The Intertain Group Limited

Management's Discussion and Analysis

[in Canadian dollars, except where otherwise noted]

For the Three and Nine Months ended September 30, 2016

Management’s Discussion and Analysis (“MD&A”)

The following discussion and analysis provides a review of The Intertain Group Limited’s (the “Company” or “Intertain”) results of operations, financial condition and cash flows for the three and nine months ended September 30, 2016. This MD&A has been prepared with an effective date of November 14, 2016 and should be read in conjunction with the information contained in the Company’s unaudited interim condensed consolidated financial statements and related notes for the three and nine months ended September 30, 2016 (the “Consolidated Financial Statements”), which were prepared in accordance with International Financial Reporting Standards (“IFRS”). The Consolidated Financial Statements and additional information regarding the business of the Company are available on SEDAR 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 British 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.

Based on the Company’s Audit Committee’s review and recommendation, the Intertain board of directors (the “Board of Directors”) has approved this MD&A and the unaudited interim condensed consolidated financial statements and related notes for release.

About Intertain

The Company is an online gaming holding company that provides wagering-focused entertainment to a global consumer base. Through its operating subsidiaries, Intertain currently offers bingo and casino games to its customers through Jackpotjoy, Starspins, Botemania, Vera&John, Vera&Juan, Costa Bingo, InterCasino, and other brands. The Company segments its operations as follows: the Jackpotjoy segment (consisting of the real money, social gaming online bingo and online casino operating results of the Jackpotjoy, Starspins and Botemania brands), the Vera&John segment (consisting of the real money online casino operating results of various brands, including Vera&John, Vera&Juan and InterCasino and revenues earned from the Revenue Guarantee (as defined below)), and the Mandalay segment (consisting of the real money operating results of various online bingo websites including Costa Bingo, and the operating results of affiliate portal websites).

The Jackpotjoy, Starspins and Botemania brands operate off of proprietary software owned by the Gamesys group (“Gamesys”), the Company’s B2B software and support provider. The Vera&John, Vera&Juan and InterCasino brands operate off of the Plain Gaming Platform, which is proprietary software owned by a wholly-owned subsidiary of the Company. The Mandalay segment’s bingo offerings operate off of the Dragonfish platform, a leading software service provided by the 888 group (“888”).

Intertain also receives fees for marketing services provided by its affiliate portal business. Europe is the principal market in which the Company, through its subsidiaries, actively markets its online offerings.

The Company was incorporated by Articles of Incorporation pursuant to the provisions of the *Business Corporations Act* (Ontario) on November 26, 2010.

Recent Highlights

On April 13, 2016, the Company completed the migration and re-launch of its InterCasino brand on Intertain's proprietary Plain Gaming Platform. In connection with the migration, the Company executed a termination and transition services agreement with certain subsidiaries of Amaya Inc. ("Amaya") and NYX Gaming Group Limited ("NYX"), pursuant to which the services and licenses agreements with these subsidiaries of Amaya and NYX were terminated and the licensors paid the Company USD 1.3 million as contributions for migration and termination costs.

On June 28, 2016, the Company appointed Neil Goulden as Chairman of the Board of Directors and Andrew McIver as Chief Executive Officer ("CEO") and a director. With Mr. McIver's appointment, John Kennedy FitzGerald resigned as CEO and as a director of Intertain. In connection with his resignation as CEO, Mr. FitzGerald was granted a final severance payment of approximately $10.5 million under the terms of his employment agreement (as amended in February 2016, when Mr. FitzGerald voluntarily agreed to reduce his severance entitlements by 25% and to forego any right to any future payment under the management incentive plan, which was terminated in February 2016). Brent Choi also resigned from the Board of Directors, effective June 24, 2016.

On September 6, 2016, Intertain announced additional non-competition covenants and amendments to the long-term operating and other agreements between Intertain and Gamesys 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 (excluding any interest) on Intertain's aggregate earn-out obligations in connection with the Jackpotjoy acquisition (previously uncapped). In connection with the Amendments, Intertain has also agreed to pay Gamesys an aggregate of £24 million, which amount shall be paid in equal monthly installments in arrears over the period from April 2017 to April 2020.

On September 23, 2016, Intertain announced that its shareholders approved a Plan of Arrangement (the "Arrangement") which will facilitate the implementation of Intertain's comprehensive UK-centered strategic initiatives (the "UK Strategic Initiatives"). These initiatives include a proposed London listing of the newly-incorporated London-headquartered UK company named Jackpotjoy plc, which entity is intended to become the parent company for the Intertain group under the Arrangement. On October 11, 2016, Intertain announced that it obtained a final order of the Ontario Superior Court of Justice on September 27, 2016 approving the Arrangement. On October 28, 2016, Intertain announced that it had received the lender consents required to amend its existing Credit Facilities (as defined below) to permit the Arrangement.

Outlook

Intertain's corporate growth strategy continues to involve developing the current online gaming brands we own through innovative customer retention and acquisition initiatives, geographical expansion, technology, and gaming offerings that enhance the customer experience. We continue to see substantial organic growth opportunities through optimizing operations across all business segments, increasing our mobile penetration, general growth in our industry, and other strategic initiatives.

The online gaming market is vibrant and accelerating. The marketplace's growth over the coming years is expected to 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.

Mobile gambling is expected to grow at double-digit rates and to reach over 40% of the total online gambling market by 2018 (Source: Global Online Gambling and Betting Market 2015).

We support the development of new regulated jurisdictions, which include the licensing and taxation of online gaming companies in order to promote safe and accessible online gaming markets for customers. The benefits are well known: regulation will provide legal clarity for both players and online gaming companies; harmonize standards with other leading jurisdictions to enhance consumer protection; and provide additional tax revenue opportunities for governments.

The value of the global online casino and online bingo market is forecast to be approximately €12 billion by 2018, representing a compound annual growth rate of more than 10% from 2014 (Source: H2 Gambling Capital 2015).

Selected Financial Information

	3 months ended September 30, 2016 ($000's)	3 months ended September 30, 2015 ($000's)	**9 months ended September 30, 2016 ($000's)**	9 months ended September 30, 2015 ($000's)
Total revenue and other income	**113,647**	122,216	**360,980**	252,508
Net loss	**(31,814)**	(17,498)	**(49,340)**	(92,475)
Basic and Diluted loss per share	**$(0.45)**	$(0.24)	**$(0.70)**	$(1.59)

Comparison of the three and nine months ended September 30, 2016 and 2015

Net loss

The Company's increase in net loss during the three months ended September 30, 2016 compared to the same period in the prior year can be attributed to higher transaction costs related to the UK Strategic Initiatives, fair value adjustments on contingent consideration, and the Canadian dollar appreciating against the British pound. In comparison, the net loss for the nine months ended September 30, 2016 was significantly lower than the nine months ended September 30, 2015 due to transaction related costs incurred primarily in Q2 2015 related to the Jackpotjoy acquisition. For the nine months ended September 30, 2016, the decrease in net loss was also a result of the Jackpotjoy brands being owned for the full current period, rather than a partial period in the prior period (as the brands were acquired on April 8, 2015).

Total revenue and other income

The Company's revenues during the three months ended September 30, 2016 consisted of:

- $79.9 million in revenue earned from Jackpotjoy's operational activities.
- $24.6 million in revenue earned from Vera&John's operational activities.
- $9.1 million in revenue earned from Mandalay's operational activities.

The Company's revenues during the three months ended September 30, 2015 consisted of:

- $85.3 million in revenue earned from Jackpotjoy's operational activities.
- $22.2 million in revenue earned from Vera&John's operational activities.
- $11.0 million in revenue earned from Mandalay's operational activities.
- $3.7 million in income earned from the revenue guarantee (the "Revenue Guarantee") relating to the service agreement entered into with Amaya.

The decrease in revenue in comparison with the three months ended September 30, 2015 relates primarily to the appreciating Canadian dollar against the British pound. On a functional currency basis the Jackpotjoy and Vera&John segments experienced double digit organic growth in the quarter; however, these increases were largely offset as the average foreign exchange rates used to convert Sterling revenues for the three months ended September 30, 2016 (£:$ – 1.71) decreased dramatically from the average foreign exchange rates used to convert Sterling revenue for the three months ended September 30, 2015 (£:$ – 2.03).

The Company's revenues during the nine months ended September 30, 2016 consisted of:

- $249.6 million in revenue earned from Jackpotjoy's operational activities.
- $76.8 million in revenue earned from Vera&John's operational activities.
- $30.6 million in revenue earned from Mandalay's operational activities.
- $4.0 million in income earned from the Revenue Guarantee relating to the service agreement entered into with Amaya and platform migration revenue.

The Company's revenues during the nine months ended September 30, 2015 consisted of:

- $149.9 million in revenue earned from Jackpotjoy's operational activities.
- $56.4 million in revenue earned from Vera&John's operational activities.
- $30.3 million in revenue earned from Mandalay's operational activities.
- $15.9 million in income earned from the Revenue Guarantee relating to the service agreement entered into with Amaya.

The increase in revenue in comparison with the nine months ended September 30, 2015 predominantly relates to revenue earned by Jackpotjoy, which was acquired at the beginning of Q2 2015. Higher revenue was also driven by stronger period over period performance in all segments in their functional currencies. This increase in revenue was slightly offset by an appreciating Canadian dollar period over period against the British pound, as the average foreign exchange rates used to convert revenue for the nine months ended September 30, 2016 (£:$1.84, USD:$1.32, €:$1.48) decreased from the average foreign exchange rates used to convert revenue for the nine months ended September 30, 2015 (£:$ – 1.93, USD:$ – 1.26, €:$ – 1.40). Adding to the offset was also the net decrease of $11.9 million in other income, from the Revenue Guarantee and platform migration revenue.

	3 months ended September 30, 2016 ($000's)	3 months ended September 30, 2015 ($000's)	**9 months ended September 30, 2016 ($000's)**	9 months ended September 30, 2015 ($000's)
Expenses:				
Distribution costs	**53,972**	65,630	**172,321**	136,096
Administration costs	**42,274**	46,321	**128,735**	106,082
Severance costs	**—**	—	**10,526**	—
Transaction related costs	**17,833**	2,590	**29,377**	55,973
	114,079	114,541	**340,959**	298,151

Distribution costs

	3 months ended September 30, 2016 ($000's)	3 months ended September 30, 2015 ($000's)	**9 months ended September 30, 2016 ($000's)**	9 months ended September 30, 2015 ($000's)
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

Selling and marketing expenses consist of payments made to affiliates and general marketing expenses related to each brand. Licensing fees consist of the fees for Mandalay and Jackpotjoy to operate on their respective platforms and game suppliers' fees paid by Vera&John and Jackpotjoy. Gaming taxes largely consist of Point of Consumption Taxes ("POC"), which is a 15% tax on Real Money Gaming Revenue introduced in the UK in December 2014. Processing fees consist of costs associated with using payment providers and include payment service provider transaction and handling costs, as well as deposit and withdrawal fees. With the exception of selling and marketing expenses, distribution costs tend to be variable in relation to revenue.

The decrease in distribution costs for the three months ended September 30, 2016 is due to lower selling and marketing costs as well as an appreciating Canadian dollar against the British pound. Increases in distribution costs for the nine months ended September 30, 2016, with the exception of selling and marketing costs, primarily relate to the addition of the Jackpotjoy brands acquired at the beginning of Q2 2015, as well as higher revenues in all segments.

Administrative costs

	3 months ended September 30, 2016 ($000's)	3 months ended September 30, 2015 ($000's)	**9 months ended September 30, 2016 ($000's)**	9 months ended September 30, 2015 ($000's)
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
Amortization	**24,750**	32,238	**76,363**	71,054
	42,274	46,321	**128,735**	106,082

Compensation and benefits costs consist of salaries, wages, bonuses, director's fees, benefits and share-based compensation expense. The increase in the three months ended September 30, 2016 compared to the same period in 2015, relates to staff additions in various business units, operational employee bonuses paid out in Q3 2016 as well as an increase in share-based compensation related to options granted during the current quarter. The increase in the nine months ended September 30, 2016 compared to the same period in 2015 is due to the addition of Jackpotjoy employees'/consultants' salaries, staff additions in other business units, as well as operational bonuses paid out during the year. This is partially offset by a decrease in share-based compensation.

Professional fees consist of legal fees, audit fees, and 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 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, and are included in professional fees. These costs largely account for the increase in fees during the nine months ended September 30, 2016.

General and administrative expenses consist of items, such as rent and occupancy, travel and accommodation, insurance, listing fees, technology and development costs, and other office overhead charges. The increase in the three months ended September 30, 2016 can be attributed to slightly higher travel and overhead costs. The increase in the nine months ended September 30, 2016 compared to the same period in the prior year relates to the addition of the operating activities of Jackpotjoy, which was acquired at the beginning of Q2 2015 and did not incur a full quarter of costs, as well as slightly higher overheads.

Amortization consists of depreciation of the Company's tangible and intangible assets over their useful lives. As a result of finite intangible assets recognized from the Jackpotjoy acquisition, amortization expense increased compared to the same nine-month period in 2015. Amortization expense was lower in Q3 2016 than the same period in 2015 as the amortization rates used to amortize purchase price intangible assets, such as customer lists, trail off with time to align with the benefit received, as well as an appreciating Canadian dollar compared to the British pound.

Severance Costs

In connection with his resignation as CEO, Mr. FitzGerald was granted a final severance payment of approximately $10.5 million under the terms of his employment agreement which was completed in Q2 2016.

Transaction related costs

Transaction related costs consist 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. The decrease in transaction related costs in comparison with the same nine-month period in 2015 relates to the fact that the Company incurred significant transaction costs due to the Jackpotjoy acquisition in Q2 2015. Transaction related costs included in the three and nine months ended September 30, 2016 related mostly to the ongoing UK Strategic Review and include completion payments of $5.0 million which are payable in the event that the Company becomes listed on the London Stock Exchange (the "LSE").

For a further discussion of the variances on a segment basis, please refer to the information under the "Summary of Results by Segment – Results by Segment" section of this MD&A.

Non-IFRS Financial Measures

The following non-IFRS definitions are used in this MD&A because management believes that they provide additional useful information regarding ongoing operating and financial performance. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be considered in isolation or 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. For details regarding the reconciliations from these non-GAAP measures, refer to the information under the *"Adjusted EBITDA, Adjusted Net Income, and Diluted Adjusted Net Income per Share for the Three and Nine Months Ended September 30, 2016 and 2015" and "Summary of Results by Segment – Results by Segment" sections of this MD&A.*

- 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. Adjusted Net Income is calculated by adjusting Net Income for accretion, amortization of acquisition related purchase price intangibles, share-based compensation, severance costs, Independent Committee related expenses, gain on cross currency swap, debt settlement expense, fair value adjustments on contingent consideration, transaction related costs, foreign exchange, and gain on sale of intangible assets. The exclusion of accretion and share-based compensation eliminates the non-cash impact and the exclusion of amortization of acquisition related purchase price intangibles, severance costs, Independent Committee related expenses, gain on cross currency swap, debt settlement expense, fair value adjustments on contingent consideration, transaction related costs, foreign exchange, and gain on sale of intangible assets eliminates items which management believes are non-operational. Management believes that Adjusted Net Income is an important indicator of the Company's ability to generate liquidity through operating cash flow to service outstanding debt and fund acquisition earn-out payments and uses this metric for such purpose. Adjusted Net Income is also considered by some investors and analysts for the purpose of assisting in valuing a company.

- Adjusted EBITDA, as defined by the Company, is income before interest expense (net of interest income), income taxes, amortization, share-based compensation, severance costs, Independent Committee related expenses, gain on cross currency swap, debt settlement expense, fair value adjustments on contingent consideration, transaction related costs, foreign exchange, and gain of sale of intangible assets. Management believes that Adjusted EBITDA is another important indicator of the issuer's ability to generate liquidity through operating cash flow to service outstanding debt and fund acquisition earn-out payments and uses this metric for such purpose. The exclusion of amortization and share-based compensation eliminates the non-cash impact and the exclusion of severance costs, Independent Committee related expenses, gain on cross currency swap, debt settlement expense, fair value adjustments on contingent consideration, transaction related costs, foreign exchange, and gain of sale of intangible assets eliminates items which management believes are non-operational.

- Diluted Adjusted Net Income per share, as defined by the Company, means Adjusted Net Income divided by the diluted weighted average number of shares outstanding, calculated using the IFRS treasury method, for the applicable period. Management believes that Diluted Adjusted Net Income per share assists with the Company's ability to analyze Adjusted Net Income on a diluted weighted average per share basis.

Key performance indicators

- Average Active Customers is a key performance indicator used by management to assess 'real money' customer acquisition and 'real money' customer retention efforts of each of Intertain's brands. Intertain defines Average Active Customers as being 'real money' customers who have placed at least one bet in a given month ("Average Active Customers"). "Average Active Customers per Month" is the Average Active Customers per month, averaged over a three-month period. While this measure is not recognised by IFRS, the Directors believe that it is a meaningful indicator of the Company's ability to acquire and retain customers.

- Real Money Gaming Revenue and Average Real Money Gaming Revenue per month are key performance indicators used by management to assess revenue earned from real money gaming operations of the business. Intertain defines Real Money Gaming Revenue as being revenue less revenue earned from the Revenue Guarantee, affiliate websites and social gaming ("Real Money Gaming Revenue"). Intertain defines Average Real Money Gaming Revenue per month as Real Money Gaming Revenue per month, averaged over a three-month period ("Average Real Money Gaming Revenue per month"). While these measures are not recognised by IFRS, the Directors believe that they are meaningful indicators of Intertain's real money gaming operational results.

- Monthly Real Money Gaming Revenue per Average Active Customers is a key performance indicator used by management to assess the Company's ability to generate Real Money Gaming Revenue on a per customer basis. Intertain defines Monthly Real Money Gaming Revenue per Average Active Customer as being Average Real Money Gaming Revenue per month divided by Average Active Customers per Month ("Monthly Real Money Gaming Revenue per Average Active Customers"). While this measure is not recognised by IFRS, the Directors believe that it is a meaningful indicator of Intertain's ability to generate Real Money Gaming Revenue.

Adjusted EBITDA, Adjusted Net Income, and Diluted Adjusted Net Income per Share for the Three and Nine Months Ended September 30, 2016 and 2015

The following table highlights Adjusted EBITDA, Adjusted Net Income, and Diluted Adjusted Net Income per Share for the three and nine months ended September 30, 2016 and 2015 and a reconciliation of Intertain's reported results to its adjusted measures.

	3 months ended September 30, 2016 ($000's)	3 months ended September 30, 2015 ($000's)	**9 months ended September 30, 2016 ($000's)**	9 months ended September 30, 2015 ($000's)
Net loss for the period	**(31,814)**	(17,498)	**(49,340)**	(92,475)
Interest expense, net	**15,600**	15,169	**47,456**	31,699
Taxes	**(395)**	107	**19**	278
Amortization	**24,750**	32,238	**76,363**	71,054
EBITDA	**8,141**	30,016	**74,498**	10,556
Share-based compensation	**1,639**	1,200	**2,683**	4,808
Debt settlement expense	**—**	—	**—**	5,692
Severance costs	**—**	—	**10,526**	—
Fair value adjustment on contingent consideration	**24,914**	6,244	**60,135**	6,842
Gain on sale of intangible assets	**—**	—	**—**	(430)
Independent Committee related expenses	**—**	—	**3,326**	—
Gain on cross currency swap	**(9,749)**	—	**(43,971)**	—
Transaction related costs	**17,833**	2,590	**29,377**	55,973
Foreign exchange	**1,012**	3,653	**5,722**	2,751
Adjusted EBITDA	**43,790**	43,703	**142,296**	86,192
Net loss for the period	**(31,814)**	(17,498)	**(49,340)**	(92,475)
Share-based compensation	**1,639**	1,200	**2,683**	4,808
Debt settlement expense	**—**	—	**—**	5,692
Severance cost	**—**	—	**10,526**	—
Fair value adjustment on contingent consideration	**24,914**	6,244	**60,135**	6,842
Gain on sale of intangible assets	**—**	—	**—**	(430)
Independent Committee related expenses	**—**	—	**3,326**	—
Gain on cross currency swap	**(9,749)**	—	**(43,971)**	—
Transaction related costs	**17,833**	2,590	**29,377**	55,973
Foreign exchange	**1,012**	3,653	**5,722**	2,751
Amortization of acquisition related purchase price intangibles	**24,466**	32,178	**75,643**	70,890
Accretion	**7,962**	6,699	**23,580**	14,307
Adjusted net income	**36,263**	35,066	**117,681**	68,358
Diluted net loss per share	**$(0.45)**	$(0.24)	**$(0.70)**	$(1.59)
Diluted adjusted net income per share	**$0.49**	$0.46	**$1.59**	$1.10

Summary of Results by Segment

Results by Segment

On April 13, 2016, the InterCasino brand migrated to Intertain's proprietary Plain Gaming Platform. In conjunction with this operational change, the Company reassessed management and reporting for the combined segment and concluded that the InterCasino segment should be aggregated with the Vera&John segment.

Three months ended September 30, 2016:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated corporate costs[1] ($000's)	Totals ($000's)
Revenue and other income	79,895	24,697	9,055	—	113,647
Net income/(loss) for the period	20,523	1,340	(322)	(53,355)	(31,814)
Share-based compensation	—	—	—	1,639	1,639
Fair value adjustments 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[2]	—	—	—	7,962	7,962
Adjusted net income/(loss)	38,474	6,164	2,334	(10,709)	36,263

Three months ended September 30, 2015:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated corporate costs[1] ($000's)	Totals ($000's)
Revenue and other income	85,346	25,874	10,996	—	122,216
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 adjustments 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[2]	—	—	—	6,699	6,699
Adjusted net income/(loss)	33,323	6,589	4,707	(9,553)	35,066

(1) *Unallocated corporate costs include the results from activities such as acquisition negotiations, acquisition due diligence, UK Strategic Review, the raising of capital to fund acquisitions, and the reporting obligations of the parent public company.*

(2) *Accretion consists of accretion on convertible debentures, long-term debt, and contingent consideration.*

Nine months ended September 30, 2016:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated corporate costs[(1)] ($000's)	Totals ($000's)
Revenue and other income	249,556	80,865	30,559	—	360,980
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 adjustments 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[(2)]	—	—	—	23,580	23,580
Adjusted net income/(loss)	115,775	25,029	9,209	(32,332)	117,681

Nine months ended September 30, 2015:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated corporate costs[(1)] ($000's)	Totals ($000's)
Revenue and other income	149,851	72,319	30,338	—	252,508
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	—	—	—	5,692	5,692
Fair value adjustments on contingent consideration	—	—	—	6,842	6,842
Gain on sale of intangible assets	—	(430)	—	—	(430)
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[(2)]	—	—	—	14,307	14,307
Adjusted net income/(loss)	56,013	20,611	12,406	(20,672)	68,358

(1) Unallocated corporate costs include the results from activities such as acquisition negotiations, acquisition due diligence, UK Strategic Review, the raising of capital to fund acquisitions, and the reporting obligations of the parent public company.

(2) Accretion consists of accretion on convertible debentures, long-term debt, and contingent consideration.

Comparison and discussion of the three and nine months ended September 30, 2016 to the same period in 2015

Note: Figures in this analysis reflect results for full periods, rather than only the periods in which the Company owned each brand, to be more accurately comparable to prior period balances and are stated in the functional currency of the applicable operating entity to provide a more comparable analysis that is not impacted by foreign exchange rate fluctuations. The average foreign exchange rates used to convert balances for the three months ended September 30, 2016 are: £:$1.71, USD:$1.31, €:$ 1.46 (September 30, 2015: £:$ – 2.03, USD:$ – 1.31, €:$ – 1.46). The average foreign exchange rates used to convert balances for the nine months ended September 30, 2016 are: £:$1.84, USD:$1.32, €:$1.48 (September 30, 2015: £:$ – 1.93, USD:$ – 1.26, €:$ – 1.40).

Jackpotjoy

	Q3 2016 £(millions)	Q3 2015 £(millions)	Variance £(millions)	Variance %
Revenue	**46.7**	42.1	4.6	11%
Distribution costs	**20.3**	22.0	(1.7)	(8%)
Administration costs*	**3.9**	3.7	0.2	5%
Adjusted Net Income	**22.5**	16.4	6.1	37%

	YTD 2016 £(millions)	YTD 2015 £(millions)	Variance £(millions)	Variance %
Revenue	**135.7**	116.5	19.2	16%
Distribution costs	**61.2**	62.0	(0.8)	(1%)
Administration costs*	**11.5**	10.8	0.7	6%
Adjusted Net Income	**63.0**	43.7	19.3	44%

* *excludes amortization expense of purchase price intangible assets.*

Revenue increased quarter over quarter and year over year due to organic growth in all brands. Jackpotjoy UK real money revenue accounted for 69% and 71% of the segment's revenue for the three and nine months ended September 30, 2016. Revenue further increased as a result of triple digit growth quarter over quarter and year over year in both the Starspins and Botemania brands, which collectively accounted for 16% and 14%, respectively, of this segment's revenue. The sharp increase in Starspins and Botemania brands is a result of Starspins mobile launches in Q3 2015 and Botemania slots launch in Q2 2016. The decrease in distribution costs quarter over quarter is due to lower marketing costs which depend on seasonality.

Vera&John

	Q3 2016 €(millions)	Q3 2015 €(millions)	Variance €(millions)	Variance %
Gaming Revenue	**17.0**	15.2	1.8	12%
Revenue Guarantee & Other	**—**	2.6	(2.6)	(100%)
Total Revenue	**17.0**	17.8	(0.8)	(4%)
Distribution costs	**8.8**	10.5	(1.7)	(16%)
Administration costs*	**4.2**	2.7	1.5	56%
Current tax	**(0.1)**	0.2	(0.3)	(150%)
Deferred tax	**(0.1)**	(0.1)	—	—
Adjusted Net Income	**4.2**	4.5	(0.3)	(7%)

	YTD 2016 €(millions)	YTD 2015 €(millions)	Variance €(millions)	Variance %
Gaming Revenue	**52.1**	40.0	12.1	30%
Revenue Guarantee & Other	**2.7**	11.5	(8.8)	(77%)
Total Revenue	**54.8**	51.5	3.3	6%
Distribution costs	**26.7**	27.9	(1.2)	(4%)
Administration costs*	**11.3**	8.8	2.5	28%
Current tax	**0.4**	0.7	(0.3)	(43%)
Deferred tax	**(0.3)**	(0.5)	0.2	(40%)
Adjusted Net Income	**16.7**	14.6	2.1	14%

* *excludes amortization expense of purchase price intangible assets.*

The increase in gaming revenue over the comparative periods in 2015 relates to continued organic growth in existing markets where Vera&John's brands operate. Q3 gaming revenue and Adjusted Net Income for the Vera&John brand itself increased by 29% and 87%, respectively, compared to the same period in the prior year. The introduction of flexible deposit limits and steady growth in customer acquisition, mainly through affiliate marketing (which increased 16% quarter over quarter and 32% year over year), has helped drive organic growth. The variance in income earned from the revenue guarantee quarter over quarter and year over year relates to the revenue guarantee ending on February 11, 2016.

Other distribution costs, such as game suppliers and payment providers' costs increased proportionally with revenue growth, with the exception of marketing, which decreased by 29% quarter over quarter and 22% year over year mainly due to significant UK marketing spending occurring in the prior periods. Increases in administration costs year over year were mainly driven by the InterCasino brand migration as well as increases in personnel and office related costs as the segment continues to grow.

Mandalay

	Q3 2016 £(millions)	Q3 2015 £(millions)	Variance £(millions)	Variance %
Revenue	**5.3**	5.4	(0.1)	(2%)
Distribution costs	**3.7**	2.8	0.9	32%
Administration costs*	**0.2**	0.3	(0.1)	(33%)
Adjusted Net Income	**1.4**	2.3	(0.9)	(39%)

	YTD 2016 £(millions)	YTD 2015 £(millions)	Variance £(millions)	Variance %
Revenue	**16.5**	15.7	0.8	5%
Distribution costs	**10.8**	8.5	2.3	27%
Administration costs*	**0.7**	0.7	—	—
Adjusted Net Income	**5.0**	6.5	(1.5)	(23%)

* *excludes amortization expense of purchase price intangible assets.*

There was a slight decrease in revenues of £0.1 million quarter over quarter, however there was a £0.8 million increase in revenues, year over year. This year over year increase primarily relates to the addition of new slot and bingo skins as well as enhanced performance of the flagship Costa Bingo brand. The increase in distribution costs quarter over quarter and year over year relates to greater general marketing spending, the continuation of the Costa television campaign, which was launched in Q2, as well as increases in royalties paid to 888 and POC taxes, which increase proportionally to revenue.

Unallocated Corporate Costs

Adjusted Net Loss increased from $9.6 million to $10.7 million in the three months ended September 30, 2016 as compared to the three months ended September 30, 2015. The adjusted net loss for the nine months ended September 30, 2016 was $32.3 million compared to $20.7 million in the comparative period in 2015. The variance in Q3 2016 mainly relates to a $1.2 million increase in compensation, a $0.3 million increase in professional fees and $0.4 million in general and administrative overheads, which were slightly offset by a $0.9 million decrease in interest costs related to foreign exchange rate fluctuations. The variance related to the nine months ended September 30, 2016 is primarily due to a $6.6 million increase in interest expense on the loan balances, a $3.1 million increase in compensation expenses, a $1.0 million increase in professional fees, and a $0.8 million increase in office and general as well as travel expenses and other overheads.

Key Performance Indicators

	3 months ended September 30, 2016 (constant currency basis)	3 months ended September 30, 2015	Variance (constant currency basis)	Variance % (constant currency basis)
Average Active Customers per month (#)	**231,214**	207,768	23,446	11%
Total Real Money Gaming Revenue ($000) [1]	**118,115**[2]	106,626	11,489[2]	11%[2]
Average Real Money Gaming Revenue per month ($000)	**39,372**[2]	35,542	3,830[2]	11%[2]
Monthly Real Money Gaming Revenue per Average Active Customer ($)	**170**[2]	171	(1)[2]	(0%)[2]

[1] *Total Real Money Gaming Revenue for the three months ended September 30, 2016 consists of total revenue less revenue earned from the Revenue Guarantee and platform migration income of $nil (September 30, 2015 - $3.7 million), revenue earned from affiliate websites and social gaming revenue of $11.9 million (September 30, 2015 - $11.9 million).*

[2] *Figures presented on a constant currency basis using Q3 2015 foreign exchange rates of £:$ - 2.03, €:$ - 1.46 and USD:$ - 1.31 to convert revenue. In Q3 2016, using Q3 2016 foreign exchange rates of £:$ - 1.71, €:$ - 1.46 and USD:$ - 1.31 to convert revenue, Total Real Money Gaming Revenue was $103.4 million (variance of $(3.2 million) and variance % of (3%)), Average Real Money Gaming*

Revenue per month was $34.5 million (variance of $(1.0 million) and variance % of (3%)), and Monthly Real Money Gaming Revenue per Average Active Customer was $149 (variance of $(22) and variance % of (13%)).

The 11% increase in Average Active Customers from Q3 2015 to Q3 2016 relates to growth in the Jackpotjoy and Mandalay segments.

Historical Results by Quarter

	3 months ended September 30, 2016 ($000's)	3 months ended June 30, 2016 ($000's)	3 months ended March 31, 2016 ($000's)	3 months ended December 31, 2015 ($000's)
Total revenue and other income	**113,647**	118,807	128,526	131,955
Net income/(loss)	**(31,814)**	(27,490)	9,964	(134,398)
Basic income/(loss) per share	**$(0.45)**	$(0.39)	$0.14	$(1.92)
Diluted income/(loss) per share	**$(0.45)**	$(0.39)	$0.14	$(1.92)

	3 months ended September 30, 2015 ($000's)	3 months ended June 30, 2015 ($000's)	3 months ended March 31, 2015 ($000's)	3 months ended December 31, 2014 ($000's)
Total revenue and other income	122,216	97,501	32,792	18,281
Net loss	(17,498)	(48,816)	(26,161)	(12,286)
Basic loss per share	$(0.24)	$(0.70)	$(0.80)	$(0.50)
Diluted loss per share	$(0.24)	$(0.70)	$(0.80)	$(0.50)

The foregoing financial data for each of the Company's completed quarters, since Q4 2014, has been prepared in accordance with IFRS. The generally upward movement in revenue from Q4 2014 to Q3 2016 is driven by the various acquisitions completed by Intertain. The Mandalay acquisition was completed in July 2014, the Vera&John acquisition was completed in December 2014, and the Jackpotjoy acquisition was completed in April 2015. The movement in revenue largely correlates to the timing of these acquisitions. The quarter ended September 30, 2015 is the first quarter that includes a full three months' worth of results of all acquisitions completed to date. Revenue is susceptible to various risk factors that can cause fluctuation from quarter to quarter as noted in the Company's Annual Information Form dated March 30, 2016 ("the AIF"), available on SEDAR at www.sedar.com.

The movement in net income/(loss) from quarter to quarter, largely relates to transaction related costs, impairment charges, fair value adjustments on contingent consideration, and the amortization of intangible assets. Fluctuations in foreign exchange rates also impact results, as each segment of the Company has a functional currency other than Canadian dollars. The significant increase in net loss in Q4 2015 was mainly a result of non-operational expenses occurring in Q4 2015 related to goodwill impairment of $36.7 million and fair value adjustments on contingent consideration of $113.9 million.

The fluctuation in revenue between Q1 2016 and Q2 2016 primarily relates to fluctuations in foreign exchange rates. Variances experienced in Q1 2016 and Q2 2016 net income/(loss) largely relate to the following non-operational items: fair value adjustments on contingent consideration (Q1 2016 - $3.3 million, Q2 2016 - $31.9 million), unrealized gains on cross currency swap (Q1 2016 - $7.9 million, Q2 2016 - $26.3 million) and severance costs (Q1 2016 - nil, Q2 2016 - $10.5 million).

The fluctuation in revenue between Q2 2016 and Q3 2016 primarily relates to fluctuations in foreign exchange rates due to the continued appreciation of the Canadian dollar against the British pound and the platform migration revenue of $1.7 million realized in Q2 2016. Variances experienced in Q2 2016 and Q3 2016 net loss largely relate to increased transaction costs incurred for the ongoing UK Strategic Review process as well as a smaller unrealized gain on cross currency swap. This was partially offset with a smaller fair value adjustment on the contingent consideration.

Financial Condition

	September 30, 2016 ($000's)	December 31, 2015 ($000's)	Variance $ ($000's)
Total current assets	**205,710**	130,328	75,382
Total non-current assets	**1,099,950**	1,376,026	(276,076)
Total assets	**1,305,660**	1,506,354	(200,694)
Total current liabilities	**280,235**	110,763	169,472
Total non-current financial liabilities	**581,293**	805,762	(224,469)
Total liabilities	**861,528**	916,525	(54,997)

The $36.3 million increase in current assets (excluding the cash movement of $39.1 million) since December 31, 2015 largely relates to a $47.8 million increase in the current portion of the currency swap.

Current assets additionally increased as follows:

- prepaid expenses increased by $0.1 million.
- customer deposits increased by $0.1 million.
- taxes receivable increased by $1.2 million.

These increases were partially offset by the following:

- receivables decreased by $12.9 million, which is primarily attributed to the expiry of the Revenue Guarantee agreement with Amaya during the first quarter of 2016.

The decrease in non-current assets of $276.1 million since December 31, 2015 mainly relates to translation on foreign currency intangible assets and goodwill of $112.4 million and $83.0 million respectively, amortization of the intangible assets of $76.2 million, a $8.1 million decrease related to the reclassification of the non-current portion of the currency swap to current assets. The decrease was minimally offset by a $2.1 million addition to intangible assets, relating to software development, a $0.6 million increase in other long term receivables, and $0.9 million in tangible assets.

The increase in current liabilities of $169.5 million since December 31, 2015 largely relates to the following:

- the reclassification of part of the Jackpotjoy contingent consideration from long-term to current as well as the increase of its fair value for a total of $166.6 million.
- an increase of $1.8 million in accounts payable mainly driven by a switch to a new affiliate system, as well as a $17.1 million increase in other short-term payables due to accruals for transaction related costs.
- an increase in interest payable of $0.1 million and $0.1 million increase in payable to customers.

These increases were partially offset by the following:

- a $7.4 million reduction of the current portion of long-term debt due to foreign exchange rate fluctuations.
- a $8.8 million decrease in provision for taxes relating to payments made in the period.

The decrease in non-current liabilities of $224.5 million since December 31, 2015 was mainly driven by a $168.0 million decrease in contingent consideration related to changes in foreign exchange rates, fair value adjustments and re-classification to current portion, as well as a $49.5 million decrease in long-term debt due to principal payments and changes in foreign exchange rates, a $6.5 million decrease in convertible debentures due to partial conversion, and a $0.5 million decrease in the deferred tax liability.

Cash Flow by Activity

	3 months ended September 30, 2016 ($000's)	3 months ended September 30, 2015 ($000's)	**9 months ended September 30, 2016 ($000's)**	9 months ended September 30, 2015 ($000's)
Operating activity	**31,756**	41,460	**118,252**	5,198
Financing activity	**(11,974)**	(33,191)	**(66,555)**	750,079
Investing activity	**(1,609)**	(4,517)	**(3,214)**	(692,584)

Operating Activity

Cash provided by operating activities during the three and nine months ended September 30, 2016 relates to cash generated from the operational activities of Mandalay, Vera&John and Jackpotjoy. For the three months ended September 30, 2016, this balance decreased compared to the same period in 2015. This is due to the cash payment made in Q3 related to severance costs. For the nine months ended September 30, 2016, this balance increased from the same period in the prior year, as the Jackpotjoy brands were acquired during Q2 2015 and cash used for transaction related activities decreased over the periods.

Financing Activity

Cash used by financing activities for the three months ended September 30, 2016 relates mainly to the following transactions:

- $8.0 million in principal debt repayments.
- $5.9 million in interest payments.

This decrease was partially offset by $2.0 million in proceeds from the exercise of options.

Cash used by financing activities for the nine months ended September 30, 2016 relates mainly to the following transactions:

- $34.8 million in principal debt repayments.
- $22.3 million in interest payments.
- $12.0 million in a contingent consideration payment to satisfy the Vera&John earn-out payment.

This decrease was partially offset by $2.6 million in proceeds from the exercise of warrants and options.

Investing Activity

Cash used in investing activities during the three and nine months ended September 30, 2016 was $1.6 million and $3.2 million respectively, and relates to the purchase of tangible and intangible assets.

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 undiscounted financial liabilities and undiscounted (probability weighted) contractual obligations as of September 30, 2016:

	On demand	Less than 1 year	1-2 years	3-4 years	5 years and over
	($000's)	($000's)	($000's)	($000's)	($000's)
Accounts payable and accrued liabilities	14,485	—	—	—	—
Other short term payables	18,191	—	—	—	—
Interest payable	132	—	—	—	—
Payable to customers	13,438	—	—	—	—
Contingent consideration	—	187,144	156,173	107,388	—
Convertible debentures	—	—	9,360	—	—
Long-term debt	—	43,941	87,882	87,882	160,321
	46,246	231,085	253,415	195,270	160,321

Intertain manages liquidity risk by monitoring actual and forecasted cash flows in comparison with the maturity profiles of financial assets and liabilities. The Company does not anticipate fluctuations in its financial obligations (with the exception of the Jackpotjoy earn-out payment, as it is dependent on the future performance of the Jackpotjoy segment), as they largely stem from the amortization and interest payments related to the Term Facility (as defined below). Management believes that the cash generated from the Company's operating segments is sufficient to fund the working capital and capital expenditure needs of each operating segment in the short and long term, assuming there are no significant adverse changes in the markets in which the Company operates. The Company is actively managing its capital resources to ensure sufficient resources will be in place when the Jackpotjoy earn-out payment and Term Facility amortization payments become due.

With respect to the Jackpotjoy earn-out, other than as described below, Gamesys has agreed that until the debt under the Credit Facilities has been paid or becomes payable, whichever is the earlier, it will not enforce the Company's obligation to pay any portion of the earn-out when such payments are due. However, to the extent that the Company does not pay any portion of the earn-out when due, the Company will be required to pay interest on any unpaid earn-out payment at a monthly rate equal to 30 day LIBOR plus 110 basis points ("bps") per month for the first six months, 30 day LIBOR plus 160 bps per month for balances of any unpaid earn-out payment outstanding for greater than six months, and 30 day LIBOR plus 200 bps per month for balances of any unpaid earn-out payment outstanding for greater than 12 months.

Notwithstanding the foregoing, if the Company's total leverage ratio (as calculated pursuant to the Credit Agreement (as defined below)) is less than or equal to 2.25 to 1 on a pro forma basis, and no default or event of default has occurred under the Credit Agreement, Gamesys may then take steps to realize any unpaid earn-out payment from the Company.

The Company also has the ability to draw on the USD 17.5 million Revolving Facility (as defined below) as a further capital resource. Additionally, the Company can request incremental term loan commitments (under incremental assumption agreements that will be included in the Credit Facilities) in an aggregate principal amount of up to USD 90.0 million, secured on a pari passu basis and subject to certain terms and conditions (including the borrower's total leverage ratio being no greater than a specified amount), from one or more incremental term loan lenders willing to provide such term loans in their own discretion.

As at September 30, 2016, the Company believes it will be able to fund the Jackpotjoy earn-out (and all other future obligations) either through internally generated cash, through further debt capital resources listed above, or through a refinancing of the Credit Facilities.

Convertible Debentures

On December 19, 2013, the Company completed a convertible debenture private placement consisting of 17,500 convertible debenture subscription receipts (the "Debenture Subscription Receipts") for gross proceeds of $17.5 million. On February 11, 2014, with the satisfaction of the escrow release conditions, each Debenture Subscription Receipt was converted into one Intertain convertible debenture (a "Convertible 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. During the nine months ended September 30, 2016, Convertible Debentures at par value of $7.7 million were converted into 1,283,334 common shares of Intertain. The remaining Convertible Debentures mature on December 31, 2018.

Credit Facilities

On April 8, 2015, Intertain entered into a credit agreement (the "Credit Agreement") with Macquarie Capital (USA) Inc. in respect of certain credit facilities (the "Credit Facilities") consisting of (i) a seven-year USD 335.0 million first-lien term loan credit facility (the "Term Facility"), and (ii) a five-year senior secured USD 17.5 million revolving credit facility ("Revolving Facility") to be used for working capital and general corporate purposes. In October 2016, Intertain received the lender consents required to amend the Credit Facilities to permit the Arrangement.

Borrowings under the Credit Facilities bear, at the Company's election, an annual interest rate of either (i) the LIBOR rate plus an assumed margin of 6.50%, if LIBOR is elected based on current market conditions; or (ii) the base rate (prime rate) plus an agreed margin of 5.50%, if the base rate is elected based on current market conditions.

The Credit Facilities are guaranteed by each of the Company's existing and subsequently acquired or formed wholly-owned direct and indirect subsidiaries, subject to certain exceptions (together with the Company, the "Credit Parties" and each, a "Credit Party"). The obligations of each Credit Party in respect of the Credit Facilities are secured by a perfected first priority security interest (subject to certain permitted liens) in each of the Credit Parties' tangible and intangible assets (except for certain rights, to the extent prohibited by applicable law).

The Company is required to repay the principal amount of the Term Facility by making quarterly instalment payments equal to 2.50% (being 10.00% per annum) of the initial principal amount of the Term Facility, with the remaining principal balance due on April 8, 2022. The Revolving Facility is available until April 8, 2020.

In addition to the quarterly instalment payments, the Company is also required to apply on an annual basis an amount equal up to 50% of the excess cash flow of the Company to the principal repayment of the Term Facility. Excess cash flow is calculated by determining the EBITDA of the Company on a consolidated basis for such period, less, without duplication, debt service, capital expenditures, permitted business acquisitions and investments, taxes paid in cash, increases in working capital, cash expenditures in respect of swap agreements, any extraordinary, unusual or nonrecurring loss, income or gain on asset dispositions, and plus, without any duplication, decreases in working capital, capital expenditures funded with the proceeds of the issuance of debt or the issuance of equity, cash payments received in respect of swap agreements, any extraordinary, unusual or nonrecurring gain realized in cash and cash interest income to the extent deducted in the computation of EBITDA.

The percentage of the Company's excess cash flow allocated to the principal repayment of the Term Facility may be reduced based on the total leverage ratio (i.e. consolidated debt to EBITDA) of the Company at the end of the applicable cash flow period, such that it will be:

- 25% if the total leverage ratio is less than or equal to 3.50 to 1.00 but is greater than 2.00 to 1.00.
- 0% if the total leverage ratio is less than or equal to 2.00 to 1.00.

The Credit Agreement contains negative covenants that are customary for credit arrangements similar to the Credit Facilities. These covenants restrict the Company from, among other things, incurring additional debt or granting additional liens on its assets and equity and making distributions to equity holders and third parties. The Company was in compliance with these covenants as of September 30, 2016.

Contingent Consideration

The Company's contingent consideration consists of earn-out payments related to the Jackpotjoy acquisition. $12.0 million was paid in the nine months ended September 30, 2016 relating to the Vera&John acquisition.

Dividends

During the three months and nine ended September 30, 2016, $nil (September 30, 2015 – $nil) common share dividends were declared and paid.

Outstanding Share Data

As at November 11, 2016, the Company has a total of 72,983,277 common shares issued and outstanding, 3,366,146 options outstanding under the Company's share option plan, nil common share purchase warrants issued and outstanding, and approximately $5.9 million principal amount of Convertible Debentures outstanding.

Related Party Transactions

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

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 Cassels Brock & Blackwell LLP of which the spouse of former CEO and director, John Kennedy FitzGerald, is a partner. The arrangements with such firm specify Mr. FitzGerald's spouse is not to provide legal services to the Company.

During the three and nine months ended September 30, 2016, Intertain paid 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 Board of Directors overseeing the UK 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 of the unaudited condensed financial statements for the period ended September 30, 2016 (approximately $0.6 million, including fees of approximately $0.2 million paid to Chitiz Pathak LLP for work in connection with such investigation).

Internal Control over Financial Reporting

The CEO and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company. The control framework used in the design of disclosure controls and procedures and internal control over financial reporting is the internal control integrated framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management, including the CEO and CFO, does not expect that the Company's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all potential future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

During the three and nine months ended September 30, 2016 there have been no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Summary of Significant Accounting Policies

There have been no changes to the Company's significant accounting policies or critical accounting estimates or judgments as noted in the September 30, 2016 unaudited interim condensed consolidated financial statements of the Company.

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, and 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.

The effect of a change in an accounting estimate is recognized prospectively by including it in the comprehensive income in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities are discussed below.

Business Combinations and Contingent Consideration

Business combinations require management to exercise judgment in measuring the fair value of the assets acquired, equity instrument issued, and liabilities, and contingent consideration 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.

In certain acquisitions, the Company may include contingent consideration, which is subject to the acquired company achieving certain performance targets. At each reporting period, the Company estimates the future earnings of acquired companies, which are subject to contingent consideration in order to assess the probability that the acquired company will achieve their performance targets and thus earn their contingent consideration. Any changes in the fair value of the contingent consideration between reporting periods are included in the determination of net income. Changes in fair value arise as a result of changes in the estimated probability of the acquired business achieving its earnings targets and the consequential impact on amounts payable under these arrangements.

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. For additional information regarding the Company’s goodwill and intangible assets valuation, see note 8 of the Company’s consolidated financial statements for the year ended December 31, 2015.

Taxes

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated balance sheet 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 the unaudited interim condensed consolidated financial statements, income tax associated with the Company’s operations in Malta has been provided at the effective Maltese corporate net tax rate of 5% for each accounting period based on where the Company is located.

Group 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 Intertain group 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 Intertain group, the contingency is not recognised as a liability at the balance sheet date.

New Standards and Interpretations Adopted

Amendment to IAS 1 - Presentation of Financial Statements

The following accounting standard is effective and implemented as of January 1, 2016:

On December 18, 2014, the IASB issued amendments to IAS 1-Presentation of Financial Statements. These amendments are part of a major initiative to improve disclosure requirements in IFRS financial statements. The amendments clarify the application of materiality to note disclosure and the presentation of line items in the primary statements, provide options on the ordering of financial statements and additional guidance on the presentation of other comprehensive income related to equity accounted investments. The effective date for these amendments was January 1, 2016. The implementation of these amendments to IAS 1 did not have an impact on the Company's financial statements.

Recent Accounting Pronouncements – Not Yet Effective

IFRS 9 - Financial Instruments

The IASB issued IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (i.e., its business model) and the contractual cash flow characteristics of such financial assets. IFRS 9 also includes a new hedge accounting model, together with corresponding disclosures about risk management activity for those applying hedge accounting. An entity shall apply IFRS 9 retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company is currently evaluating the impact of applying this standard, but does not anticipate applying it prior to its effective date.

IFRS 15 - Revenues from Contracts with Customers

The Financial Accounting Standards Board and IASB have issued converged standards on revenue recognition. This new IFRS 15 affects any entity using IFRS that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets, in each case, unless those contracts are within the scope of other standards. This IFRS will supersede the revenue recognition requirements in IAS 18 and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On July 27, 2015, the IASB has decided to postpone the initial January 1, 2017 effective date to January 1, 2018 with early adoption permitted.

The Company is currently evaluating the impact of applying this standard, but does not anticipate applying it prior to its effective date.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 - Leases (“IFRS 16”), which replaces IAS 17 - Leases (“IAS 17”) and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12-months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied. The Company is assessing the potential impact of this standard.

Cautionary Note Regarding Forward Looking Information

This MD&A contains certain information and statements that may constitute "forward-looking information" within the meaning of Canadian securities laws. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "estimates", "projects", "predicts", "targets", "seeks", "intends", "anticipates", or "believes" or the negative of such words or other variations of or synonyms for such words, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause actual results, performance, achievements or developments to be materially different from those anticipated by the Company and expressed or implied by the forward-looking statements. Forward-looking information contained in this MD&A includes, but is not limited to, statements with respect to the Company's future financial performance, the future prospects of the Company's business and operations, the Company's growth opportunities and the execution of its growth strategies, the UK Strategic Initiatives, the nature and ability of Intertain to effect the London listing, the use of the Arrangement to facilitate the UK Strategic Initiatives if Intertain proceeds with the UK Strategic Initiatives, Intertain's earn-out obligations and evaluation of available financing alternatives (including a refinancing of the Term Facility and other debt financing options). These statements reflect the Company's current expectations related to future events or its future results, performance, achievements or developments, and future trends affecting the Company. All such statements, other than statements of historical fact, are forward-looking information. Such forward-looking information is based on a number of assumptions which may prove to be incorrect, including, but not limited to, the ability of the Company to secure, maintain and comply with all required licenses, permits and certifications to carry out business in the jurisdictions in which it currently operates or intends to operate; governmental and regulatory actions, including the introduction of new laws or changes in laws (or the interpretation thereof) related to online gaming; general business, economic and market conditions; the competitive environment; the expected growth of the online gaming market and potential new market opportunities; anticipated and unanticipated costs; the protection of the Company's intellectual property rights; the Company's ability to successfully integrate and realize the benefits of its completed acquisitions; and the ability of the Company to obtain additional financing, if, as and when required. Such statements could also be materially affected by risks relating to the lack of available and qualified personnel or management; stock market volatility; taxation policies; competition; foreign operations; the Company's limited operating history; the Company's ability to access sufficient capital from internal or external sources; that the UK Listing Authority and other regulatory approvals may not be obtained on the terms anticipated by Intertain or at all; that the costs of management time and money may adversely affect Intertain's business; and that market volatility or changes in the share price of Intertain do not adversely affect Intertain's ability to implement the UK Strategic Initiatives, including its ability to proceed with a debt financing on terms acceptable to Intertain or at all should Intertain choose to do so. The foregoing risk factors are not intended to represent a complete list of factors that could affect the Company. Additional risk factors are discussed in the Company's AIF and the Company's management information circular dated August 19, 2016, in each case under the heading "Risk Factors". Although the Company has attempted to identify important factors that could cause actual results, performance, achievements or developments to differ materially from those described in forward-looking statements, there may be other factors that cause actual results, performance, achievements or developments not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results, performance, achievement or developments are likely to differ, and may differ materially, from those expressed in or implied by the forward-looking information contained in this MD&A. Accordingly, readers should not place undue reliance on forward-looking information. While subsequent events and developments may cause the Company's expectations, estimates and views to change, the Company does not undertake or assume any obligation to update or revise any forward-looking information, except as required by applicable securities laws. The forward-looking information contained in this MD&A should not be relied upon as representing the Company's expectations, estimates and views as of any date subsequent to the date of this MD&A. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Additional Information

For further detail, see the Company's unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2016. Additional information about the Company, including our AIF, is available on SEDAR at www.sedar.com.