The Intertain Group Limited

Unaudited Interim Condensed Consolidated Financial Statements

[in Canadian dollars, except where otherwise noted]

For the Three Months Ended September 30, 2016

The Intertain Group Limited

Unaudited Interim Condensed Consolidated Statements of Comprehensive Income

For the three and nine months ended September 30, 2016

(Canadian dollars)

	Note	**Three months ended September 30, 2016 ($000's)**	Three months ended September 30, 2015 ($000's)	**Nine months ended September 30, 2016 ($000's)**	Nine months ended September 30, 2015 ($000's)
Revenue and other income					
Gaming revenue		**113,647**	118,488	**356,951**	236,573
Other income earned from revenue guarantee		–	3,728	**2,320**	15,935
Other income earned from platform migration		–	–	**1,709**	–
Total revenue and other income		**113,647**	122,216	**360,980**	252,508
Costs and expenses					
Distribution costs	12, 14	**53,972**	65,630	**172,321**	136,096
Administrative costs	12	**42,274**	46,321	**128,735**	106,082
Severance costs	12, 14	–	–	**10,526**	–
Transaction related costs	12, 14	**17,833**	2,590	**29,377**	55,973
Foreign exchange loss	14	**1,012**	3,653	**5,722**	2,751
Total costs and expenses		**115,091**	118,194	**346,681**	300,902
Gain on sale of intangible assets		–	–	–	(430)
Debenture settlement expense		–	–	–	5,692
Fair value adjustments on contingent consideration	10	**24,914**	6,244	**60,135**	6,842
Unrealized gain on cross currency swap	5	**(9,749)**	–	**(43,971)**	–
Interest income	13	**(108)**	(77)	**(213)**	(557)
Interest expense	13	**15,708**	15,246	**47,669**	32,256
Financing expenses		**30,765**	21,413	**63,620**	44,233
Net loss for the period before taxes		**(32,209)**	(17,391)	**(49,321)**	(92,197)
Current tax recovery (provision)		**201**	(331)	**(559)**	(943)
Deferred tax recovery		**194**	224	**540**	665
Net loss for the period		**(31,814)**	(17,498)	**(49,340)**	(92,475)
Other comprehensive income/(loss): Items that will or may be reclassified to profit or loss in subsequent periods					
Foreign currency translation gain/(loss)		**(5,661)**	16,362	**(108,647)**	70,476
Unrealized gain on foreign exchange forward		**–**	–	**–**	3,017
Reclassification of gain on foreign exchange forward		–	–	–	(3,017)
Total comprehensive loss for the period		**(37,475)**	(1,136)	**(157,987)**	(21,999)
Net loss for the period per share					
Basic	15	**(0.45)**	(0.24)	**(0.70)**	(1.59)
Diluted	15	**(0.45)**	(0.24)	**(0.70)**	(1.59)

See accompanying notes

The Intertain Group Limited

Unaudited Interim Condensed Consolidated Balance Sheets

September 30, 2016

(Canadian dollars)

	Note	As at September 30, 2016 ($000's)	As at December 31, 2015 ($000's)
ASSETS			
Current assets			
Cash	3	**103,878**	64,816
Restricted cash	3	**333**	357
Prepaid expenses		**1,636**	1,561
Customer deposits		**13,438**	13,309
Receivables	4	**20,747**	33,680
Current portion of cross currency swap	5, 10	**49,394**	1,555
Taxes receivable		**16,284**	15,050
Total current assets		**205,710**	130,328
Tangible assets		**1,368**	475
Intangible assets	6	**589,929**	776,371
Goodwill	6	**505,348**	588,387
Cross currency swap	5	**–**	8,106
Other long term receivables		**3,305**	2,687
Total non-current assets		**1,099,950**	1,376,026
Total assets		**1,305,660**	1,506,354
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	7	**14,485**	12,720
Other short-term payables	8	**18,191**	1,083
Interest payable		**132**	–
Payable to customers		**13,438**	13,309
Current portion of long-term debt	9	**43,941**	51,345
Current portion of contingent consideration	10	**178,868**	12,237
Provision for taxes		**11,180**	20,069
Total current liabilities		**280,235**	110,763
Contingent consideration	10	**247,590**	415,545
Deferred tax liability		**3,497**	3,986
Convertible debentures	11	**8,336**	14,827
Long-term debt	9	**321,870**	371,404
Total non-current liabilities		**581,293**	805,762
Total liabilities		**861,528**	916,525
Equity			
Shareholders' equity		**444,132**	589,829
Total equity		**444,132**	589,829
Total liabilities and equity		**1,305,660**	1,506,354

See accompanying notes

On behalf of the Board:

(signed) "Andrew McIver" *(signed) "Paul Pathak"*

Andrew McIver, CEO Paul Pathak, Director

The Intertain Group Limited
Unaudited Interim Condensed Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2016
(Canadian dollars)

	Note	Share Capital ($000's)	Contributed Surplus ($000's)	Reserve ($000's)	Hedging Reserve ($000's)	Retained Earnings/ (Deficit) ($000's)	Total ($000's)
Balance at January 1, 2015		**201,147**	**7,095**	**2,901**	**–**	**(27,504)**	**183,639**
Comprehensive income (loss) for the period:							
Net loss for the period		–	–	–	–	(74,977)	(74,977)
Foreign currency translation gain		–	–	–	3,017	–	3,017
Reclassification of realized gain		–	–	–	(3,017)	–	(3,017)
Other comprehensive income		–	–	54,116	–	–	54,116
Total comprehensive income (loss) for the period:		–	–	**54,116**	–	**(74,977)**	**(20,861)**
Contributions by and distributions to shareholders:							
Issuance of common shares, net of costs		588,398	–	–	–	–	588,398
Conversion of units		427	–	–	–	–	427
Exercise of common share warrants		467	–	–	–	–	467
Exercise of common share options		43	–	–	–	–	43
Normal course issuer bid		(11,419)	–	–	–	–	(11,419)
Share-based compensation		–	4,808	–	–	–	4,808
Total contributions by and distributions to shareholders:		**577,916**	**4,808**	**–**	**–**	**–**	**582,724**
Balance at September 30, 2015		**779,063**	**11,903**	**57,017**	**–**	**(102,481)**	**745,502**
Balance at January 1, 2016		**761,636**	**12,719**	**69,851**	–	**(254,377)**	**589,829**
Comprehensive income (loss) for the period:							
Net loss for the period		–	–	–	–	(49,340)	(49,340)
Other comprehensive loss		–	–	(108,647)	–	–	(108,647)
Total comprehensive income (loss) for the period:		–	–	**(108,647)**	–	**(49,340)**	**(157,987)**
Contributions by and distributions to shareholders:							
Conversion of debentures	11	7,030	–	–	–	–	7,030
Exercise of options	11	2,844	(643)	–	–	–	2,201
Exercise of common share warrants	11	376	–	–	–	–	376
Share-based compensation	11	–	2,683	–	–	–	2,683
Total contributions by and distributions to shareholders:		**10,250**	**2,040**	**–**	**–**	**–**	**12,290**
Balance at September 30, 2016		**771,886**	**14,759**	**(38,796)**	–	**(303,717)**	**444,132**

See accompanying notes

The Intertain Group Limited

Unaudited Interim Condensed Consolidated Statements of Cash Flows

For the three and nine months ended September 30, 2016

(Canadian dollars)

	Note	**Three months ended September 30, 2016 ($000's)**	Three months ended September 30, 2015 ($000's)	**Nine months ended September 30, 2016 ($000's)**	Nine months ended September 30, 2015 ($000's)
Operating activities					
Net loss for the period		**(31,814)**	(17,498)	**(49,340)**	(92,475)
Add (deduct) items not involving cash					
Amortization		**24,750**	32,238	**76,363**	71,054
Share-based compensation expense	11	**1,639**	1,200	**2,683**	4,808
Tax provision		**(201)**	331	**559**	943
Deferred tax recovery		**(194)**	(224)	**(540)**	(665)
Interest expense, net	13	**15,600**	15,169	**47,456**	31,699
Gain on sale of intangible assets		–	–	–	(430)
Fair value adjustments on contingent consideration	10	**24,914**	6,244	**60,135**	6,842
Debenture settlement expense		–	–	–	5,692
Unrealized gain on cross currency swap	5	**(9,749)**	–	**(43,971)**	–
Foreign exchange		**1,012**	3,653	**5,722**	2,751
		25,957	41,113	**99,067**	30,219
Change in non-cash operating items					
Prepaid expenses		**541**	857	**(141)**	(954)
Receivables		**(230)**	1,170	**8,824**	(12,445)
Other long term receivables		**(668)**	(1,692)	**(764)**	(2,016)
Accounts payable and accrued liabilities		**1,131**	2,493	**2,709**	(8,068)
Other short-term payables		**1,578**	(2,481)	**17,108**	(1,538)
Total cash provided by operating activities		**28,309**	41,460	**126,803**	5,198
Income taxes paid		–	–	**(11,998)**	–
Income taxes received		**3,447**	–	**3,447**	–
Total cash provided by operating activities		**31,756**	41,460	**118,252**	5,198
Financing activities					
Restriction of cash balances		**–**	(727)	–	(9,740)
Proceeds from exercise of warrants		–	–	**376**	467
Proceeds from exercise of options		**–**	–	**–**	43
Proceeds from issuance of common shares, net		–	–	–	462,887
Normal course issuer bid		–	(7,419)	–	(7,419)
Proceeds from long-term debt		–	–	–	399,986
Debenture redemption		–	–	–	(54,317)
Bridge loan redemption		–	–	–	(10,000)
Vendor take-back loans - repayment		**–**	(702)	**–**	(7,485)
Proceeds from exercise of options		**2,013**	–	**2,201**	–
Interest repayment		**(5,943)**	(13,790)	**(22,310)**	(13,790)
Payment of contingent consideration	10	**–**	–	**(12,022)**	–
Principal payments made on long-term debt	9	**(8,044)**	(10,553)	**(34,800)**	(10,553)
Total cash provided by (used in) financing activities		**(11,974)**	(33,191)	**(66,555)**	750,079
Investing activities					
Purchase of tangible assets		**(920)**	(241)	**(1,107)**	(241)
Purchase of intangible assets		**(689)**	(1,503)	**(2,107)**	(1,503)
Proceeds from sale of intangible assets		–	–	–	430
Cash paid to acquire license		–	(2,773)	–	(2,873)
Business acquisitions, net of cash acquired		–	–	–	(688,397)
Total cash used in investing activities		**(1,609)**	(4,517)	**(3,214)**	(692,584)
Net increase in cash during the period		**18,173**	3,752	**48,483**	62,693
Cash, beginning of period		**88,827**	90,674	**64,816**	31,252
Exchange gain/(loss) on cash and cash equivalents		**(3,122)**	76	**(9,421)**	557
Cash, end of period		**103,878**	94,502	**103,878**	94,502

See accompanying notes

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 that 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, Jackpotjoy, Starspins, Botemania, InterCasino, and other brands. The Jackpotjoy, Starspins, and Botemania brands operate off of proprietary software owned by the Gamesys group, the Company’s B2B software and support provider. The Vera&John, Vera&Juan, and InterCasino brands operate off of proprietary software owned by a wholly-owned subsidiary of the Company. The Mandalay segment’s bingo offerings operate off of the Dragonfish platform, a software service provided by the 888 Group. Additionally, Intertain receives fees for marketing services provided by its affiliate portal business.

These unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on November 11, 2016.

2. Basis of Preparation

These unaudited interim condensed consolidated financial statements of the Company have been prepared by management on a going concern basis, and are presented in compliance with International Accounting Standard 34, Interim Financial Reporting, and have been prepared on a basis consistent with the accounting policies and methods used and disclosed in the Company’s December 31, 2015 audited annual consolidated financial statements (the “Annual Financial Statements”). The Company has consolidated current assets and current liabilities of $205.7 million and $280.2 million, respectively, giving rise to a net current liability of $74.5 million. Included in current liabilities is current contingent consideration of $178.9 million. As detailed in note 10, the Company is only required to fund this liability to the extent it has excess and available cash to do so.

Certain information and disclosures normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the Annual Financial Statements. All defined terms used herein are consistent with those terms as defined in the Annual Financial Statements.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention other than for the measurement at fair value of the Company’s cross currency swap and contingent consideration liabilities.

3. Cash and Restricted Cash

The restricted cash balance as at September 30, 2016 totalled $0.3 million. The entire balance consists of cash held as collateral on the Company's leased premises.

	September 30, 2016 ($000's)	December 31, 2015 ($000's)
Cash	66,654	43,645
Segregated cash*	37,224	21,171
Cash and cash equivalents	103,878	64,816
Restricted cash - other	333	357
Total cash balances	104,211	65,173

* This balance consists of cash on deposit with payment service providers as well as segregated funds held in accordance with the terms of the Jackpotjoy earn-out payment, where the Company is required to segregate 90% (April 2015–March 2016 – 65%) of the Company's excess cash flow, less mandatory repayments of the Company's long-term debt, in a non-operational bank account. £21.5 million is held in this account as at September 30, 2016 (£9.0 million as at December 31, 2015). Segregated cash does not qualify as restricted cash and, as such, it is included in cash.

4. Receivables

Receivables consist of the following items:

	September 30, 2016 ($000's)	December 31, 2015 ($000's)
Due from Amaya Inc.	—	10,661
Due from the Gamesys group	13,568	15,505
Due from the 888 Group	2,477	3,074
Affiliate revenue receivable	2,988	3,217
Short-term loans receivable	852	559
Other	862	664
	20,747	33,680

5. Cross Currency Swap

On November 23, 2015, the Company entered into a cross currency swap agreement (the "Currency Swap") in order to minimize the Company's exposure to exchange rate fluctuations between the Great British Pound ("GBP") and the US dollar ("USD") as cash generated from the Company's operations is largely in GBP, while principal and interest payments on the Company's term facility are in USD. Under the Currency Swap, 90% of the Company's USD term facility's interest and principal payments will be swapped into GBP. Intertain will pay a fixed 7.81% interest in place of floating USD interest payments of LIBOR plus 6.5% (LIBOR floor of 1%). The interest and principal payments will be made at a GBP/USD foreign exchange rate of 1.5135 on a USD notional amount of $293,962,500. The Currency Swap terminates on March 31, 2017. The Company has elected not to use hedge accounting in accounting for the Currency Swap.

During the three and nine months ended September 30, 2016, an unrealized gain of $9.8 million and $44.0 million, respectively, was recognized in the unaudited interim condensed consolidated statements of comprehensive income (loss) related to the Currency Swap. A portion of the gain was realized on the settlement of forward contracts on the Currency Swap at September 30, 2016. This resulted in a fair value for the Currency Swap at September 30, 2016 of $49.4 million (December 31, 2015 – $9.7 million)

6. Intangible Assets

As at September 30, 2016

	Gaming Licenses ($000's)	Customer Relationships ($000's)	Software ($000's)	Revenue Guarantee ($000's)	Brand ($000's)	Partnership Agreements ($000's)	Goodwill ($000's)	Total ($000's)
Cost								
Balance, January 1, 2016	156	688,740	35,049	8,183	139,347	26,326	625,057	1,522,858
Additions	—	—	2,106	—	—	—	—	2,106
Translation	(3)	(106,723)	(1,475)	(428)	(19,987)	(4,306)	(84,955)	(217,877)
Balance, September 30, 2016	153	582,017	35,680	7,755	119,360	22,020	540,102	1,307,087
Accumulated amortization								
Balance, January 1, 2016	46	97,863	6,689	8,183	5,470	3,179	36,670	158,100
Amortization	13	64,949	4,907	—	4,772	1,534	—	76,175
Translation	(4)	(18,426)	(463)	(428)	(638)	(590)	(1,916)	(22,465)
Balance, September 30, 2016	55	144,386	11,133	7,755	9,604	4,123	34,754	211,810
Carrying value								
Balance, September 30, 2016	98	437,631	24,547	—	109,756	17,897	505,348	1,095,277

The above intangible assets and goodwill arose from business combinations, with the exception of software developed by the Vera&John segment ($4.2 million) and purchase of the Parlay source code ($2.9 million).

The Company's revenue guarantee intangible asset was fully amortized prior to December 31, 2015 and expired in February 2016.

As at December 31, 2015

	Gaming Licenses ($000's)	Customer Relationships ($000's)	Software ($000's)	Revenue Guarantee ($000's)	Brand ($000's)	Partnership Agreements ($000's)	Goodwill ($000's)	Total ($000's)
Cost								
Balance, January 1, 2015	135	96,990	27,726	6,860	21,851	—	148,801	302,363
Additions	—	531,365	5,163	—	105,265	24,078	415,708	1,081,579
Translation	21	60,385	2,160	1,323	12,231	2,248	60,548	138,916
Balance, December 31, 2015	156	688,740	35,049	8,183	139,347	26,326	625,057	1,522,858
Accumulated amortization								
Balance, January 1, 2015	20	8,692	63	6,108	320	—	—	15,203
Amortization	25	84,876	6,273	828	4,889	3,083	—	99,974
Goodwill impairment	—	—	—	—	—	—	36,670	36,670
Translation	1	4,295	353	1,247	261	96	—	6,253
Balance, December 31, 2015	46	97,863	6,689	8,183	5,470	3,179	36,670	158,100
Carrying value								
Balance, December 31, 2015	110	590,877	28,360	—	133,877	23,147	588,387	1,364,758

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following items:

	September 30, 2016 ($000's)	December 31, 2015 ($000's)
Affiliate/marketing expenses payable	5,971	6,041
Payable to game suppliers	1,447	2,679
Payable to consultants	1,062	864
Loyalty program payable	430	514
Professional fees	629	721
Payroll-related costs	1,148	530
Gaming tax payable	892	379
Withholding tax payable	953	—
Other	1,953	992
	14,485	12,720

8. Other Short-Term Payables

Other short-term payables consist of:

	September 30, 2016 ($000's)	December 31, 2015 ($000's)
Transaction related payables	18,191	1,083
	18,191	1,083

9. Credit Facilities

Below is the breakdown of the term facility, net of unamortized transaction costs of $14.3 million.

Term Facility:

	($000's)
Balance, January 1, 2015	—
Principal	418,348
Repayment	(21,418)
Transaction costs	(18,615)
Accretion (effective interest rate of 8.69%)	2,880
Foreign exchange translation	41,554
Balance, December 31, 2015	422,749
Repayment	(34,800)
Accretion (effective interest rate of 8.69%)	2,489
Foreign exchange translation	(24,627)
Balance, September 30, 2016	365,811
Current portion	43,941
Non-current portion	321,870

10. Financial Instruments

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

Financial assets

	Loans and receivables	
	September 30, 2016 ($000's)	December 31, 2015 ($000's)
Cash and restricted cash	104,211	65,173
Receivables	20,747	33,680
Other long-term receivables	3,305	2,687
Customer deposits	13,438	13,309
	141,701	114,849

Financial liabilities

	Financial liabilities at amortized cost	
	September 30, 2016 ($000's)	December 31, 2015 ($000's)
Accounts payable and accrued liabilities	14,485	12,720
Other short-term payables	18,191	1,083
Payable to customers	13,438	13,309
Convertible debentures	8,336	14,827
Long-term debt	365,811	422,749
	420,261	464,688

The carrying values of the financial instruments noted above, with the exception of convertible debentures, approximate their fair values. The convertible debentures' fair value as at September 30, 2016 amounted to $17.1 million. Fair value was determined based on a quoted market price in an active market.

	Financial instruments recognized at fair value through profit or loss – assets (liabilities)	
	September 30, 2016 ($000's)	December 31, 2015 ($000's)
Cross currency swap	49,394	9,661
Contingent consideration	(426,458)	(427,782)
	(377,064)	(418,121)

Fair Value Hierarchy

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

	Level 2		Level 3	
	September 30, 2016 ($000's)	December 31, 2015 ($000's)	September 30, 2016 ($000's)	December 31, 2015 ($000's)
Cross currency swap	49,394	9,661	—	—
Contingent consideration	—	—	(426,458)	(427,782)

Contingent consideration represents the fair value of the cash outflows under earn-out agreements that would result from the performance of acquired businesses. The key inputs into the fair value estimation of these liabilities include the forecast performance of the underlying businesses, the probability of achieving forecasted results and the discount rate applied in deriving a present value from those forecasts. Significant increase (decrease) in the business' performance would result in a higher (lower) fair value of the contingent consideration, while significant increase (decrease) in the discount rate would result in a lower (higher) fair value of the contingent consideration. Additionally, as earn-out periods draw closer to their completion, the range of probability factors will decrease.

As at September 30, 2016, the entire contingent consideration balance related to the Jackpotjoy contingent consideration.

A discounted cash flow valuation model was used to determine the values of the Jackpotjoy contingent consideration. The model considers the present value of the expected payments, discounted using a risk-adjusted discount rate. The expected payments are determined by considering the possible scenarios of forecast Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), the amount to be paid under each scenario and the probability of each scenario.

The movement in Level 3 financial instruments is detailed below:

	($000's)
Contingent consideration, January 1, 2015	26,353
Addition	262,504
Fair value adjustments	120,779
Payments	(25,729)
Accretion of discount	17,399
Foreign exchange translation	26,476
Contingent consideration, December 31, 2015	427,782
Fair value adjustments	60,135
Payments	(12,022)
Accretion of discount	20,559
Foreign exchange translation	(69,996)
Contingent consideration, September 30, 2016	426,458
Current portion	178,868
Non-current portion	247,590

The current portion of contingent consideration relates to a current minimum estimate of the cash payment the Company will pay Gamesys when part of the Jackpotjoy contingent consideration becomes due in March 2017. In accordance with the Share Purchase Agreement between the Company and Gamesys, until the Credit Facility has been paid or becomes payable, whichever is the earlier, Gamesys cannot enforce the Company's obligation to pay the full portion of the contingent consideration when such payments are due. However, to the extent that the Company does not pay any portion of the contingent consideration when due, the Company will be required to pay interest on any unpaid contingent consideration payment at a monthly rate equal to 30-day LIBOR plus 110 basis points ("bps") for the first six months, 30-day LIBOR plus 160 bps per month for balances of any unpaid contingent consideration payment outstanding for greater than six months, and 30-day LIBOR plus 200 bps per month for balances of any unpaid contingent consideration payment outstanding for greater than 12 months. The estimated cash payment consists of the portion of excess cash the Company is obligated to segregate in a non-operational bank account to pay the Jackpotjoy contingent consideration and an estimate of available cash when the Jackpotjoy contingent consideration becomes due.

On September 6, 2016, Intertain announced additional non-competition covenants, and amendments to the long-term operating and other agreements, between the Intertain and Gamesys and certain of its affiliates pursuant to deeds of amendment dated September 5, 2016 (together, the "Amendments"), subject to the satisfaction of certain conditions. The Amendments are conditional upon, among other things, Intertain making a pre-payment to Gamesys of £150 million in respect of Intertain's earn-out obligations in connection with the Jackpotjoy and Starspins brands.

Key terms of the Amendments include: (a) two-year additional non-competition covenant from Gamesys (to April 2019; previously expiring in April 2017); (b) five-year extension of terms of the operating agreements (to April 2030; previously expiring in 2025), with a corresponding extension of the term of the content licensing agreement (to April 2040); and (c) aggregate cap of £375 million on the JPJ Earn-out (previously uncapped). The Company has agreed to pay Gamesys an aggregate of £24 million in equal monthly installments in arrears over the period from April 2017 to April 2020 in connection with the Amendments.

11. Share Capital and Contributed Surplus

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

	Common shares	
	($000's)	#
Balance, January 1, 2015	201,147	32,614,079
Issuance of shares, net of costs	588,398	39,561,365
Conversion of convertible debentures, net of costs	427	73,333
Exercise of options	43	10,700
Exercise of warrants	3,501	740,253
Normal Course Issuer Bid	(31,880)	(2,488,237)
Balance, December 31, 2015	761,636	70,511,493
Conversion of convertible debentures, net of costs	7,030	1,283,334
Exercise of options	2,844	550,286
Exercise of warrants	376	40,625
Balance, September 30, 2016	771,886	72,385,738

Common Shares

On February 26, 2015, Intertain closed an offering of 32,200,000 subscription receipts of the Company, at a price of $15.00 per subscription receipt, for aggregate gross proceeds of $483 million. With the closing of the Jackpotjoy acquisition on April 8, 2015, the subscription receipts were exchanged on a one-for-one basis for Intertain common shares without payment of additional consideration or further action. Additionally, on April 8, 2015, the Company issued 7,361,365 common shares with a transaction date value of $17.05 per share to satisfy part of the purchase price of Jackpotjoy.

During the nine months ended September 30, 2016, the Company did not purchase any common shares under its Normal Course Issuer Bid.

Convertible Debentures

During the nine months ended September 30, 2016, debentures at par value of $7.7 million were converted into 1,283,334 common shares of the Company.

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.

During the nine months ended September 30, 2016, 1,340,000 stock options were granted, 550,286 stock options were exercised, nil stock options were forfeited, and 259,305 stock options expired. As at September 30, 2016, 3,394,185 options remained outstanding.

Share-based Compensation Expense

During the three and nine months ended September 30, 2016, the Company recorded $1.6 million and $2.7 million, respectively, (three and nine months ended September 30, 2015 – $1.2 million and $4.8 million, respectively) in share-based compensation expense with a corresponding increase to contributed surplus.

12. Costs and Expenses

	Three Months Ended September 30, 2016 ($000's)	Three Months Ended September 30, 2015 ($000's)	Nine Months Ended September 30, 2016 ($000's)	Nine Months Ended September 30, 2015 ($000's)
Distribution costs:				
Selling and marketing	18,489	28,118	59,420	62,118
Licensing fees	17,997	19,645	57,363	39,303
Gaming taxes	12,558	13,055	39,567	24,176
Processing fees	4,928	4,812	15,971	10,499
	53,972	65,630	172,321	136,096
Administrative costs:				
Compensation and benefits	13,421	11,505	37,768	27,986
Professional fees	815	524	6,289	1,774
General and administrative	3,288	2,054	8,315	5,268
Tangible asset amortization	88	7	188	59
Intangible asset amortization	24,662	32,231	76,175	70,995
	42,274	46,321	128,735	106,082

Professional fees include Independent Committee (as defined below) related expenses. As a result of a self-identified short seller of the Company's common shares issuing a report on the Company in Q4 2015, Intertain's Board of Directors established a committee of non-management directors (the "Independent Committee") to closely review the allegations contained within the report. On February 22, 2016, the Independent Committee completed its review and concluded that the allegations and innuendos of the short seller, related to the quality and financial performance of the underlying businesses of Intertain, were grossly erroneous. Costs related to the Independent Committee's review for the three and nine months ended September 30, 2016 amounted to $nil and $3.3 million, respectively.

Included in compensation and benefits are severance costs relate to final severance payments owing to the former CEO of the Company, in accordance with the terms of his employment agreement.

Also included in the Unaudited Interim Condensed Consolidated Statement of Comprehensive Income (Loss) are transaction related costs consisting of legal, professional, underwriting, due diligence, and special committee fees; bonuses paid to management; other direct costs/fees associated with transactions and acquisitions contemplated or completed; and costs associated with the UK strategic review undertaken by the Board of Directors (the "UK Strategic Review") and the UK Strategic Initiatives.

13. Interest Expense/Income

	Three Months Ended September 30, 2016 ($000's)	Three Months Ended September 30, 2015 ($000's)	Nine Months Ended September 30, 2016 ($000's)	Nine Months Ended September 30, 2015 ($000's)
Interest earned on cash held during the period	108	77	213	557
Total interest income	108	77	213	557
Interest paid and accrued on long-term debt	7,535	8,336	23,448	15,447
Accretion of discount recognized on contingent consideration	6,933	5,588	20,559	11,797
Interest paid on bridge loan	—	—	—	86
Interest paid and accrued on convertible debentures and debentures	211	211	641	2,161
Interest accrued related to the vendor take back loan	—	—	—	255
Interest accretion recognized on convertible debentures and debentures	181	160	532	763
Interest accretion recognized on long-term debt	848	951	2,489	1,747
Total interest expense	15,708	15,246	47,669	32,256

14. Segment Information

On April 13, 2016, the InterCasino brand migrated from the Amaya platform to the Plain Gaming Platform, Vera&John's proprietary platform. In conjunction with this operational change, the Company reassessed its operating segments and concluded that the InterCasino segment should be aggregated with the Vera&John segment.

The following tables present selected financial results for each segment and the unallocated corporate costs:

Three months ended September 30, 2016:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated Corporate Costs ($000's)	Total ($000's)
Total revenue and other income	79,895	24,697	9,055	—	113,647
Distribution costs	34,787	12,792	6,266	127	53,972
Amortization	17,857	4,175	2,714	4	24,750
Compensation, professional, and general and administrative expenses	6,634	5,865	452	4,573	17,524
Transaction related costs	—	341	—	17,492	17,833
Foreign exchange loss (gain)	94	588	(58)	388	1,012
Financing, net	—	(9)	3	30,771	30,765
Income (loss) for the period before taxes	**20,523**	**945**	**(322)**	**(53,355)**	**(32,209)**
Taxes	—	(395)	—	—	(395)
Net income (loss) for the period	**20,523**	**1,340**	**(322)**	**(53,355)**	**(31,814)**
Net income (loss) for the period	**20,523**	**1,340**	**(322)**	**(53,355)**	**(31,814)**
Interest expense, net	—	(9)	3	15,606	15,600
Taxes	—	(395)	—	—	(395)
Amortization	17,857	4,175	2,714	4	24,750
EBITDA	**38,380**	**5,111**	**2,395**	**(37,745)**	**8,141**
Share-based compensation	—	—	—	1,639	1,639
Fair value adjustment on contingent consideration	—	—	—	24,914	24,914
Gain on cross currency swap	—	—	—	(9,749)	(9,749)
Transaction related costs	—	341	—	17,492	17,833
Foreign exchange	94	588	(58)	388	1,012
Adjusted EBITDA	**38,474**	**6,040**	**2,337**	**(3,061)**	**43,790**
Net income (loss) for the period	**20,523**	**1,340**	**(322)**	**(53,355)**	**(31,814)**
Share-based compensation	—	—	—	1,639	1,639
Fair value adjustment on contingent consideration	—	—	—	24,914	24,914
Gain on cross currency swap	—	—	—	(9,749)	(9,749)
Transaction related costs	—	341	—	17,492	17,833
Foreign exchange	94	588	(58)	388	1,012
Amortization of acquisition related purchase price intangibles	17,857	3,895	2,714	—	24,466
Accretion	—	—	—	7,962	7,962
Adjusted Net Income/(loss)	**38,474**	**6,164**	**2,334**	**(10,709)**	**36,263**

Nine months ended September 30, 2016:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated Corporate Costs ($000's)	Total ($000's)
Total revenue and other income	249,556	80,865	30,559	—	360,980
Distribution costs	112,621	39,455	19,818	427	172,321
Amortization	56,892	11,531	7,919	21	76,363
Compensation, professional, and general and administrative expenses	21,160	15,754	1,523	13,935	52,372
Severance costs	—	—	—	10,526	10,526
Transaction related costs	—	1,169	—	28,208	29,377
Foreign exchange loss (gain)	(539)	1,168	(187)	5,280	5,722
Financing, net	—	(91)	9	63,702	63,620
Income (loss) for the period before taxes	**59,422**	**11,879**	**1,477**	**(122,099)**	**(49,321)**
Taxes	—	19	—	—	19
Net income (loss) for the period	**59,422**	**11,860**	**1,477**	**(122,099)**	**(49,340)**

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated Corporate Costs ($000's)	Total ($000's)
Net income (loss) for the period	**59,422**	**11,860**	**1,477**	**(122,099)**	**(49,340)**
Interest expense, net	—	(91)	9	47,538	47,456
Taxes	—	19	—	—	19
Amortization	56,892	11,531	7,919	21	76,363
EBITDA	**116,314**	**23,319**	**9,405**	**(74,540)**	**74,498**
Share-based compensation	—	—	—	2,683	2,683
Severance costs	—	—	—	10,526	10,526
Fair value adjustment on contingent consideration	—	—	—	60,135	60,135
Independent committee related expenses	—	—	—	3,326	3,326
Gain on cross currency swap	—	—	—	(43,971)	(43,971)
Transaction related costs	—	1,169	—	28,208	29,377
Foreign exchange	(539)	1,168	(187)	5,280	5,722
Adjusted EBITDA	**115,775**	**25,656**	**9,218**	**(8,353)**	**142,296**
Net income (loss) for the period	**59,422**	**11,860**	**1,477**	**(122,099)**	**(49,340)**
Share-based compensation	—	—	—	2,683	2,683
Severance costs	—	—	—	10,526	10,526
Fair value adjustment on contingent consideration	—	—	—	60,135	60,135
Independent committee related expenses	—	—	—	3,326	3,326
Gain on cross currency swap	—	—	—	(43,971)	(43,971)
Transaction related costs	—	1,169	—	28,208	29,377
Foreign exchange	(539)	1,168	(187)	5,280	5,722
Amortization of acquisition related purchase price intangibles	56,892	10,832	7,919	—	75,643
Accretion	—	—	—	23,580	23,580
Adjusted Net Income/(loss)	**115,775**	**25,029**	**9,209**	**(32,332)**	**117,681**

Three months ended September 30, 2015:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated Corporate Costs ($000's)	Total ($000's)
Total revenue and other income	85,346	25,874	10,996	—	122,216
Distribution costs	44,553	15,239	5,766	72	65,630
Amortization	24,021	4,581	3,629	7	32,238
Compensation, professional, and general and administrative expenses	7,470	3,886	505	2,222	14,083
Transaction related costs	671	242	—	1,677	2,590
Foreign exchange loss (gain)	(612)	237	—	4,028	3,653
Financing, net	—	—	18	21,395	21,413
Income (loss) for the period before taxes	**9,243**	**1,689**	**1,078**	**(29,401)**	**(17,391)**
Taxes	—	107	—	—	107
Net income (loss) for the period	**9,243**	**1,582**	**1,078**	**(29,401)**	**(17,498)**

Net income (loss) for the period	**9,243**	**1,582**	**1,078**	**(29,401)**	**(17,498)**
Interest expense, net	—	—	18	15,151	15,169
Taxes	—	107	—	—	107
Amortization	24,021	4,581	3,629	7	32,238
EBITDA	**33,264**	**6,270**	**4,725**	**(14,243)**	**30,016**
Share-based compensation	—	—	—	1,200	1,200
Fair value adjustment on contingent consideration	—	—	—	6,244	6,244
Transaction related costs	671	242	—	1,677	2,590
Foreign exchange	(612)	237	—	4,028	3,653
Adjusted EBITDA	**33,323**	**6,749**	**4,725**	**(1,094)**	**43,703**

Net income (loss) for the period	**9,243**	**1,582**	**1,078**	**(29,401)**	**(17,498)**
Share-based compensation	—	—	—	1,200	1,200
Fair value adjustment on contingent consideration	—	—	—	6,244	6,244
Transaction related costs	671	242	—	1,677	2,590
Foreign exchange	(612)	237	—	4,028	3,653
Amortization of acquisition related purchase price intangibles	24,021	4,528	3,629	—	32,178
Accretion	—	—	—	6,699	6,699
Adjusted Net Income/(loss)	**33,323**	**6,589**	**4,707**	**(9,553)**	**35,066**

Nine months ended September 30, 2015:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated Corporate Costs ($000's)	Total ($000's)
Total revenue and other income	149,851	72,319	30,338	—	252,508
Debt settlement expense and gain on sale of intangibles	—	(430)	—	5,692	5,262
Distribution costs	80,179	39,194	16,546	177	136,096
Amortization	46,356	13,510	11,167	21	71,054
Compensation, professional, and general and administrative expenses	13,659	12,095	1,370	7,904	35,028
Transaction related costs	671	507	—	54,795	55,973
Foreign exchange loss (gain)	(562)	153	—	3,160	2,751
Financing, net	—	(2)	16	38,527	38,541
Income (loss) for the period before taxes	**9,548**	**7,292**	**1,239**	**(110,276)**	**(92,197)**
Taxes	—	278	—	—	278
Net income (loss) for the period	**9,548**	**7,014**	**1,239**	**(110,276)**	**(92,475)**
Net income (loss) for the period	**9,548**	**7,014**	**1,239**	**(110,276)**	**(92,475)**
Interest expense, net	—	(2)	16	31,685	31,699
Taxes	—	278	—	—	278
Amortization	46,356	13,510	11,167	21	71,054
EBITDA	**55,904**	**20,800**	**12,422**	**(78,570)**	**10,556**
Share-based compensation	—	—	—	4,808	4,808
Debt settlement expense and gain on sale of intangibles	—	(430)	—	5,692	5,262
Fair value adjustment on contingent consideration	—	—	—	6,842	6,842
Transaction related costs	671	507	—	54,795	55,973
Foreign exchange	(562)	153	—	3,160	2,751
Adjusted EBITDA	**56,013**	**21,030**	**12,422**	**(3,273)**	**86,192**
Net income (loss) for the period	**9,548**	**7,014**	**1,239**	**(110,276)**	**(92,475)**
Share-based compensation	—	—	—	4,808	4,808
Debt settlement expense and gain on sale of intangibles	—	(430)	—	5,692	5,262
Fair value adjustment on contingent consideration	—	—	—	6,842	6,842
Transaction related costs	671	507	—	54,795	55,973
Foreign exchange	(562)	153	—	3,160	2,751
Amortization of acquisition related purchase price intangibles	46,356	13,367	11,167	—	70,890
Accretion	—	—	—	14,307	14,307
Adjusted Net Income/(loss)	**56,013**	**20,611**	**12,406**	**(20,672)**	**68,358**

The following table presents net assets per segment and unallocated corporate costs as at September 30, 2016:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated Corporate Costs ($000's)	Total ($000's)
Current assets	22,718	72,707	7,573	102,712	205,710
Long-term assets	874,749	160,735	61,820	2,646	1,099,950
Total assets	897,467	233,442	69,393	105,358	1,305,660
Current liabilities	9,150	25,868	2,319	242,898	280,235
Long-term liabilities	—	3,497	—	577,796	581,293
Total liabilities	9,150	29,365	2,319	820,694	861,528
Net assets	888,317	204,077	67,074	(715,336)	444,132

The following table presents net assets per segment and unallocated corporate costs as at December 31, 2015:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated Corporate Costs ($000's)	Total ($000's)
Current assets	30,736	69,857	10,315	19,420	130,328
Long-term assets	1,108,900	173,097	82,742	11,287	1,376,026
Total assets	1,139,636	242,954	93,057	30,707	1,506,354
Current liabilities	11,217	30,740	2,706	66,100	110,763
Long-term liabilities	—	3,985	—	801,777	805,762
Total liabilities	11,217	34,725	2,706	867,877	916,525
Net assets	1,128,419	208,229	90,351	(837,170)	589,829

During the nine months ended September 30, 2016 and 2015, substantially all of the revenue earned by the Company was in Europe. Non-current assets by geographical location as at September 30, 2016 were as follows: Europe $160.7 million (December 31, 2015 – $173.1 million) and Americas $939.2 million (December 31, 2015 – $1.203 billion).

15. Earnings per Share

The following table presents the calculation of basic and diluted earnings per common share:

	Three Months Ended September 30, 2016 (000's)	Three Months Ended September 30, 2015 (000's)	Nine Months Ended September 30, 2016 (000's)	Nine Months Ended September 30, 2015 (000's)
Numerator:				
Net loss – basic	(31,814)	(17,498)	(49,340)	(92,475)
Net loss – diluted	(31,814)	(17,498)	(49,340)	(92,475)
Denominator:				
Weighted average number of common shares outstanding – basic	70,865	72,297	70,666	58,197
Instruments, which are anti-dilutive:				
Weighted average effect of dilutive share options	801	1,084	833	1,140
Weighted average effect of dilutive warrants	—	481	—	504
Weighted average effect of convertible debentures[2]	2,629	2,843	2,759	2,843
Net loss per share[3,4]				
Basic	$(0.45)	$(0.24)	$(0.70)	$(1.59)
Diluted[1]	$(0.45)	$(0.24)	$(0.70)	$(1.59)

[1] In the case of a net loss, the effect of common share options and warrants potentially exercisable on diluted 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 had an anti-dilutive effect on loss per share for the three and nine months ended September 30, 2016.

[3] Basic loss per share is calculated by dividing the net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period.

[4] Diluted loss per share is calculated by dividing the net loss attributable to ordinary shareholders by the weighted average number of common shares outstanding during the period and adjusted for the number of potentially dilutive share options and contingently issuable instruments.

16. Contingent Liabilities

Indirect Taxation

Intertain companies may be subject to indirect taxation on transactions which have been treated as exempt supplies of gambling, or on supplies which have been zero rated where legislation provides that the services are received or used and enjoyed in the country where the service provider is located. Revenues earned from customers located in any particular jurisdiction may give rise to further taxes in that jurisdiction. If such taxes are levied, either on the basis of current law or the current practice of any tax authority, or by reason of a change in the law or practice, then this may have a material adverse effect on the amount of tax payable by the Company or on its financial position. Where it is considered probable that a previously identified contingent liability will give rise to an actual outflow of funds, then a provision is made in respect of the relevant jurisdiction and period impacted. Where the likelihood of a liability arising is considered remote, or the possible contingency is not material to the financial position of the Company, the contingency is not recognised as a liability at the balance sheet date. As at September 30, 2016, the Company had recognized $nil liability (December 31, 2015 – $nil) related to indirect taxation.

17. Related Party Transactions

During the three and nine months ended September 30, 2016, the Company incurred $0.1 and $0.3 million, respectively (three and nine months ended September 30, 2015 – $0.1 million and $0.2 million, respectively) in legal fees for services provided by a law firm whose partner is a director and Corporate Secretary of the Company and $nil and $0.2 million, respectively (September 30, 2015 – $nil) in professional fees from an accounting firm whose partner is a director of the Company.

Additionally, during the nine months ended September 30, 2016, the Company incurred $0.4 million (nine months ended September 30, 2015 - $2.6 million) in legal fees for services provided by a law firm of which the spouse of a former director and senior member of management is a partner. The balance for the nine months ended September 30, 2016 reflects fees incurred in the period during which the former director and senior member was still working for the Company. The arrangements with such firms specify that the spouse is not to provide legal services to the Company.

During the three and nine months ended September 30, 2016, Intertain incurred an aggregate of $0.8 million and $2.1 million, respectively (three and nine months ended September 30, 2015 – $nil) in director fees to members of the Special Committee of the Intertain Board overseeing Intertain’s strategic review (approximately $1.3 million) and to the members of the Independent Committee in connection with their work relating to the investigation of the short-seller report discussed in note 12 (approximately $0.6 million, including fees of approximately $0.2 million paid to Chitiz Pathak LLP for work in connection with such investigation).

18. Comparative Figures

Certain comparative balances have been restated to conform with the current period’s presentation. Presentation changes include the reallocation of salaries and fees between Jackpotjoy and unallocated corporate costs as well as amendments to the treatment of social gaming supplier cost to be shown gross of social gaming revenue rather than net. This amendment caused both, revenue and distribution costs for the three and nine month period ended September 30, 2015 to increase by $2.7 million and $5.0 million, respectively.