following table presents selected financial results for the three brands and corporate segment for the year ended December 31, 2014:

	INTERCASINO $	MANDALAY $	VERA&JOHN $	CORPORATE $	TOTAL $
Total revenue and other income	21,927,743	17,248,363	1,600,133	—	40,776,239
Total expenses	15,534,684	16,402,641	1,161,100	23,342,616	56,441,041
Financing costs, net	—	2,232	—	7,934,925	7,937,157
Loss on foreign exchange	—	—	—	2,084,053	2,084,053
Income (loss) before taxes	6,393,059	843,490	439,033	(33,361,594)	(25,686,012)

OPERATING SEGMENTS ADJUSTED EBITDA

The following table presents Adjusted EBITDA for the operating segments for the year ended December 31, 2014:

	INTERCASINO $	MANDALAY $	VERA&JOHN $
Net Income before taxes for the period	6,393,059	843,490	439,033
Financing costs, net	—	2,232	—
Amortization	8,272,407	6,508,049	25,909
EBITDA and Adjusted EBITDA	14,665,466	7,353,771	464,942

Financial Condition

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Total current assets	50,423,234	62,401,572
Total long-lived assets	281,567,198	—
Total current liabilities	57,361,831	3,816,978
Total long term financial liabilities	90,989,450	13,879,522

The $12 million decrease in current assets largely relates to a $30.8 million decrease in cash and restricted cash as detailed in the statement of cash flow included in the December 31, 2014 consolidated statements, offset by a $10.4 million increase in receivables mainly related to the net balance owing from Amaya and the 888 Group in accordance with the services agreement in place between these entities, a $6.3 million increase in taxes receivable relates to the Company's ability to reclaim certain taxes paid in Malta, a $0.8 million increase in prepaid expenses, and a $1.4 million increase in customer deposits as a result of the WagerLogic acquisition.

The increase in long-lived assets of $281.6 million since December 31, 2013 mainly relates to intangible assets and goodwill recognized as a result of the WagerLogic, Mandalay and Vera&John acquisitions.

The increase in current liabilities of $53.5 million since December 31, 2013 mainly relates to the following: an increase in accounts payable and accrued liabilities of $18.2 million largely related to compensation payable of $2.6 million and $7.4 million in payables related to acquisition costs, an increase of $9.2 million in taxes payable, an increase of $9.2 million as a result of a vendor take-back loan related to the Vera&John acquisition, $15.6 million in contingent consideration related to the Mandalay acquisition, and an increase of $1.4 million in payables to customers for cash on deposit.

The increase in total long-term financial liabilities of $77.1 million since December 31, 2013 was driven by the following increases: $47.4 million in net proceeds obtained through the issuance of debentures, $10 million in debt obtained from Amaya as a vendor take-back promissory note, less $6.2 million in principal payments made on the promissory note, the contingent consideration associated with the WagerLogic and Vera&John Acquisitions of $10.7 million, an increase of $10 million as a result of a bridge loan obtained from certain members of management, an increase of $4.4 million due to a deferred tax liability, as well as accretion expenses recognized on convertible debentures, debentures and contingent consideration.

LIQUIDITY AND CAPITAL RESOURCES

Intertain requires capital and liquidity to fund existing and future operations and future cash payments. Intertain's policy is to maintain sufficient capital levels to fund the Company's financial position and meet future commitments and obligations in a cost-effective manner.

Liquidity risk arises from the Company's ability to meet its financial obligations as they become due. The following table summarizes Intertain's financial liabilities and contractual obligations, shown at undiscounted contracted amounts, as of December 31, 2014:

	ON DEMAND $	< 1 YEAR $	1-2 YEARS $	4-5 YEARS $	> 5 YEARS $
Payable and accrued liabilities	22,001,474	—	—	—	—
Interest payable	—	—	226,422	—	—
Payable to customers	1,355,505	—	—	—	—
Contingent considerations	—	15,708,102	11,984,180	—	—
Convertible debentures	—	—	—	17,500,000	—
Bridge loan	—	—	—	9,995,084	—
Debentures	—	—	—	51,175,000	—
Vendor take-back loan	—	9,187,345	—	3,773,702	—
Commitments	—	796,571	516,830	—	—
	23,356,979	25,692,018	12,727,432	82,443,786	—

Intertain manages liquidity risk by monitoring actual and forecasted cash flows in comparison with the maturity profiles of financial assets and liabilities. Management believes Intertain's working capital provides it with an appropriate level of cash for existing operations for the reasonable foreseeable future assuming no significant adverse change in the markets in which it operates.

Capital expenditures were approximately $1.7 million in 2014, which represents approximately 0.5% of net revenues. The Company's low capital expenditures are attributed to leveraging its business-to-business partners for its technology platforms.

DEBT FACILITIES AND LONG TERM FINANCIAL LIABILITIES

On December 19, 2013 the Company completed a convertible debenture private placement consisting of 17,500 convertible debenture subscription receipts ("Debentures Subscription Receipts") for gross proceeds of $17,500,000. On February 11, 2014, with the satisfaction of the escrow release conditions, each Debenture Subscription Receipt was converted into one Intertain debenture and 30 common share warrants. The convertible debentures accrue interest at a rate of 5.0% per annum, payable semi-annually in arrears on June 30 and December 31 in each year. Upon initial recognition of the convertible debentures, the liability component of the convertible debentures was recognized at fair value of a similar liability that does not have an equity conversion option and the residual amount was recognized as a reserve in equity. The convertible debentures are convertible at the holder's option into Intertain common shares at a conversion price of $6.00 per share at any time prior to maturity. The convertible debentures mature on December 31, 2018.

On July 10, 2014, the Company completed a debenture public offering consisting of 51,175 equity linked debt subscription receipts ("Debt Subscription Receipts") for gross proceeds of $51,175,000. On July 14, 2014, the Debt Subscription Receipts were exchanged on a one-for-one basis for debt units, consisting of one Debenture and 40 Series B Warrants without payment of additional consideration or further action.

The Company's vendor take-back liabilities consist of a $9.2 million short term loan obtained from the former owners of Vera&John which expires on March 23, 2015 and a $10 million promissory note, bearing interest of 6% per annum payable semi-annually in arrears beginning in the second year following its issuance and maturing on the fourth anniversary. On September 30, 2014, the Company made a principal payment of $5.2 million on this promissory note. On December 31, 2014, the Company made a second principal payment of $1 million with a remainder of $3.8 million outstanding as at December 31, 2014.

The Company's bridge loan liabilities consist of a $10 million loan provided by certain management of Intertain, on an arm's length basis, bearing an interest rate per annum of the prime business rate (as reported by the Bank of Canada) and due on December 22, 2019.

The Company's contingent considerations consist of earn out payments related to the Vera&John, Mandalay, and InterCasino acquisitions.

Capital Resources

The table below summarizes the Company's capital resources as of December 31, 2014:

	$
Share capital – common shares	201,146,330
Reserve/Contributed surplus	9,996,774
Accumulated deficit	(27,503,953)
	183,639,151

Outstanding Share Data

As at March 9, 2015, the Company has a total of 32,784,875 common shares issued and outstanding, 2,810,890 options under the Company's stock option plan, and 741,171 share purchase warrants issued and outstanding.

Cash Flow Summary

During the twelve months ended December 31, 2014, financing activities generated cash in the amount of $206.7 million, as a result of proceeds obtained through the issuance of common shares and debentures, the release of restricted cash, less the principal payments made on the vendor take-back promissory note, and common share dividends paid. Investing activities used cash in the amount of $181.1 million as a result of the purchase of tangible assets and the WagerLogic, Mandalay, and Vera&John Acquisitions. Operating activities provided cash in the amount of $4.7 million, which was largely due to non-cash movement from operating loss related to amortization charges, foreign exchange, tax provisions, interest accretion, accrued liabilities, share-based compensation, and changes in non-cash working capital.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial conditions and results of operations are made with reference to the consolidated financial statements for the year ended December 31, 2014. A summary of the Company's significant accounting policies are presented in Note 3 to audited consolidated financial statements for the year ended December 31, 2014. Some of the Company's accounting policies, as required by International Financial Reporting Standards, require management to make subjective, complex judgments and estimates to matters that are inherently uncertain. The Company believes the policies below are the most critical accounting estimates that affect its operating results, and that would have the most material effect on the financial statements should these policies change or be applied in a different manner.

TAXES

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and;
- Investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities or assets are settled or recovered.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

In these financial statements, income tax associated with the Company's operations in Malta has been provided at the effective Maltese corporate tax rate of 5% for each accounting period based on where the Company is located.

BUSINESS COMBINATIONS

Business combinations require management to exercise judgment in measuring the fair value of the assets acquired, equity instrument issued, liabilities, and contingent considerations incurred or assumed. In particular, a high degree of judgement is applied in determining the fair value of the separable intangible assets acquired, their useful economic lives and which assets and liabilities are include in a business combination.

GOODWILL AND INTANGIBLE ASSETS VALUATION

Goodwill and intangible assets are reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. Management uses judgment in estimating the recoverable values of the Company's Cash-Generating Units and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill.

Related Party Transactions

During the year ended December 31 2014, the Company incurred $1,178,116 (December 31, 2013 – nil) in legal fees for services provided by a law firm whose partner is a director of the Company and incurred professional fees of $166,536 (December 31, 2013 – nil) from an accounting firm whose partner is also a director of the Company. The Company has also incurred brand agency fees of $42,545 (December 31, 2013 – nil) from a company, whose chief creative director is also a director of the Company.

These expenses were mainly attributable to acquisition-related expenses and the Qualifying Transaction.

During the year ended December 31, 2014, the Company received a $9,995,084 (December 31, 2013 – nil) bridge loan from certain members of management which remained outstanding at December 31, 2014. The bridge loan was provided on an arm's length basis, bearing an interest rate per annum of the prime business rate (as reported by the Bank of Canada) and due on December 22, 2019.

Forward Looking Statements

Certain statements contained in this MD&A may constitute forward-looking statements. These audited consolidated statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek," "anticipate," "plan," "continue," "estimate," "expect," "may," "will," "project," "predict," "propose," "potential," "targeting," "intend," "could," "might," "should," "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of various risk factors.

These forward-looking statements involve risks and uncertainties relating to, among other things, the Company's limited operating history, the heavily regulated industry, competition issues, the possibility that the Company be unable to complete future acquisitions and integrate those businesses successfully, the impact of change in regulations or industry standards, international operations and risks of foreign operations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors described in this document as well as the Company's other publicly disclosed documents.

Other than as required by applicable Canadian securities law, the Company does not update or revise any forward-looking statements to reflect new information, future events or otherwise. These forward-looking statements are subject to risks and uncertainties that could cause actual results or events to differ materially from expectations. These include, but are not limited to, the risk factors itemized in the Company's final prospectus dated February 23, 2015 and the Company's Annual Information Form dated June 13, 2014. Readers are advised to review these risk factors for a detailed discussion of the risks and uncertainties affecting the Company's business. Readers should not place undue reliance on forward-looking statements.

Additional Information

For further detail, see the Company's audited consolidated financial statements year ended December 31, 2014. Additional information about the Company can also be found on SEDAR.

Audited Consolidated Financial Statements

(in Canadian dollars, except where otherwise indicated)

Management's Responsibility For Financial Reporting

The accompanying consolidated financial statements of the Company for the years ended December 31, 2014 and 2013 have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and, where relevant, the choice of accounting principles. Management develops and maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records are maintained.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board of Directors for approval.

The Company's independent auditors, BDO LLP, conducted an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

JOHN FITZGERALD, CEO

KEITH LASLOP, CFO

TORONTO, CANADA
MARCH 9, 2015

Independent Auditor's Report

To the Shareholders of The Intertain Group Limited

We have audited the accompanying consolidated financial statements of The Intertain Group Limited, which comprise the consolidated balance sheet as at December 31, 2014 and the consolidated statements of shareholders' equity, operations and comprehensive income and cash flows for the year ended December 31, 2014 and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Intertain Group Limited as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

OTHER MATTERS

The financial statements of The Intertain Group Limited (formerly Goldstar Acquisitionco Inc.) for the year ended December 31, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on March 28, 2013.

BDO LLP

BDO LLP
LONDON, UNITED KINGDOM
MARCH 9, 2015

BSO LLP IS A LIMITED LIABILITY PARTNERSHIP REGISTERED IN ENGLAND AND WALES (WITH REGISTERED NUMBER OC305127)

The Intertain Group Limited
Consolidated Balance Sheets

DECEMBER 31, 2014 (CANADIAN DOLLARS)

ASSETS	NOTE	AS AT DECEMBER 31, 2014 $	AS AT DECEMBER 31, 2013 $
Current Assets			
Cash	6	31,252,028	1,281,572
Restricted cash	6	327,637	61,120,000
Prepaid expenses		828,961	—
Customer deposits		1,355,505	—
Receivables	8	10,362,802	—
Taxes receivable		6,296,301	—
Total current assets		50,423,234	62,401,572
Tangible assets	10	490,447	—
Intangible assets	10	138,358,325	—
Goodwill	5, 10	142,382,207	—
Other long term receivables		336,219	—
Total assets		331,990,432	62,401,572

LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		22,001,474	3,781,978
Interest payable	5	—	35,000
Payable to customers		1,355,505	—
Vendor take-back loan	5	9,187,345	—
Contingent consideration	5	15,621,325	—
Provision for taxes		9,196,182	—
Total current liabilities		57,361,831	3,816,978
Interest payable	5	226,422	—
Contingent consideration	5	10,731,986	—
Deferred tax liability	11	4,425,819	—
Vendor take-back loan	5	3,773,702	—
Convertible debentures	12	14,443,506	13,879,522
Bridge loan	14	9,995,084	—
Debentures	12	47,392,931	—
Total liabilities		148,351,281	17,696,500
COMMITMENTS	19		
Equity			
Shareholders' equity	12	183,639,151	44,705,072
Total equity		183,639,151	44,705,072
TOTAL LIABILITIES AND EQUITY		331,990,432	62,401,572

SEE ACCOMPANYING NOTES

On behalf of the Board:

JOHN FITZGERALD, CEO

PAUL PATHAK, DIRECTOR

The Intertain Group Limited
Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED DECEMBER 31, 2014 (CANADIAN DOLLARS)

	SHARE CAPITAL $	UNIT SUBSCRIPTION RECEIPTS $	CONTRIBUTED SURPLUS $	RESERVE $	DEFICIT $	TOTAL $
Balance at December 31, 2012	—	—	—	—	—	—
Comprehensive income for the year:						
Net loss for the period	—	—	—	—	(1,004,145)	(1,004,145)
Total comprehensive income for the year:	—	—	—	—	(1,004,145)	(1,004,145)
Contributions by and distributions to shareholders:						
Issuance of common shares, net of costs	1,532,865	41,010,900	—	—	—	42,543,765
Convertible debentures	—	—	—	3,165,452	—	3,165,452
Total contributions by and distributions to shareholders:	1,532,865	41,010,900	—	3,165,452	—	45,709,217
Balance at December 31, 2013	1,532,865	41,010,900	—	3,165,452	(1,004,145)	44,705,072
Comprehensive income for the year:						
Net loss for the period	—	—	—	—	(26,067,946)	(26,067,946)
Other comprehensive income	—	—	—	(263,618)	—	(263,618)
Total comprehensive income for the year:	—	—	—	(263,618)	(26,067,946)	(26,331,564)
Contributions by and distributions to shareholders:						
Issuance of common shares, net of costs	117,974,583	—	—	—	—	117,974,583
Conversion of units	41,010,900	(41,010,900)	—	—	—	—
Issuance of common share warrants	(3,548,912)	—	5,978,403	—	—	2,429,491
Issuance of shares – Aumento amalgamation	856,000	—	—	—	—	856,000
Exercise of common share warrants	43,320,894	—	—	—	—	43,320,894
Share-based compensation	—	—	1,116,537	—	—	1,116,537
Common share dividend	—	—	—	—	(431,862)	(431,862)
Total contributions by and distributions to shareholders:	199,613,465	(41,010,900)	7,094,940	—	(431,862)	165,265,643
Balance at December 31, 2014	201,146,330	—	7,094,940	2,901,834	(27,503,953)	183,639,151

SEE ACCOMPANYING NOTES

The Intertain Group Limited
Consolidated Statements of Comprehensive Income (Loss)

FOR THE YEAR ENDED DECEMBER 31, 2014 (CANADIAN DOLLARS)

	NOTE	YEAR ENDED DECEMBER 31, 2014 $	PERIOD ENDED DECEMBER 31, 2013 $
Gaming revenue		23,465,981	—
Other income earned from revenue guarantee	5	17,310,258	—
		40,776,239	—
Costs and expenses			
Selling and marketing		11,078,814	—
Platform licensing fees		3,977,552	—
Processing fees		722,239	—
Gaming tax		382,303	—
Compensation and benefits		3,409,700	—
General and administrative		1,067,519	26,130
Professional fees		1,192,057	—
Amortization	10	14,831,041	—
Acquisition related costs		19,779,817	895,539
Total costs and expenses		56,441,041	921,669
Interest income	7	(167,680)	—
Interest expense	7	8,104,837	81,570
Financing expenses		7,937,157	81,570
Loss on foreign exchange	9	(2,084,053)	—
Net loss for the period before taxes		(25,686,012)	(1,003,239)
Current tax	11	793,934	—
Deferred tax recovery	11	(412,000)	—
Net loss for the period		(26,067,946)	(1,003,239)
Foreign currency translation gain		(263,618)	—
Total comprehensive loss for the period		(26,331,564)	(1,003,239)
Net loss for the period per share			
Basic	13	(1.46)	(0.71)
Diluted	13	(1.46)	(0.71)

SEE ACCOMPANYING NOTES

The Intertain Group Limited
Consolidated Statements of Cash Flows

FOR THE YEAR ENDED DECEMBER 31, 2014 (CANADIAN DOLLARS)

	NOTE	YEAR ENDED DECEMBER 31, 2014 $	PERIOD ENDED DECEMBER 31, 2013 $
Operating activities			
Net loss for the period		(26,067,946)	(1,003,239)
Add (deduct) items not involving cash			
Amortization	10	14,831,041	—
Share-based compensation expense		1,116,537	—
Deferred tax recovery		(412,000)	—
Tax provision		793,934	—
Fair value adjustment to contingent consideration		3,381,140	—
Interest expense		4,556,017	—
Loss on foreign exchange forward		2,084,053	—
Common shares issued upon amalgamation	1	856,000	—
		1,138,776	(1,003,239)
Change in non-cash operating items			
Prepaid expenses		(828,961)	—
Interest payable		191,422	35,000
Accounts payable and accrued liabilities		6,810,504	3,781,978
Long term receivables		(336,219)	—
Receivables		(2,320,801)	—
Total cash provided by operating activities		4,654,721	2,813,739
Financing activities			
Restricted cash		60,792,363	(61,120,000)
Proceeds from issuance of debentures, net of costs	12	49,494,312	17,043,500
Proceeds from bridge loan	14	9,995,084	—
Interest paid	5	(2,960,272)	—
Principal payments made on vendor take back loan	12	(6,226,298)	—
Dividend paid	12	(431,862)	—
Proceeds from exercise of warrants	12	43,320,894	41,010,900
Proceeds from issuance of common shares, net	12	52,701,535	1,532,863
Total cash provided by (used in) financing activities		206,685,756	(1,532,737)
Investing activities			
Purchase of tangible assets	10	(123,328)	—
Business acquisitions net of cash	5	(181,009,166)	—
Total cash used in investing activities		(181,132,494)	—
Net increase in cash during the period		30,207,982	1,281,002
Cash and cash equivalents, beginning of period		1,281,572	—
Exchange (losses)/gains on cash and cash equivalents		(237,526)	570
Cash and cash equivalents, end of period		31,252,028	1,281,572

SEE ACCOMPANYING NOTES

Restricted cash		327,637	61,120,000
Total cash, end of period		31,579,665	62,401,572

Notes to the Audited Consolidated Financial Statements

(in Canadian dollars, except where otherwise indicated)

1. Corporate Information

The Intertain Group Limited (the "Company" or "Intertain") was incorporated by Articles of Incorporation pursuant to the provisions of the Business Corporations Act (Ontario) on November 26, 2010. Intertain's registered office is located at 24 Duncan Street, Floor 2, Toronto, Ontario, Canada. Intertain is an online gaming company, which provides entertainment to a global consumer base. The Company currently offers bingo, casino and other games to its customers using the Costa Bingo, Vera&John, Vera&Juan, InterCasino, VIP Casino, and other brands. The InterCasino and VIP Casino gaming platform is supplied by NYX Gaming Group Limited, and the Company's bingo offerings operate off of the Dragonfish platform, a leading software service provided by the 888 Group. The Vera&John and Vera&Juan brands operate off of proprietary software owned by Dumarca Holdings PLC ("Dumarca"), a wholly-owned subsidiary of the Company. Additionally, Intertain received fees for marketing services provided by its affiliate portal business.

On February 11, 2014, the Company (formerly Aumento Capital II Corporation ("Aumento")) completed its acquisition of Goldstar Acquistionco Inc. ("Goldstar") through an amalgamation (the "Amalgamation") between Goldstar and 2399274 Ontario Inc., a wholly-owned subsidiary of the Company, to form an amalgamated company named "Intertain Holdings Inc.," which became a wholly-owned subsidiary of the Company. The Amalgamation constituted the Company's Qualifying Transaction (as such term is defined in the policies of the TSX Venture Exchange (the "TSXV")). The TSXV approved the Qualifying Transaction of the Company and the Toronto Stock Exchange ("TSX") approved the listing of the common shares of the Company, which commenced trading on the TSX under the symbol "IT" on February 18, 2014, at which time the Company's common shares were delisted from the TSXV.

Prior to the closing of the Qualifying Transaction, a private placement of 11,625,000 unit subscription receipts (the "Unit Subscription Receipts") at a purchase price of $4.00 per Unit Subscription Receipt and 17,500 convertible debenture subscription receipts (the "Debenture Subscription Receipts") at a purchase price of $1,000 per Debenture Subscription Receipt was completed. The net proceeds from the offering was approximately $61,000,000. Proceeds from the offering were used to fund the acquisition of all of the issued and outstanding common shares of WagerLogic Malta Holding Limited ("WagerLogic") from a subsidiary of Amaya Gaming Group Inc. ("Amaya"), which completed on February 11, 2014, for a purchase price of $70,000,000, less working capital adjustments, pursuant to the terms of the share purchase agreement dated November 27, 2013. The share purchase agreement included a bonus payment of USD $10,000,000 to Amaya if CryptoLogic Operations Ltd. ("Cryptologic") achieves a net revenue target of USD $30,000,000 during the second year following closing, and a bonus payment of USD $10,000,000 to Amaya if Cryptologic achieves a net revenue target of USD $40,000,000 during the third year following closing.

On July 14, 2014, Intertain completed the acquisition of all of the issued share capital of Mandalay Media Ltd ("Mandalay") for an initial payment of £45,000,000 in cash, exclusive of working capital adjustments, with a further cash payment of up to £15,000,000, contingent on future profit performance. Mandalay owns some of the United Kingdom's leading online bingo websites and affiliate portals.

This acquisition was financed by the net proceeds of a $103,500,000 offering of securities consisting of $52,300,000 of equity and $51,200,000 of debt.

On December 23, 2014, Intertain Group completed the acquisition of the entire issued share capital of Dumarca (the "Dumarca Shares"), the Malta-based parent company of the Vera&John group ("Vera&John"). As consideration for the Dumarca Shares, the Company made an initial payment of €44.5 million in cash, exclusive of working capital adjustments, and 5,024,869 common shares of Intertain. Intertain may be required to make a further cash payment (the "Earn Out") in the event Vera&John generates earnings before interest, taxes, depreciation and amortization ("EBITDA") over certain thresholds in 2015 and 2016. The cumulative Earn Out payment over 2015 and 2016 is subject to a cap of €8.1 million.

On February 5, 2015, Intertain and Gamesys Limited ("Gamesys") entered into a share purchase agreement whereby Intertain will purchase the entire issued share capital of a wholly-owned subsidiary of Gamesys which has been established to hold, directly or indirectly, the Jackpotjoy, Starspins and Botemania brands (the "Jackpotjoy Acquisition"), for the sum of: (i) approximately £369.0 million in cash, less certain intra-group debt; (ii) approximately £1.4 million in cash; (iii) 7,361,365 common shares of Intertain; (iv) the assumption of the obligation to repay certain intra-group debt; (v) certain cash adjustments; 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 closing of the Jackpotjoy Acquisition. The earn-out is further described in the Company's final prospectus dated February 23, 2015, under the heading "The Jackpotjoy Acquisition – The Jackpotjoy Agreement – Earn-Out Payments".

These consolidated financial statements were authorized for issue by the Board of Directors on March 4, 2015.

2. Basis Of Preparation

Basis of Presentation

These consolidated financial statements have been prepared under the historical cost convention other than for the measurement at fair value of selected financial liabilities.

These consolidated financial statements have been prepared by management on a going concern basis, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of Consolidation

The Company's consolidated financial statements consolidate the parent company and all of its subsidiaries as of December 31, 2014. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All transactions and balances between companies are eliminated on consolidation.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which Intertain obtains control, and continue to be consolidated until the date that such control ceases.

The principal subsidiaries of Intertain, all of which have been included in these consolidated financial statements and are wholly owned by Intertain, are as follows:

NAME	COUNTRY OF INCORPORATION AND PRINCIPAL PLACE OF BUSINESS
Intertain Holdings Inc.	Canada
Wagerlogic Malta Holdings Ltd	Malta
Cryptologic Operations Ltd.	Malta
Cryptologic Trading Ltd.	Malta
Wagerlogic Alderney Ltd.	Alderney
Wagerlogic Israel Ltd.	Israel
Mandalay Media Ltd.	Bahamas
Jet Management Ltd.	Bahamas
Jet Media Ltd.	Gibraltar
Intertain Management (UK) Ltd.	UK
Dumarca Holdings Ltd.	Malta
Dumarca Gaming Ltd.	Malta
Plain Support SA	Costa Rica
Dumarca Asia	Hong Kong
Simplicity V8	Hong Kong
Intertainment Asia Inc.	BVI
Entserv Asia Ltd.	Japan
BEAT	Sweden

3. Summary of Significant Accounting Policies

Business Combinations and Goodwill

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company, whereby the purchase consideration is allocated to the identifiable assets and liabilities on the basis of fair value at the date of acquisition. Provisional fair values allocated at a reporting date are finalized as soon as the relevant information is available, within a period not to exceed twelve months from the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred and equity interests issued by the Company. Consideration also includes the fair value of any contingent consideration. Subsequent to the acquisition, contingent consideration that is based on an earnings target and classified as a liability is measured at fair value with any resulting gain or loss recognized in net income. Acquisition-related costs are expensed as incurred.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Revenue Recognition

The Company earns its revenue from operating casino and bingo online websites, and affiliate services. Affiliate services revenue is derived from affiliate services provided to gaming operators. The commission revenue is calculated in line with the contracts, typically based on fixed price per player and is recognized to the extent that its probable economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognized in the accounting periods in which the transactions occur. Revenues from online bingo and casino consists of the difference between total amount wagered by players less all winnings payable to players, bonuses allocated, and jackpot contributions ("Net Revenue").

Fair Value Measurement

The Company measures financial instruments at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market accessible by the Company for the asset or liability.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Foreign Currency Translation

FUNCTIONAL AND PRESENTATION CURRENCY

The Company's consolidated financial statements are presented in Canadian dollars. Each group company determines its own functional currency and items included in the consolidated financial statements of each subsidiary and associate are measured using that functional currency. Differences arising on the retranslation of overseas subsidiaries are recorded in other comprehensive income.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency of the respective entity of Intertain, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Foreign exchange gains and losses resulting from the settlement or translation of monetary items are recognized in profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Financial Instruments

Intertain classifies its financial assets and liabilities under the following categories: fair value through profit or loss ("FVPL"), loans and receivables, and financial liabilities at amortized cost. All financial instruments are recognized initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial instrument classified as other than at FVPL are added to the carrying amount of the asset or liability.

FAIR VALUE THROUGH PROFIT OR LOSS

Financial instruments classified at FVPL include held for trading financial instruments and financial instruments designated upon initial recognition at FVPL and are carried at fair value and any gains or losses are recorded in net income in the period in which they arise. Financial instruments are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. The Company has not designated any financial instruments at fair value through profit or loss. Financial instruments classified as FVPL include contingent considerations.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. After initial measurement, such instruments are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income or expense in the statement of profit or loss. This category generally applies to trade and other receivables.

FINANCIAL LIABILITIES AT AMORTIZED COST

All financial liabilities are measured at amortized cost using the effective interest rate method and respective transaction costs are amortized to income over the life of the instrument. This category generally applies to current liabilities, debentures, bridge loan, vendor take-back loan and convertible debentures.

Impairment of Financial Assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events have occurred since the initial recognition of the asset and if the event(s) has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

Compound Financial Instruments

The Company's compound financial instruments comprise of convertible debentures subscription receipts. The underlying convertible debentures (note 9) can be converted to equity at the option of the holder, and the number of shares to be issued does not vary with changes in fair value. As a result, the instrument is composed of a liability component and an equity component. The liability component is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The residual amount between the total fair value of the convertible debenture and the fair value of the liability component is allocated on initial recognition to equity and recognized as a reserve in equity. Any directly attributable transaction costs are allocated to the liability and the equity component proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of the convertible debentures is measured at amortized cost using the effective interest method. The equity components of the convertible debentures are not remeasured subsequent to initial recognition.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Income Taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the Statement of Comprehensive Income. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred taxes are not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income (loss) in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Tangible Assets

Tangible assets are recorded at cost less accumulated amortization. These assets are amortized over their estimated useful lives as follows:

Computer Hardware:	Straight-line over three years
Office Furniture:	Straight-line over five years
Leasehold Improvements:	Straight-line over the term of the lease

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Amortization for finite life intangible assets is calculated at the following rates:

Brand:	Straight-line over 20 years
Gaming Licences:	Straight-line over 20 years
Software:	Straight-line over 5 years
Revenue Guarantee and Customer Lists:	Based on the timing of when estimated cash inflows will be earned

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. If any indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows independently of other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Stock Based Compensation

The Company used the fair value method to measure the cost of share options awarded. Compensation expense for equity settled stock options awarded under the plan is measured at the fair value at the grant date using the Black-Scholes valuation model and is recognized using the graded vesting method over the vesting period of the options granted. Compensation expense recognized is adjusted to reflect the number of options that has been estimated by management for which conditions attaching to service will be fulfilled as of the grant date until the vesting date so that the ultimately recognized expense corresponds to the options that have actually vested. The compensation expense credit is attributed to contributed surplus when the expense is recognized in income or loss.

Earnings Per Share

Basic earnings per share are calculated by dividing the net income or loss for the period attributed to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share are calculated using the same method as for basic earnings per share and adjusting the weighted average of common shares outstanding during the period to reflect the dilutive impact, if any, of options and warrants assuming they were exercised for that number of common shares calculated by applying the treasury stock method. The treasury stock method assumes that all proceeds received by the Company when options and warrants are exercised will be used to purchase common shares at the average market price during the reporting period.

Provisions

Provisions are recognized when the Company has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibly of completing the intangible asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins the same month the asset is recognized and is amortized over the period of expected future economic benefit to the Company. During the period of development, the asset is tested for impairment annually.

Leases

Rentals payable under operating leases are charged directly to the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Warrants

The Company used the fair value method to measure the cost of warrants issued. At the time of issuance, warrants are measured at fair value using the Black-Scholes valuation model. The model takes into account management's best estimate of the exercise price of the warrant, an estimate of the expected life of the warrant, the current price of the underlying stock, an estimate of the stock's volatility and the risk-free rate of return expected for an instrument with a term equal to the warrant. Warrants are recorded on contributed surplus in the statement of equity

4. Summary of Accounting Estimates and Assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Taxes

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities or assets are settled or recovered.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

In these financial statements, income tax associated with the Company's operations in Malta has been provided at the effective Maltese corporate tax rate of 5% for each accounting period based on where the Company is located.

Business Combinations

Business combinations require management to exercise judgment in measuring the fair value of the assets acquired, equity instrument issued, liabilities, and contingent considerations incurred or assumed. In particular, a high degree of judgement is applied in determining the fair value of the separable intangible assets acquired, their useful economic lives and which assets and liabilities are included in a business combination.

Goodwill and Intangible Assets Valuation

Goodwill and intangible assets are reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. Management uses judgment in estimating the recoverable values of the Company's CGUs and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill.

5. Business Combinations

InterCasino Purchase

On February 11, 2014, Goldstar acquired 100% of the issued share capital of WagerLogic, the parent company of CryptoLogic which operates an online casino under the brand "InterCasino". The Company completed the transaction at a purchase price of $70,000,000, less working capital adjustments, which consisted of a cash payment of approximately $60,000,000 and the issuance of a $10,000,000 vendor take-back in the form of a promissory note, bearing interest of 6% per annum payable semi-annually in arrears beginning in the second year following its issuance and maturing on the fourth anniversary. On September 30, 2014, the Company made a principal payment of $5,237,460 on this promissory note. On December 31, 2014, the Company made a second principal payment of $988,838 with a remainder of $3,773,702 outstanding as at December 31, 2014.

The acquisition of WagerLogic has been accounted for using the acquisition method and the results of operations are included in the interim condensed consolidated statements of comprehensive income from the date of acquisition, which is February 11, 2014.

The share purchase agreement included a bonus payment of USD $10,000,000 to Amaya if Cryptologic achieves a net revenue target of USD $30,000,000 during the second year following closing, and a bonus payment of USD $10,000,000 to Amaya if Cryptologic achieves a net revenue target of USD $40,000,000 during the third year following closing.

The excess purchase consideration over the net fair value of financial and other tangible and intangible assets acquired has been allocated to goodwill. Goodwill is attributed to post-acquisition synergies. None of the goodwill is expected to be deductible for income tax purposes.

The following table summarizes the estimate of fair value of identifiable assets and liabilities acquired at the date of acquisition:

	$
Assets Acquired	
Cash*	7,515,685
Accounts receivable	118,169
Player deposits	1,018,582
Prepayments	6,216
Intangibles assets	15,935,497
Goodwill	48,142,808
	72,736,957
Liabilities Assumed	
Accounts payable and accrued liabilities	163,937
Deferred tax liability	790,000
Due to players	1,018,582
	70,764,438

Source of Financing	
Cash*	59,975,557
Vendor take back promissory note	10,000,000
Fair value of contingent consideration	788,881
	70,764,438

* $7,500,000 OF CASH ACQUIRED WAS USED TO SETTLE THE PURCHASE PRICE OF THE ACQUISITION.

The amount due for contingent consideration was determined using the probability of outcomes, is recognized at fair value, and carried at amortized cost using an effective rate of interest of 10%. This represents management's current best estimate of the amount payable, after the effects of discounting. No changes to the fair value of the contingent consideration have been recorded during the post-acquisition period, other than the unwinding of the discount amounting to $72,314 for the period.

Prior to the closing of the share purchase agreement, the Company entered into several agreements ("Service and Licences Agreements") whereby Amaya's affiliates agreed to provide key support services, including hosting and operation of the game platform, the online games, game website development pursuant to the design and instruction of Cryptologic, certain marketing services and payment processing functions.

The fee charged by Amaya for these services is 17% of Net Revenue until the aggregate Net Revenue equals USD $30,000,000, following which the Net Revenue share payable is 20% of Net Revenue in excess of USD $30,000,000. These fees are included in platform licensing fees in the consolidated statement of comprehensive income.

Along with the Service and Licences Agreements, the Company entered into a revenue guarantee agreement ("Revenue Guarantee"), whereby Amaya agrees to pay, during the first two years following the signing of the Service and Licences Agreements, an amount equal to the shortfall between CryptoLogic's actual Net Revenues and USD $19,000,000 annually. Proceeds earned from the Revenue Guarantee are recorded in other income.

Mandalay Purchase

On July 14, 2014, Intertain completed the acquisition of 100% of the issued share capital of Mandalay, a United Kingdom based operator of online bingo websites and affiliate portals, for an initial payment of £45,000,000 in cash, exclusive of working capital adjustments, with a further cash payment of up to £15,000,000 contingent on future profit performance. Mandalay was acquired on a debt-free basis. This acquisition will be accounted for as a business combination. The purchase price allocation set forth below represents the preliminary allocation of the purchase price and the fair value of assets acquired and is subject to change.

	$
Assets Acquired	
Cash	362,703
Accounts receivable	5,133,729
Prepayments	8,603
Intangible assets	62,367,270
Goodwill	30,418,233
	98,290,538
Liabilities Assumed	
Accounts payable and accrued liabilities	3,984,942
	94,305,596

Source of Financing	
Cash	83,004,047
Fair value of contingent consideration	11,301,549
	94,305,596

The excess purchase consideration over the net fair value of financial and other tangible and intangible assets acquired has been allocated to goodwill. Goodwill is attributed to post-acquisition synergies. None of the goodwill is expected to be deductible for income tax purposes.

The amount due for contingent consideration was determined using the probability of outcomes, is recognized at fair value, and carried at amortized cost using an effective rate of interest of 10%. This represented management's best estimate of the amount payable which they consider is likely to be paid, after the effects of discounting, at the date of acquisition. At December 31, 2014, the contingent consideration was reassessed and a further $3,381,140 was recognized. Additionally, the contingent consideration increased by $525,413 during the period due to the unwinding of the discount applied. Management compensation of $2,864,838 was included in acquisition costs related to this business combination.

Vera&John Purchase

On December 23, 2014, Intertain completed the acquisition of the entire issued share capital of Dumarca, the Malta-based parent company of Vera&John for a consideration of €44.5 million in cash, exclusive of working capital adjustments, and 5,024,869 common shares of Intertain. Intertain may be required to make a further cash Earn Out payment in the event Vera&John generates EBITDA over certain thresholds in 2015 and 2016. The cumulative Earn Out payment over 2015 and 2016 is subject to a cap of €8.1 million. The transaction was funded through cash on hand, an interim bridge loan of approximately $10.0 million provided by certain management of Intertain, on an arm's length basis, bearing an interest rate per annum of the prime business rate (as reported by the Bank of Canada) and due on December 22, 2019 and a $9.2 million vendor take-back loan which expires on March 23, 2015. This acquisition will be accounted for as a business combination. The purchase price allocation set forth below represents the preliminary allocation of the purchase price and the fair value of assets acquired and is subject to change.

	$
Assets Acquired	
Cash	17,637,842
Accounts receivable	1,758,985
Income tax receivable	1,816,859
Prepayments	1,016,299
Capital assets and other non-current assets	544,330
Intangible assets	75,994,080
Goodwill	63,159,578
	161,927,973
Liabilities Assumed	
Deferred tax liabilities	4,047,819
Accounts payable and accrued liabilities	9,379,782
	148,500,372

Source of Financing	
Cash	63,545,796
Share Capital	65,272,676
Fair value of contingent consideration	10,494,556
Vendor take-back promissory note	9,187,344
	148,500,372

The excess purchase consideration over the net fair value of financial and other tangible and intangible assets acquired has been allocated to goodwill. Goodwill is attributed to post-acquisition synergies. None of the goodwill is expected to be deductible for income tax purposes. The fair value of the assets acquired and liabilities assumed may be subject to adjustments pending the completion of final valuations and post-closing adjustments.

The amount due for contingent consideration was determined using the probability of outcomes, is recognized at fair value, and carried at amortized cost using an effective rate of interest of 10%. This represents management's current best estimate of the amount payable which they consider is likely to be paid, after the effects of discounting. No changes to the fair value of the contingent consideration have been recorded during the post-acquisition period. Management compensation of $2,782,043 was accrued for in acquisition costs related to this business combination.

Since the date of acquisition, these business combinations have contributed $40,776,239 (InterCasino - $21,927,743, Mandalay - $17,248,363, Vera&John - $1,600,133) in revenue and other income and $7,675,581 (InterCasino - $6,393,059, Mandalay - $843,490, Vera&John - $439,032) in net income to the Company.

The Company has used a significant amount of judgment and simplifying assumptions in estimating the net income and operating profits before income taxes. Had the business combinations occurred at the beginning of the year, these business combinations would have contributed $110,645,859 (InterCasino – $21,771,150, Mandalay –$35,199,371, Vera&John -$53,675,338) in revenue and other income and $35,718,650 (InterCasino – $14,356,408, Mandalay - $11,944,289, Vera&John - $9,417,953) in net income. As a result of the judgment and simplifying assumptions used to generate these estimates, the amounts should not be used as an indicator of past or future performance of the Company or its acquired subsidiaries.

6. Restricted Cash

The December 31, 2013 restricted cash balance consisted of cash held in escrow as a result of the Company's December 19, 2013 debt and equity private placements. Restricted cash was released from escrow on completion of the Qualifying Transaction, as discussed in note 1, on February 11, 2014.

The December 31, 2014 other restricted cash balance consisted of cash held as collateral related to irrevocable secured standby letters of credit of $262,243 which the Company entered into as rent guarantees for its leased premises in Toronto, Canada and cash held as collateral in the amount of $65,394, for its leased premises in Tel Aviv, Israel.

The comparative information in the cash flow statement has been reclassified to be consistent with the Company's presentation for the year ended 31 December 2014.

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Unrestricted cash	28,592,622	1,281,572
Restricted cash – cash equivalents	2,659,406	—
Cash and cash equivalents	31,252,028	1,281,572
Restricted cash - other	327,637	61,120,000
Total cash balances	31,579,665	62,401,572

7. Finance Expense/Income

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Interest earned on cash held during the year	167,680	—
Total Finance Income	167,680	—

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Interest accrued for related to the vendor take back loans	271,422	—
Interest paid on convertible debentures and debentures	2,960,272	81,570
Interest accretion recognized on contingent considerations	597,728	—
Interest accretion recognized on convertible debentures and debentures	894,275	—
Fair value adjustment to contingent consideration	3,381,140	—
Total Finance Expenses	8,104,837	81,570

8. Receivables

Receivables consisted of the following items:

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Due from Amaya Gaming Group Inc.	4,760,157	—
Due from The 888 Group	2,361,018	—
Affiliate revenue receivable	901,071	—
Due from previous shareholders of Vera&John	722,006	—
Other	1,618,550	—
	10,362,802	—

The balance receivable from Amaya is composed of net settlement balance related to InterCasino's operational activity and payments owing on the Revenue Guarantee, less services fees and other amounts owing to Amaya for the month of December 2014. The receivable balance from The 888 Group relates to net revenue earned by Mandalay's bingo operations and the affiliate revenue receivable balance relates to revenue earned by Mandalay's affiliate operations for the month of December 31, 2014. Due from previous shareholder of Vera&John relate to legal fees paid by Dumarca Holdings Ltd. on behalf of these individuals. All amounts receivable are unsecured, interest free and payable on demand. At December 31, 2014, no receivable balances were past due or impaired.

9. Derivative Financial Instruments

Derivative financial instruments are financial contracts, the value of which is derived from the value of the underlying assets, interest rates, indices or currency exchange rates. Realized and unrealized gains and losses related to these contracts are recognized in the consolidated statements of comprehensive income during the reporting period. During the year ended December 31, 2014, the Company incurred a realized loss of $891,031 related to a forward foreign exchange contract ("FX forward") the Company entered in conjunction with the Company's acquisition of Mandalay. The expiry date of the FX forward was July 31, 2014. At December 31, 2014, no derivative financial instruments were held by the Company.

10. Tangible and Intangible Assets

TANGIBLE ASSETS:

	FURNITURE AND COMPUTER EQUIPMENT $	LEASEHOLD IMPROVEMENTS $	TOTAL $
Cost			
Balance, January 1, 2014	—	—	—
Additions through acquisition	209,827	210,116	419,943
Additions	80,783	42,545	123,328
Balance, December 31, 2014	290,610	252,661	543,271
Accumulated amortization			
Amortization	32,794	20,030	52,824
Balance, December 31, 2014	32,794	20,030	52,824
Carrying value			
December 31, 2014	257,816	232,631	490,447

INTANGIBLE ASSETS AND GOODWILL:

	GAMING LICENCES $	CUSTOMERS* $	SOFTWARE $	GUARANTEE REVENUE $	BRAND $	GOODWILL $	TOTAL $
Cost							
Balance, January 1, 2014	—	—	—	—	—	—	—
InterCasino acquisition	128,497	3,961,000	—	6,519,000	5,327,000	48,142,808	64,078,305
Mandalay acquisition	—	58,778,310	640,890	—	2,948,070	30,418,233	92,785,503
Vera&John acquisition	—	35,161,440	27,363,540	—	13,469,100	63,159,578	139,153,658
Translation	6,714	(910,658)	(278,600)	340,584	106,664	661,588	(73,708)
Balance, December 31, 2014	135,211	96,990,092	27,725,830	6,859,584	21,850,834	142,382,207	295,943,758
Accumulated Amortization							
Balance, January 1, 2014	—	—	—	—	—	—	—
Amortization	19,936	8,582,386	63,233	5,804,066	308,592	—	14,778,213
Translation	—	109,425	16	303,860	11,712	—	425,013
Balance, December 31, 2014	19,936	8,691,811	63,249	6,107,926	320,304	—	15,203,226
Carrying value							
December 31, 2014	115,275	88,298,281	27,662,581	751,658	21,530,530	142,382,207	280,740,532

* CUSTOMER RELATIONSHIPS

GOODWILL IMPAIRMENT TESTING

For the purpose of the annual impairment test, goodwill has been allocated to each operating segment of the business. As the Mandalay and Vera&John acquisition occurred recently, management determined that there were no factors that could change the carrying value from those at the date of acquisition. The recoverable amount of the InterCasino cash-generating unit ("CGU") has been determined based on a fair value less selling costs calculation using cash flow projections from financial forecasts approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand for products and services. The pre-tax discount rate applied to cash flow projections is 20% and cash flows beyond the five-year period are extrapolated using a 2% growth rate. It was concluded that the fair value less cost to sell are in excess of the carrying value.

11. Taxes and Deferred Taxes

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Current tax expense:		
Total current tax on profits for the period	793,934	—

Deferred current tax:		
Origination and reversal of temporary differences related to business combinations	(412,000)	—

The reason for the difference between the actual tax charge for the year and the standard rate of corporation tax in Canada applied to profits for the period are as follows:

	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
Loss for the period before taxes	(25,686,012)	(1,003,239)
Tax using the Company's domestic tax rate of 26%	(6,678,363)	(260,842)
Non-capital loss for which no tax benefit has been recorded	6,678,363	260,842
Different tax rates applied in overseas jurisdictions	793,934	—
Total current tax expense	793,934	—

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 5%.

DEFERRED TAXES:	DECEMBER 31, 2014 $	DECEMBER 31, 2013 $
At January 1	—	—
Arising on business combinations	4,837,819	—
Recognized in profit and loss	(412,000)	—
At December 31	4,425,819	—

A deferred tax asset has not been recognized for $5,273,102 in unused tax losses earned in Canada which can be carried forward indefinitely.

12. Share Capital and Contributed Surplus

The Company is authorized to issue an unlimited number of common shares without nominal or par value.

	COMMON SHARES $	#	SUBSCRIPTION RECEIPTS $	#
Balance, December 31, 2013	1,532,865	1,764,023	41,010,900	10,905,000
Issuance of shares, net of costs	117,974,583	13,219,869	—	—
Conversion of units February 11, 2014, net of costs	41,010,900	10,905,000	(41,010,900)	(10,905,000)
Issuance of warrants	(3,548,912)	—	—	—
Issuance of shares–Aumento amalgamation	856,000	214,000	—	—
Exercise of warrants	43,320,894	6,511,187	—	—
Balance, December 31, 2014	201,146,330	32,614,079	—	—

Common Shares

On September 9, 2013, the Company issued 1,150,922 founder shares for nominal consideration of $115.

On November 11, 2013, the Company completed a private placement whereby it issued 613,100 common shares for gross proceeds of $1,532,748.

On December 19, 2013, the Company completed a private placement whereby it issued 10,905,000 Unit Subscription Receipts at a price of $4.00 per Unit Subscription Receipt for gross proceeds of $43,620,000 less $2,609,100 in commissions paid. On February 11, 2014, an additional 720,000 Unit Subscription Receipts were issued for net proceeds of $2,880,000 and 856,000 common shares were issued in exchange for the former shares of Aumento. Additionally, on February 11, 2014, with the satisfaction of the escrow release conditions, each Unit Subscription Receipt was converted into one Intertain common share and one quarter of one Series A common share purchase warrant (each whole warrant, a "Series A Warrant")

On July 10, 2014, the Company completed a public equity issuance whereby it issued 7,475,000 equity subscription receipts at a price of $7.00 per unit for gross proceeds of $52,325,000 less $2,503,465 in commissions paid. On July 14, 2014, with the satisfaction of the escrow release conditions, each equity subscription unit was converted into one Intertain common share and one quarter of one series B common share purchase warrant (each whole warrant, a "Series B Warrant").

On December 23, 2014, the Company issued 5,024,869 common shares to the previous owners of Vera&John as proceeds to acquire Vera&John.

Warrants

All warrants are non-assignable and entitle the holders to purchase one common share of the Company.

Series A Warrants have an exercise price of $5.00 per share and expire on December 31, 2015 and were valued at $1,962,986 using the Black-Scholes valuation technique. During the year ended December 31, 2014, 2,596,649 Series A Warrants were exercised and as of December 31, 2014, 834,601 Series A Warrants remained outstanding.

Series B Warrants have an exercise price of $7.75 per share and expire on July 14, 2016 and were valued at

$3,868,761 using the Black-Scholes valuation technique. On November 7, 2014, the Company elected to accelerate the expiry date of the Series B Warrants through certain acceleration provisions contained in the warrants which allow for the Company to cause the Series B Warrants to expire within 30 days if the Company's common shares trade at a 50% premium to the exercise price of the Series B Warrants for 20 consecutive trading days. 3,914,538 Series B warrants were exercised prior to their expiry on December 7, 2014.

Debentures

On July 10, 2014 the Company completed a debenture public offering consisting of 51,175 equity linked debt subscription receipts ("Debt Subscription Receipts") for gross proceeds of $51,175,000. On July 14, 2014, the Debt Subscription Receipts were exchanged on a one-for-one basis for debt units, consisting of one $1,000 senior secured debenture, maturing on June 30, 2019, with an annual interest rate of 8.5%, payable semi-annually in arrears on the last day of June and December in each year commencing on December 31, 2014 and 40 Series B Warrants without payment of additional consideration or further action.

Convertible Debentures

On December 19, 2013, the Company completed a convertible debenture private placement consisting of 17,500 Debentures Subscription Receipts for gross proceeds of $17,500,000. On February 11, 2014, with the satisfaction of the escrow release conditions, each Debenture Subscription Receipt was converted into one convertible debenture of Intertain and 30 Series A Warrants. The convertible debentures accrue interest at a rate of 5.0% per annum, payable semi-annually in arrears on June 30 and December 31 in each year. Upon initial recognition of the convertible debentures, the liability component of the convertible debentures was recognized at fair value of a similar liability that does not have an equity conversion option and the residual amount was recognized as a reserve in equity. The convertible debentures are convertible at the holder's option into Intertain common shares at a conversion price of $6.00 per share at any time prior to maturity. The convertible debentures mature on December 31, 2018.

Share Options

Under the common share option plan ("Share Option Plan"), the Company may grant options to acquire up to 10% of the issued and outstanding common shares of Intertain to directors, officers, employees, partners and service providers of Intertain or any of its subsidiaries. The maximum term of an option is ten years from the date of grant. Options may be granted by reference to Intertain's common share price on the TSX. The related vesting period over which share-based compensation expense is recognized is up to three years. Each share option awarded under the Share Option Plan is equity-settled and the share-based compensation expense is based on the fair value estimate on the business day prior to the grant date.

On February 11, 2014, as a result of the amalgamation as described in note 1, 21,400 options were granted to directors of the Company and a previous director of Aumento. These options have an exercise price of $4.00 and expire on October 6, 2016.

Additionally, during the year ended December 31, 2014, the Company issued 1,580,890 options to directors, officers, consultants and employees of the Company, with a weighted average exercise price of $4.56 per share, 5-year expiry date from the date granted, with such options vesting in various tranches over a three-year period after their grant date.

During the year ended December 31, 2014, no options were exercised or forfeited and all 1,602,290 options remained outstanding at the end of the period.

Share-Based Compensation Expense

For the year ended December 31, 2014, the Company recorded $1,116,537, in share-based compensation expense with a corresponding increase to contributed surplus.

The weighted-average fair value of the options granted and principal assumptions applied for options granted during the period are as follows:

Weighted-average fair value	1.38
Weighted-average of key assumptions:	
Common share price on grant date	4.56
Exercise price	4.56
Risk-free interest rate[1]	1.25
Dividend yield[2]	-
Expected volatility[3]	35%
Expected option life (years)[4]	5

1 DETERMINED USING THE YIELD ON GOVERNMENT OF CANADA BENCHMARK BONDS WITH A REMAINING TERM EQUAL TO THE EXPECTED OPTION LIFE.

2 BASED ON THE ANNUAL DIVIDEND YIELD ON THE DATE OF GRANT.

3 ESTIMATED BY CONSIDERING COMPARABLE ENTITIES PRICE VOLATILITY.

4 ESTIMATED BASED UPON THE ANTICIPATED HOLDING PERIOD OF OPTIONS BETWEEN THE GRANT AND EXERCISE DATES, TOGETHER WITH THE ASSUMPTION THAT A CERTAIN PERCENTAGE OF OPTIONS WILL LAPSE DUE TO FORFEITURES.

Dividend

The Company declared a common share dividend of $0.0317 per common share, amounting to $431,862, with a record date of July 2, 2014 and payment date of July 31, 2014.

13. Earnings Per Share

The following table presents the calculation of basic and diluted earnings per common share for periods ended December 31, 2014 and 2013:

	YEAR ENDED DECEMBER 31, 2014 $	PERIOD ENDED DECEMBER 31, 2013 $
Numerator:		
Net income (loss) – basic and diluted	($26,067,946)	($1,003,239)
Denominator:		
Weighted average number of common shares - basic	17,828,267	1,422,206
Weighted average effect of dilutive share options	640,791	—
Weighted average effect of dilutive warrants	321,944	—
Weighted average effect of convertible debentures [2]	—	—
Weighted average number of shares - diluted	18,791,002	1,422,206
Net earnings (loss) per share [3,4]		
Basic	($1.46)	($0.71)
Diluted [1]	($1.46)	($0.71)

1 IN THE CASE OF A NET LOSS, THE EFFECT OF COMMON SHARE OPTIONS AND WARRANTS POTENTIALLY EXERCISABLE ON DILUTED NET LOSS PER COMMON SHARE WILL BE ANTI-DILUTIVE; THEREFORE, BASIC AND DILUTED NET LOSS PER COMMON SHARE WILL BE THE SAME.

2 AN ASSUMED CONVERSION OF CONVERTIBLE DEBENTURES HAVE AN ANTI-DILUTIVE EFFECT ON EPS.

3 BASIC EARNINGS PER SHARE IS CALCULATED BY DIVIDING THE EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS BY THE WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE PERIOD.

4 DILUTED EARNINGS PER SHARE IS CALCULATED BY DIVIDING THE EARNINGS ATTRIBUTABLE TO ORDINARY SHAREHOLDERS BY THE WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES OUTSTANDING DURING THE PERIOD AND ADJUSTED FOR THE NUMBER OF POTENTIALLY DILUTIVE SHARE OPTIONS AND CONTINGENTLY ISSUABLE INSTRUMENTS.

14. Related Party Transactions

During the year ended December 31 2014, the Company incurred $1,178,116 (December 31, 2013 – nil) in legal fees for services provided by a law firm whose partner is a director of the Company and incurred professional fees of $166,536 (December 31, 2013 – nil) from an accounting firm whose partner is also a director of the Company. The Company has also incurred brand agency fees of $42,545 (December 31, 2013 – nil) from a company, whose chief creative director is also a director of the Company. These expenses were mainly attributable to acquisition related expenses and the Qualifying Transaction.

During the year ended December 31, 2014, the Company received a $9,995,084 (December 31, 2013 – nil) bridge loan from certain members of management which remained outstanding at December 31, 2014. The bridge loan was provided on an arm's length basis, bearing an interest rate per annum of the prime business rate (as reported by the Bank of Canada) and due on December 22, 2019.

15. Compensation of Key Management

Key management is comprised of the Board of Directors and Officers of Intertain. Key management personnel compensation for service rendered is as follows:

	YEAR ENDED DECEMBER 31, 2014 $	PERIOD ENDED DECEMBER 31, 2013 $
Salaries, bonuses, benefits*	6,445,568	—
Stock-based compensation	743,477	—
Total	7,189,045	—

* COMPENSATION PAID TO MANAGEMENT INCLUDED IN ACQUISITION COSTS IS INCLUDED IN THIS BALANCE.

16. Financial Instruments

The Company's financial instruments are classified as explained in note 3. The principal financial instruments used by the Company are summarized below.

	LOANS AND RECEIVABLES	
FINANCIAL ASSETS	YEAR ENDED DECEMBER 31, 2014 $	PERIOD ENDED DECEMBER 31, 2013 $
Cash and restricted cash	31,579,665	62,401,572
Receivables	10,362,802	—
Long term receivables	336,219	—
Customer deposits	1,355,505	—

	FINANCIAL LIABILITIES HELD AT AMMORTIZED COST	
FINANCIAL LIABILITIES	YEAR ENDED DECEMBER 31, 2014 $	PERIOD ENDED DECEMBER 31, 2013 $
Accounts payables and accrued liabilities	22,001,474	3,781,978
Interest payable	226,422	35,000
Customer deposits	1,355,505	—
Vendor take-back loans	12,961,047	—
Debentures	47,392,931	—
Convertible debentures	14,443,506	—
Bridge loan	9,995,084	—

The carrying values of cash and restricted cash, receivables, customer deposits, accounts payables and accrued liabilities, interest payable, customer payables, and bridge loan approximate to their fair values due to the relatively short periods to maturity of the instruments.

FINANCIAL LIABILITIES

	FINANCIAL LIABILITIES HELD AT FAIR VALUE	
	YEAR ENDED DECEMBER 31, 2014 $	PERIOD ENDED DECEMBER 31, 2013 $
Contingent considerations	26,353,311	—

FAIR VALUE HIERARCHY

The hierarchy of the Company's financial instruments carried at fair value is as follows:

	LEVEL 3	
	YEAR ENDED DECEMBER 31, 2014 $	PERIOD ENDED DECEMBER 31, 2013 $
Contingent considerations	26,353,311	—

Contingent considerations represent the present value of the cash outflows under earn-out agreements that would result from the acquired business' performance. The key inputs into the fair value estimation of these liabilities are the forecast performance of the underlying businesses and the discount rate applied in deriving a present value from those forecast. The movement in level 3 financial instruments carried at fair value during the year was an addition of 26,270,881 in contingent considerations.

17. Financial Risk Management

Credit Risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. As at December 31, 2014, the Company is largely exposed to credit risk through its relationship with its service providers, Amaya and The 888 Group as well as its cash and restricted cash balances. Quantitative analysis of the Company's exposure to credit risk arising from its receivables is included in note 7 and analysis of the Company's exposure to its credit risk arising from cash and restricted cash balances is presented below:

A significant amount of cash is held with the following institutions:

FINANCIAL INSTITUTION	RATING	BALANCE (CDN)
CIBC	A+	$410,497
Meridian	A+	$2,643,875
Nedbank	A-	$2,389,718
Bank of Valetta	BBB-	$4,534,956
Sparkasse Bank of Malta	BBB-	$580,842
Hang Seng Bank	AA-	$163,331
HSBC	AA-	$38,621
SHB	A-	$8,784,054
Standard Bank	A-	$2,841,526
Bank Hapoalim	A-	$201,939

Intertain monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties.

Interest Rate Risk

The Company is not exposed to any significant interest rate cash flow risk as the interest rate on all long-term liabilities is fixed.

Foreign Exchange Risk

Foreign exchange risk arises when individual Company entities enter into transactions denominated in a currency other than their functional currency. The Company's policy is, where possible, to allow Company's entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where the Company's entities have liabilities denominated in a currency other than their functional currency (and have insufficient reserves of that currency to settle them), cash already denominated in that currency will, where possible, be transferred from elsewhere within the Company.

The Company is predominantly exposed to currency risk as revenues are predominately earned in EUROs, Sterling and USD, while interest payable on debentures and convertible debentures are in CDN. Apart from these particular cash flows the Company aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

The following table summarizes net assets by currency of the Company and the effects on total comprehensive income as a result of a 10% change in the value of the foreign currencies against the Canadian dollar where Intertain has significant exposure as a December 31, 2014. The analysis assumes that all other variables remain constant.

AS AT DECEMBER 31, 2014:	NET FOREIGN CURRENCY FINANCIAL ASSETS	EFFECT OF 10% WEAKENING IN FOREIGN EXCHANGE RATES ON COMPREHENSIVE INCOME	EFFECT OF 10% WEAKENING IN FOREIGN EXCHANGE RATES ON COMPREHENSIVE INCOME
British Pound Sterling	2,972,676	297,268	(297,268)
New Israeli Shekel	639,987	63,999	(63,999)
EURO	7,468,843	746,884	(746,884)
United States Dollar	4,833,249	483,325	(483,325)

At December 31, 2013, the Company was not exposed to any currency risk as all net assets where held in all Canadian dollars.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company's ability to maintain sufficient cash in excess of anticipated needs. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Company believes it has sufficient funds available to realize its assets and discharge its liabilities in the normal course of business.

The following table sets out the contractual maturities of financial liabilities shown at undiscounted contracted amount:

DECEMBER 31, 2014	ON DEMAND $	< 1 YEAR $	1-2 YEARS $	4-5 YEARS $	> 5 YEARS $
Payable and accrued liabilities	22,001,474	—	—	—	—
Interest payable	—	—	226,422	—	—
Payable to customers	1,355,505	—	—	—	—
Contingent considerations	—	15,708,102	11,984,180	—	—
Convertible debentures	—	—		17,500,000	—
Bridge loan	—	—	—	9,995,084	—
Debentures	—	—	—	51,175,000	—
Vendor take-back loan	—	9,187,345	—	3,773,702	—
	23,356,979	24,895,447	12,210,602	82,443,786	—

DECEMBER 31, 2013	ON DEMAND $	< 1 YEAR $	1-2 YEARS $	4-5 YEARS $	> 5 YEARS $
Payable and accrued liabilities	3,781,978	—	—	—	—
Interest payable	—	35,000	—	—	—
Convertible debentures	—	—	—	17,500,000	—
	3,781,978	35,000	—	17,500,000	—

18. Capital Management

The Company defines the capital that it manages as its aggregate shareholders' equity. Its principal source of cash is operating activities, the issuance of common shares, convertible debentures, and long-term debt. The Company's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to meet its financial obligations as they become due. The Company does not have any externally imposed capital requirements to which it is subjected. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

19. Commitments

The Company has entered into operating leases for office facilities which require the following approximate future minimum lease payments due under the non-cancellable operating lease payments:

	$
Within one year	796,571
Later than one year but not later than 5 years	516,830
More than 5 years	—
	1,313,401

20. Segment Information

Segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team comprising of the Chief Executive Officer and the Chief Financial Officer. During the Company's first year of operations, operating segments were determined on an acquisition basis (InterCasino, Mandalay, and Vera&John) in addition to a corporate segment. As the Company has experienced rapid growth, operating segments will be further analyzed and are subject to future change.

The InterCasino segment consists of the online casino operating results of the InterCasino and VIP Casino brands and revenues earned from the Revenue Guarantee. The Mandalay segment consists of the operating results of various online bingo websites operated off of the Dragonfish platform and the operating results of affiliate portal websites. The Vera&John segment consists of the online casino operating results of various brands, including Vera&John and Vera&Juan.

The following table presents selected financial results for the three brands and corporate segment for the year ended December 31, 2014:

	INTERCASINO $	MANDALAY $	VERA&JOHN $	CORPORATE $	TOTAL $
Total revenue and other income	21,927,743	17,248,363	1,600,133	—	40,776,239
Income (loss) before taxes	6,393,059	843,490	439,033	(33,361,593)	(25,686,012)

The following table presents net assets for the three brands and corporate segment for the year ended December 31, 2014:

	INTERCASINO $	MANDALAY $	VERA&JOHN $	CORPORATE $	TOTAL $
Current assets	14,140,938	7,081,070	25,830,988	3,370,238	50,423,234
Long term assets	57,924,060	85,067,575	138,512,098	63,465	281,567,198
Total assets	72,064,998	92,148,645	164,343,086	3,433,703	331,990,432
Current liabilities	6,965,799	3,645,258	12,985,373	33,765,401	57,361,831
Long-term liabilities	—	—	—	90,989,450	90,989,450
Total liabilities	6,965,799	3,645,258	12,985,373	124,754,851	148,351,281
Net assets	65,099,199	88,503,387	151,357,713	(121,321,148)	183,639,151

For the year ended December 31, 2014, substantially all of the revenues earned by the Company were in Europe. Non-current assets by geographical location as at December 31, 2014 was Europe $57,924,060 and Americas $223,643,138. The Company had one corporate operating segment during the period ended December 31, 2014.

21. Subsequent Events

Jackpotjoy Acquisition

On February 5, 2015, Intertain and Gamesys entered into a share purchase agreement whereby Intertain will purchase the entire issued share capital of a wholly-owned subsidiary of Gamesys which has been established to hold, directly or indirectly, the Jackpotjoy, Starspins and Botemania brands, for the sum of: (i) approximately £369 million in cash, less certain intra-group debt; (ii) approximately £1.4 million in cash; (iii) 7,361,365 common shares of Intertain; (iv) the assumption of the obligation to repay certain intra-group debt; (v) certain cash adjustments; 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 closing of the Jackpotjoy Acquisition. The earn-out is further described in the Company's final prospectus dated February 23, 2015, under the heading "The Jackpotjoy Acquisition – The Jackpotjoy Agreement – Earn-Out Payments".

Credit Facilities

On February 5, 2015, the Company entered into a binding commitment letter with Macquarie Capital (USA) Inc. in respect of certain credit facilities (the "Credit Facilities") to be made available to the Company. The Jackpotjoy Acquisition has not been completed by the date of the statements.

The Credit Facilities will consist of (i) a seven-year US$335 million first-lien term loan credit facility, to be used (together with the net proceeds of the Offering (as defined below)) to finance the Jackpotjoy purchase price, refinance certain indebtedness of the Company, and for working capital purposes, and (ii) a five-year senior secured US$17.5 million revolving credit facility to be used for working capital and general corporate purposes.

Subscription Receipts

On February 26, 2015, Intertain closed an offering (the "Offering") of 32,200,000 subscription receipts of the Company (the "Subscription Receipts"). The Subscription Receipts were issued at a price of $15.00 per Subscription Receipt for aggregate gross proceeds of $483,000,000.

The Subscription Receipts were sold pursuant to an underwriting agreement with a syndicate of underwriters led by Canaccord Genuity Corp. and began trading on the Toronto Stock Exchange under the symbol "IT.R" on February 26, 2015. Each Subscription Receipt will entitle the holder to receive, upon the satisfaction of all conditions precedent to the Jackpotjoy Acquisition, but for the payment of the purchase price and any other amounts to be satisfied by the release of the escrowed funds, without payment of additional consideration or further action, one common share of the Company in exchange for each Subscription Receipt. The net proceeds of the Offering will be used to fund, in part, 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 Company's senior secured debentures; and for general corporate purposes.

22. Recent Accounting Pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRS Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning in later periods. These new standards, which have not been applied within these interim condensed, consolidated financial statements, will or may have an effect on the Company’s future financial statements:

IFRS 9 – Financial Instruments: Classification and Measurement, issued in November 2009, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. The Company has not yet assessed the impact of this standard or determined whether it will adopt this standard early.

IFRS 15 – Revenue from Contracts with Customers was issued in May 2014 and is a new standard that specifies the steps and timing for entities to recognize revenue as well as requiring them to provide more informative, relevant disclosures. IFRS 15 replaces IAS 11 - Construction Contracts and IAS 18 - Revenue, as well as various IFRIC and SIC interpretations regarding revenue. The standard is required to be applied for annual periods beginning on or after January 1, 2017, with earlier adoption permitted. The Company has not yet assessed the impact of this standard or determined whether it will adopt this standard early.

Financial information is published on the Company's website in accordance with legislation in Canada governing the preparation and dissemination of financial information, which may vary from legislation in other jurisdictions. The maintenance and integrity of the website is the responsibility of The Intertain Group Limited. The Intertain Group Limited's responsibility also extends to the ongoing integrity of the financial information contained therein.

Directors and Officers

Brent Choi, David Danziger, Stan Dunford, John Fielding, John Kennedy FitzGerald, Paul Pathak and Mark Redmond are the members of the Board. Mr. FitzGerald acts as Chief Executive Officer and Keith Laslop acts as Chief Financial Officer of Intertain.

John Kennedy FitzGerald, President & CEO The Intertain Group Limited, Ontario, Canada	*President & CEO & Director*
Keith Laslop, CFO The Intertain Group Limited, Ontario, Canada	*Chief Financial Officer*
Brent Choi, Chief Creative & Integration Officer J. Walter Thompson Canada, Ontario, Canada [2, 3]	*Director*
David Danziger, Partner MNP LLP, Ontario, Canada [2]	*Director*
Stan Dunford, Chairman & CEO Contrans Group Inc., Ontario, Canada [1]	*Director*
John Fielding, Chairman of the Board Ethoca Technologies, Ontario, Canada [1, 2]	*Director*
Paul Pathak, Partner Chitiz Pathak LLP, Ontario, Canada [3]	*Director*
Mark Redmond, President & CEO SiriusXM Canada, Ontario, Canada [1, 3]	*Director*

NOTES:

1 AUDIT COMMITTEE MEMBER.

2 COMPENSATION AND NOMINATING COMMITTEE MEMBER.

3 CORPORATE GOVERNANCE COMMITTEE MEMBER.

Corporate Information

STOCK EXCHANGE LISTING

The Intertain Group Limited common shares are listed on the Toronto (TSX) stock exchange Trading symbol: IT

DIVIDENDS AND DISTRIBUTIONS

During the year end December 31, 2014, Intertain declared a cash dividend of $0.0317 per Common Share on 13,603,203 Common Shares issued and outstanding resulting for an aggregate payment of $431,569.88

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

Additional Information

Additional information relating to the Company is available under the profile of the Company on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at www.sedar.com

FINANCIAL CALENDAR*

Announcement of 2015 second quarter financial results: August 15, 2015

Announcement of 2015 third quarter financial results: November 15, 2015

Announcement of 2015 fourth quarter and year end financial results: March 30, 2016

* DATES ARE SUBJECT TO CHANGE

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BDO LLP

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