The Intertain Group Limited

Management's Discussion and Analysis

[in Canadian dollars, except where otherwise noted]

For the Year Ended December 31, 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 year ended December 31, 2016. This MD&A has been prepared with an effective date of March 29, 2017 and should be read in conjunction with the information contained in the Company's consolidated financial statements and related notes for the year ended December 31, 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 "£" or "Sterling" are to British pounds sterling and references to "USD" are to U.S. dollars.

All references to "we" and "our" 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 Consolidated Financial Statements 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 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 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 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 pursuant to the provisions of the *Business Corporations Act* (Ontario) on November 26, 2010.

Corporate Developments

For the year ended December 31, 2016

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 payments under the management incentive plan, which was terminated in February 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 were 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) (the "non-compete clauses"); (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 instalments 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 would help facilitate the implementation of Intertain's comprehensive UK-centered strategic initiatives (the "UK Strategic Initiatives"). These initiatives included a proposed London listing of the newly-incorporated London-headquartered UK company named Jackpotjoy plc, which entity would become the parent company for the Intertain group under the Arrangement.

On October 27, 2016 and December 16, 2016, the Credit Agreement was amended and restated to establish the Incremental First Lien Facility, permit the incurrence of the Second Lien Facility pursuant to the Second Lien Credit Agreement and permit the Jackpotjoy and Starspins earn-out pre-payment of £150 million.

On December 16, 2016, the Company also raised additional debt financing in an aggregate sterling equivalent amount of £160 million, comprised of: (i) a Sterling equivalent £70 million incremental first lien term loan, and (ii) a £90 million second lien term loan facility.

Proceeds from the debt financing were used to fund the £150 million pre-payment of Intertain's earn-out obligations in connection with the Jackpotjoy and Starspins brands. The pre-payment to Gamesys has made effective the Amendments to the long-term operating agreements and other agreements with Gamesys.

Recent developments

On January 25, 2017, the Arrangement was completed, causing Intertain to become an indirect subsidiary of the new parent company, Jackpotjoy plc. Additionally, Jackpotjoy plc was admitted to the standard listing segment of the Official List of the UK's Financial Conduct Authority and began trading on the London Stock Exchange's main market for listed securities, under the ticker symbol "**JPJ**". Intertain's common shares were de-listed from the Toronto Stock Exchange (the "TSX") and exchangeable shares that were issued by Intertain pursuant to the Arrangement began trading on the TSX under the ticker symbol "**ITX**".

On March 28, 2017, the Company terminated the Currency Swap and realized total proceeds of USD $42.6 million and subsequently entered into a new cross currency swap agreement (the "New Currency Swap") Under the New Currency Swap, 50% of the Company's USD Credit Facilities interest and principal payments will be swapped into GBP. Intertain will pay a fixed 7.4% 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 1.2584 on a USD notional amount of $136,768,333. The Currency Swap expires on September 30, 2019.

Outlook

We believe Jackpotjoy plc is ideally positioned to take advantage of exciting future growth in the online gaming sector, which will 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 more markets up to online gaming.

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 approximately 10% from 2014 (source: H2 Gambling Capital 2015) while mobile gambling is expected to grow at double-digit rates (source: Global Online Gambling and Betting Market 2015).

For 2017, management expects revenue growth in line with market growth rates. Based on data from the first 12 weeks of 2017, we expect Q1 2017 to show approximately 10% revenue growth year-on-year, in line with the Board of Directors' expectations. Although Adjusted EBITDA (as defined in the "Non-IFRS Financial Measures" section of this report) on a pro forma basis[1] grew by 19% in 2016, profitability growth in 2017 will be somewhat impacted by the introduction of UK point-of-consumption ("POC") tax on bonuses, due to commence in August 2017, and by an increasing proportion of our revenue being earned in the high-growth, relatively high-tax Spanish market.

[1]*Refers to figures that reflect results for full periods, rather than only the periods in which Intertain owned each brand.*

Selected financial information

As at December 31	**Three month period ended 2016 ($000's)**	Three month period ended 2015 ($000's)	**Year ended 2016 ($000's)**	Year ended 2015 ($000's)	Year ended 2014 ($000's)
Total revenue and other income	**120,913**	131,957	**481,893**	384,465	40,776
Net loss	**(20,317)**	(134,398)	**(69,657)**	(226,873)	(26,068)
Basic and Diluted loss per share	**$(0.28)**	$(1.92)	**$(0.98)**	$(3.71)	$(1.46)

Comparison of the three months and year ended December 31, 2016 and 2015

Net loss

The decrease in the Company's net loss during the three months ended December 31, 2016 compared to the same period in the prior year can be primarily attributed to lower fair value adjustments on contingent consideration, the Canadian dollar appreciating against the British pound and the fact that no goodwill impairment loss has been recognized in 2016. The decrease in net loss for the year ended December 31, 2016 compared to the year ended December 31, 2015 was due to lower transaction related costs incurred in the year, lower fair value adjustments on contingent consideration recognized in the current period, the Canadian dollar appreciating against the British pound and no goodwill impairment loss being incurred in 2016. For the year ended December 31, 2016, the decrease in net loss was also a result of the Company owning the Jackpotjoy brands for the full current period, rather than for a partial period in the year ended December 31, 2015 (as the Jackpotjoy brands were acquired on April 8, 2015).

Total revenue and other income

The Company's revenues during the three months ended December 31, 2016 consisted of:

- $87.0 million in revenue earned from Jackpotjoy's operational activities.
- $25.3 million in revenue earned from Vera&John's operational activities.
- $8.6 million in revenue earned from Mandalay's operational activities.

The Company's revenues during the three months ended December 31, 2015 consisted of:

- $90.9 million in revenue earned from Jackpotjoy's operational activities.
- $26.4 million in revenue earned from Vera&John's operational activities.
- $11.7 million in revenue earned from Mandalay's operational activities.
- $3.0 million in income earned from the revenue guarantee (the "Revenue Guarantee") relating to the service agreement entered into with Amaya.

The decrease in revenue for the three months ended December 31, 2016 in comparison with the three months ended December 31, 2015 relates primarily to the appreciating Canadian dollar against the British pound. On a functional currency basis, the Jackpotjoy segment experienced a 17% increase in revenue; however, this increase was more than offset by foreign exchange fluctuations as the average foreign exchange rates used to convert Sterling revenues for the three months ended December 31, 2016 (£:$ – 1.66) decreased dramatically from the average foreign exchange rates used to convert Sterling revenue for the three months ended December 31, 2015 (£:$ – 2.03).

The Company's revenues during the year ended December 31, 2016 consisted of:

- $336.6 million in revenue earned from Jackpotjoy's operational activities.
- $102.1 million in revenue earned from Vera&John's operational activities.
- $39.2 million in revenue earned from Mandalay's operational activities.
- $4.0 million in income earned from the Revenue Guarantee.

The Company's revenues during the year ended December 31, 2015 consisted of:

- $240.8 million in revenue earned from Jackpotjoy's operational activities.
- $82.7 million in revenue earned from Vera&John's operational activities.
- $42.0 million in revenue earned from Mandalay's operational activities.
- $19.0 million in income earned from the Revenue Guarantee.

The increase in revenue for the year ended December 31, 2016 in comparison with the year ended December 31, 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 offset by an appreciating Canadian dollar, year over year, against the British pound, as the average foreign exchange rates used to convert revenue for the year ended December 31, 2016 (£:$ – 1.80) decreased from the average foreign exchange rates used to convert revenue for the year ended December 31, 2015 (£:$ – 1.95). Adding to the offset was also the net decrease of $15.0 million in other income, from the Revenue Guarantee and platform migration revenue.

Costs and expenses

As at December 31	**Three month period ended 2016 ($000's)**	Three month period ended 2015 ($000's)	**Year ended 2016 ($000's)**	Year ended 2015 ($000's)
Expenses:				
Distribution costs	**61,411**	63,954	**233,732**	200,050
Administration costs	**43,326**	44,825	**172,061**	150,907
Severance costs	—	—	**10,526**	—
Transaction related costs	**10,254**	1,370	**39,631**	57,343
Goodwill impairment	—	36,670	—	36,670
	114,991	146,819	**455,950**	444,970

Distribution costs

As at December 31	**Three month period ended 2016 ($000's)**	Three month period ended 2015 ($000's)	**Year ended 2016 ($000's)**	Year ended 2015 ($000's)
Selling and marketing	**23,831**	23,424	**83,251**	85,542
Licensing fees	**19,060**	21,040	**76,423**	60,343
Gaming taxes	**13,703**	14,046	**53,270**	38,222
Processing fees	**4,817**	5,444	**20,788**	15,943
	61,411	63,954	**233,732**	200,050

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 (as defined in the "Key Performance Indicators" section of this report) 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 December 31, 2016 compared to the same period in 2015 is mainly due to an appreciating Canadian dollar against the British pound. Increases in distribution costs for the year ended December 31, 2016 compared to the same period in 2015, with the exception of selling and marketing costs, primarily relate to the Jackpotjoy brands being owned for the full year in 2016, rather than for a partial period in 2015 (as the Jackpotjoy brands were acquired on April 8, 2015), as well as higher revenues in all segments.

Administrative costs

As at December 31	**Three month period ended 2016 ($000's)**	Three month period ended 2015 ($000's)	**Year ended 2016 ($000's)**	Year ended 2015 ($000's)
Compensation and benefits	**14,663**	11,252	**52,431**	39,238
Professional fees	**740**	1,461	**7,029**	3,235
General and administrative	**3,778**	2,846	**12,093**	8,114
Amortization	**24,145**	29,266	**100,508**	100,320
	43,326	44,825	**172,061**	150,907

Compensation and benefits costs consist of salaries, wages, bonuses, directors' fees, benefits and share-based compensation expense. The increase in costs for the three months ended December 31, 2016 compared to the same period in 2015, relates to staff additions and salary increases in various business units, as well as an increase in share-based compensation related to options granted during Q3 2016. The increase in costs for the year ended December 31, 2016 compared to the same period in 2015 is due to the addition of compensation expenses related to the Jackpotjoy segment, staff additions in other business units, salary increases, 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 related expenses (as defined below). As a result of a self-identified short-seller of the Company's common shares issuing a report on the Company in Q4 2015, the 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 months and year ended December 31, 2016 amounted to $nil and $3.3 million, respectively. These costs largely account for the increase in professional fees during the year ended December 31, 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 expenses for the three months ended December 31, 2016 compared to the same period in the prior year can be attributed to slightly higher travel and overhead costs. The increase in expenses for the year ended December 31, 2016 compared to the same period in the prior year relates to the addition of the operating activities of the Jackpotjoy business, which was owned for the full year in 2016, rather than for a partial period in 2015, 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 for the year ended December 31, 2016 compared to the same period in 2015. This increase has been almost fully offset by the appreciating Canadian dollar against the British pound, which also contributed to lower amortization expense in Q4 2016.

Severance costs

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

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 increase in transaction related

costs in the three months ended December 31, 2016 compared to the same period in 2015 can be attributed to costs associated with the UK Strategic Initiatives. The decrease in transaction related costs in the year ended December 31, 2016 compared to the same 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 incurred in the three months and year ended December 31, 2016 related mostly to the UK Strategic Review.

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 Months and Year Ended December 31, 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, goodwill impairment, transaction related costs, foreign exchange, and gain on sale of intangible assets. The exclusion of accretion, goodwill impairment 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 and non-routine. Adjusted Net Income is 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, goodwill impairment, transaction related costs, foreign exchange, and gain on sale of intangible assets. Management believes that Adjusted EBITDA is another important indicator of the issuer's ability to generate liquidity to service outstanding debt and fund acquisition earn-out payments and uses this metric for such purpose. The exclusion of goodwill impairment and share-based compensation eliminates non-cash items 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 on sale of intangible assets eliminates items which management believes are non-operational and non-routine.

- 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 twelve-month period. While this measure is not recognised by IFRS, Management believes 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 twelve-month period ("Average Real Money Gaming Revenue per month"). While these measures are not recognised by IFRS, Management believes that they are meaningful indicators of Intertain's real money gaming operational results.

- Monthly Real Money Gaming Revenue per Average Active Customer 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 Customer"). While this measure is not recognised by IFRS, Management believes 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 months and year ended December 31, 2016 and 2015

The following table highlights Adjusted EBITDA, Adjusted Net Income, and Diluted Adjusted Net Income per Share for the three months and year ended December 31, 2016 and 2015 and a reconciliation of Intertain's reported results to its adjusted measures.

	Three month period ended, December 31, 2016 ($000's)	Three month period ended December 31, 2015 ($000's)	**Year ended December 31, 2016 ($000's)**	Year ended December 31, 2015 ($000's)
Net loss for the period	**(20,317)**	(134,398)	**(69,657)**	(226,873)
Interest expense, net	**16,774**	15,782	**64,230**	47,481
Taxes	**(75)**	806	**(56)**	1,084
Amortization	**24,145**	29,266	**100,508**	100,320
EBITDA	**20,527**	(88,544)	**95,025**	(77,988)
Share-based compensation	**1,260**	816	**3,943**	5,624
Debt settlement expense	—	—	**—**	5,692
Severance costs	—	—	**10,526**	—
Fair value adjustment on contingent consideration	**26,313**	113,937	**86,448**	120,779
Goodwill impairment	—	36,670	**—**	36,670
Gain on sale of intangible assets	—	—	**—**	(430)
Independent Committee related expenses	—	—	**3,326**	—
Gain on cross currency swap	**(16,759)**	(9,661)	**(60,730)**	(9,661)
Transaction related costs	**10,254**	1,370	**39,631**	57,343
Foreign exchange	**(14)**	(1,328)	**5,708**	1,423
Adjusted EBITDA	**41,581**	53,260	**183,877**	139,452
Net loss for the period	**(20,317)**	(134,398)	**(69,657)**	(226,873)
Share-based compensation	**1,260**	816	**3,943**	5,624
Debt settlement expense	—	—	**—**	5,692
Severance cost	—	—	**10,526**	—
Fair value adjustment on contingent consideration	**26,313**	113,937	**86,448**	120,779
Goodwill impairment	—	36,670	**—**	36,670
Gain on sale of intangible assets	—	—	**—**	(430)
Independent Committee related expenses	—	—	**3,326**	—
Gain on cross currency swap	**(16,759)**	(9,661)	**(60,730)**	(9,661)
Transaction related costs	**10,254**	1,370	**39,631**	57,343
Foreign exchange	**(14)**	(1,328)	**5,708**	1,423
Amortization of acquisition related purchase price intangibles	**23,756**	29,084	**99,399**	99,974
Accretion	**8,304**	6,716	**31,884**	21,023
Adjusted Net Income	**32,797**	43,206	**150,478**	111,564
Diluted net loss per share	**$(0.28)**	$(1.92)	**$(0.98)**	$(3.71)
Diluted Adjusted Net Income per share	**$0.44**	$0.59	**$2.03**	$1.72

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.

The Jackpotjoy segment consist of the real money and social gaming operating results of the Jackpotjoy, Starspins and Botemania brands. The Vera&John segment consists of the online casino operating results of various brands, including Vera&John, Vera&Juan and InterCasino. The Mandalay segment consists of the operating results of various online bingo websites operated off the Dragonfish platform and the operating results of affiliate portal websites.

Three months ended December 31, 2016:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated corporate costs[1] ($000's)	Totals ($000's)
Revenue and other income	**87,025**	**25,286**	**8,602**	**—**	**120,913**
Net Income/(Loss) for the period	**18,576**	**2,582**	**159**	**(41,634)**	**(20,317)**
Share-based compensation	—	—	—	1,260	1,260
Fair value adjustments on contingent consideration	—	—	—	26,313	26,313
Gain on cross currency swap	—	—	—	(16,759)	(16,759)
Transaction related costs	—	365	—	9,889	10,254
Foreign exchange	49	(71)	(50)	58	(14)
Amortization of acquisition related purchase price intangibles	17,277	3,853	2,626	—	23,756
Accretion[2]	—	—	—	8,304	8,304
Adjusted Net Income/(Loss)	**35,902**	**6,729**	**2,735**	**(12,569)**	**32,797**

Three months ended December 31, 2015:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated corporate costs[1] ($000's)	Totals ($000's)
Revenue and other income	**90,897**	**29,352**	**11,708**	**—**	**131,957**
Net Income/(Loss) for the period	**16,519**	**(30,925)**	**2,811**	**(122,803)**	**(134,398)**
Share-based compensation	—	—	—	816	816
Fair value adjustments on contingent consideration	—	—	—	113,937	113,937
Goodwill impairment	—	36,670	—		36,670
Transaction related costs	—	269	—	1,101	1,370
Gain on cross currency swap	—	—	—	(9,661)	(9,661)
Foreign exchange	(67)	(6)	—	(1,255)	(1,328)
Amortization of acquisition related purchase price intangibles	22,806	4,790	1,488	—	29,084
Accretion[2]	—	—	—	6,716	6,716
Adjusted Net Income/(Loss)	**39,258**	**10,798**	**4,299**	**(11,149)**	**43,206**

(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, payment of interest on existing debt, and the reporting obligations of the parent public company.*

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

Year ended December 31, 2016:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated corporate costs[1] ($000's)	Totals ($000's)
Revenue and other income	**336,581**	**106,151**	**39,161**	**—**	**481,893**
Net Income/(Loss) for the period	**77,998**	**14,442**	**1,636**	**(163,733)**	**(69,657)**
Share-based compensation	—	—	—	3,943	3,943
Severance costs	—	—	—	10,526	10,526
Fair value adjustments on contingent consideration	—	—	—	86,448	86,448
Independent Committee related expenses	—	—	—	3,326	3,326
Gain on cross currency swap	—	—	—	(60,730)	(60,730)
Transaction related costs	—	1,534	—	38,097	39,631
Foreign exchange	(490)	1,097	(237)	5,338	5,708
Amortization of acquisition related purchase price intangibles	74,169	14,685	10,545	—	99,399
Accretion[2]	—	—	—	31,884	31,884
Adjusted Net Income/(Loss)	**151,677**	**31,758**	**11,944**	**(44,901)**	**150,478**

Year ended December 31, 2015:

	Jackpotjoy ($000's)	Vera&John ($000's)	Mandalay ($000's)	Unallocated corporate costs[1] ($000's)	Totals ($000's)
Revenue and other income	**240,748**	**101,671**	**42,046**	**—**	**384,465**
Net Income/(Loss) for the period	**26,067**	**(23,911)**	**4,050**	**(233,079)**	**(226,873)**
Share-based compensation	—	—	—	5,624	5,624
Debt settlement expense	—	—	—	5,692	5,692
Fair value adjustments on contingent consideration	—	—	—	120,779	120,779
Goodwill impairment	—	36,670	—	—	36,670
Gain on sale of intangible assets	—	(430)	—	—	(430)
Transaction related costs	671	776	—	55,896	57,343
Gain on cross currency swaps	—	—	—	(9,661)	(9,661)
Foreign exchange	(629)	147	—	1,905	1,423
Amortization of acquisition related purchase price intangibles	69,162	18,157	12,655	—	99,974
Accretion[2]	—	—	—	21,023	21,023
Adjusted Net Income/(Loss)	**95,271**	**31,409**	**16,705**	**(31,821)**	**111,564**

(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, payment of interest on existing debt 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 months and year ended December 31, 2016 to the same periods 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 December 31, 2016 are: £:$ – $1.66, USD:$ – $1.33, €:$ – $ 1.44 (December 31, 2015: £:$ – 2.03, USD:$ – 1.34, €:$ – 1.46). The average foreign exchange rates used to convert balances for the year ended December 31, 2016 are: £:$ – $1.80, USD:$ – $1.32, €:$ – $1.47 (December 31, 2015: £:$ – 1.95, USD:$ – 1.28, €:$ – 1.42).

Jackpotjoy

	Q4 2016 £(millions)	Q4 2015 £(millions)	Variance £(millions)	Variance %
Revenue	**52.5**	44.8	**7.7**	**17%**
Distribution costs	**26.8**	21.4	**5.4**	**25%**
Administration costs*	**4.0**	3.7	**0.3**	**8%**
Current tax	—	0.3	**(0.3)**	**(100%)**
Adjusted Net Income	**21.7**	19.4	**2.3**	**12%**

	YE 2016 £(millions)	YE 2015 £(millions)	Variance £(millions)	Variance %
Revenue	**188.2**	161.3	**26.9**	**17%**
Distribution costs	**88.0**	83.4	**4.6**	**6%**
Administration costs*	**15.5**	14.5	**1.0**	**7%**
Current tax	—	0.3	**(0.3)**	**(100%)**
Adjusted Net Income	**84.7**	63.1	**21.6**	**34%**

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

Revenue for the Jackpotjoy segment increased quarter over quarter and year over year due to organic growth in all brands. Jackpotjoy UK real money revenue accounted for 69% and 70% of the Jackpotjoy segment's revenue for the three months and year ended December 31, 2016, respectively. Revenue further increased as a result of significant growth quarter over quarter and year over year in both the Starspins and Botemania brands (triple digit growth year over year), which collectively accounted for 17% and 15%, respectively, of this segment's revenue. The sharp increase in revenues from the Starspins and Botemania brands is a result of Starspins mobile launches in Q3 2015 and Botemania slots launch in Q2 2016.

Vera&John

	Q4 2016 €(millions)	Q4 2015 €(millions)	Variance €(millions)	Variance %
Revenue*	**17.6**	18.1	**(0.5)**	**(3%)**
Distribution costs	**8.0**	9.2	**(1.2)**	**(13%)**
Administration costs**	**5.0**	3.6	**1.4**	**39%**
Current tax	**0.1**	0.3	**(0.2)**	**(67%)**
Deferred tax	**(0.1)**	(0.2)	**0.1**	**(50%)**
Adjusted Net Income*	**4.6**	5.2	**(0.6)**	**(12%)**

	YE 2016 €(millions)	YE 2015 €(millions)	Variance €(millions)	Variance %
Revenue*	**69.7**	58.1	**11.6**	**20%**
Distribution costs	**34.7**	37.1	**(2.4)**	**(6%)**
Administration costs**	**16.3**	12.4	**3.9**	**31%**
Current tax	**0.5**	1.0	**(0.5)**	**(50%)**
Deferred tax	**(0.4)**	(0.7)	**0.3**	**(43%)**
Adjusted Net Income*	**18.6**	8.3	**10.3**	**124%**

**Excludes income earned from the Revenue Guarantee and platform migration fees. In the three months and year ended December 31, 2016, €nil and €2.7 million, respectively, (2015 – €2.1 million and €13.5 million, respectively) was earned from the Revenue Guarantee and platform migration fees.*
***Excludes amortization expense of purchase price intangible assets.*

Gaming revenue for the Vera&John segment in Q4 2016 versus the comparative period in Q4 2015 was relatively stable. The increase in gaming revenue for the Vera&John segment year over year relates to continued organic growth in existing markets where Vera&John's brands operate. The introduction of flexible deposit limits and steady growth in revenue per customer has helped drive organic growth.

Other distribution costs, such as game suppliers and payment providers' costs changed proportionally with revenue. Selling and marketing costs did not move proportionally with revenue. These costs decreased by 16% quarter over quarter and 20% year over year, which can be partly attributed to higher UK marketing spend 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

	Q4 2016 £(millions)	Q4 2015 £(millions)	Variance £(millions)	Variance %
Revenue	**5.2**	5.8	**(0.6)**	**(10%)**
Distribution costs	**3.3**	3.4	**(0.1)**	**(3%)**
Administration costs*	**0.3**	0.3	**—**	**—**
Adjusted Net Income	**1.6**	2.1	**(0.5)**	**(24%)**

	YE 2016 £(millions)	YE 2015 £(millions)	Variance £(millions)	Variance %
Revenue	**21.7**	21.5	**0.2**	**1%**
Distribution costs	**14.1**	11.9	**2.2**	**18%**
Administration costs*	**1.0**	1.0	—	—
Adjusted Net Income	**6.6**	8.6	**(2.0)**	**(23%)**

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

There was a slight decrease in revenues for the Mandalay segment of £0.6 million quarter over quarter; however, there was a £0.2 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 Mandalay segments' flagship Costa Bingo brand. The increase in distribution costs year over year relates to greater general marketing spending, the continuation of the Costa Bingo 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

Unallocated corporate costs increased from $11.1 million to $12.6 million in the three months ended December 31, 2016 as compared to the three months ended December 31, 2015. Unallocated corporate costs for the year ended December 31, 2016 was $44.9 million compared to $31.8 million in the year ended December 31, 2015. The variance in Q4 2016 mainly relates to a $1.9 million increase in compensation and a $0.3 million increase in general and administrative overheads, which were slightly offset by a $0.6 million decrease in interest costs and a $0.1 million decrease in professional fees. The variance related to the year ended December 31, 2016 is primarily due to a $6.0 million increase in interest expense. The interest expense movement is made up of a $5.0 million increase on the Term Loan, which was outstanding for the full year in 2016, as compared to a partial year in 2015, as well as interest expense of $1.0 million incurred on Incremental First Lien Facility and Second Lien Facility obtained in 2016. The increase in unallocated corporate costs can further be attributed to a $5.0 million increase in compensation expenses, a $0.8 million increase in professional fees, a $1.1 million increase in general and administrative expenses, and increased marketing costs of $0.2 million.

Key Performance Indicators

As at December 31	Year ended 2016 (constant currency basis)[(2)(3)]	Year ended 2015 (constant currency basis)[(3)(4)]	Variance (constant currency basis)	Variance % (constant currency basis)
Average Active Customers per month (#)	**235,584**	204,073	31,511	15%
Total Real Money Gaming Revenue ($000) [(1)]	**479,217**	409,448	69,769	17%
Average Real Money Gaming Revenue per month ($000)	**39,935**	34,121	5,814	17%
Monthly Real Money Gaming Revenue per Average Active Customer ($)	**169**	167	2	1%

[(1)] Total Real Money Gaming Revenue for the year ended December 31, 2016 consists of total revenue less revenue earned from the Revenue Guarantee and platform migration income of $4.0 million (December 31, 2015 - $20.0 million) and revenue earned from affiliate websites and social gaming revenue of $47.7 million (December 31, 2015 - $45.8 million).

[2] Figures presented on a constant currency basis using Q4 2015 foreign exchange rates of £:$ - 2.03, €:$ - 1.46 and USD:$ - 1.34 to convert revenue.

[3] Using 2016 foreign exchange rates of £:$ - 1.80 and €:$ - 1.47 to convert revenue for 2016 and 2015 foreign exchange rates of £:$ - 1.95, €:$ - 1.42 and USD: $ - 1.28, Total Real Money Gaming Revenue was $434.9 million in 2016 and $396.5 in 2015 (variance of $38.4 million and variance % of 10%), Average Real Money Gaming Revenue per month was $36.2 million in 2016 and $33.0 million in 2015 (variance of $3.2 million and variance % of 10%), and Monthly Real Money Gaming Revenue per Average Active Customer was $154 in 2016 and $162 in 2015 (variance of $(8) and variance % of (5%)).

[4] Figures presented on a pro-forma basis.

Monthly Real Money Gaming Revenue per Average Active Customer is consistent year over year which is in line with the Company's overall customer acquisition and retention strategy.

Historical results by quarter

	3 months ended December 31, 2016 ($000's)	3 months ended September 30, 2016 ($000's)	3 months ended June 30, 2016 ($000's)	3 months ended March 31, 2016 ($000's)
Total revenue and other income	**120,913**	113,647	118,807	128,526
Net income/(loss)	**(20,317)**	(31,814)	(27,490)	9,964
Basic income/(loss) per share	**$(0.28)**	$(0.45)	$(0.39)	$0.14
Diluted income/(loss) per share	**$(0.28)**	$(0.45)	$(0.39)	$0.14

	3 months ended December 31, 2015 ($000's)	3 months ended September 30, 2015 ($000's)	3 months ended June 30, 2015 ($000's)	3 months ended March 31, 2015 ($000's)
Total revenue and other income	131,957	122,216	97,501	32,792
Net loss	(134,398)	(17,498)	(48,816)	(26,161)
Basic loss per share	$(1.92)	$(0.24)	$(0.70)	$(0.80)
Diluted loss per share	$(1.92)	$(0.24)	$(0.70)	$(0.80)

The movement in revenue from Q1 2015 to Q4 2015 is driven by the Jackpotjoy acquisition completed in April 2015, as well as organic revenue growth within the Jackpotjoy and Vera&John segments, which were partially offset by the appreciating Canadian dollar against the pound, beginning in Q2 2015. 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 29, 2016 (the "AIF"), available under the Company's profile 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, 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 net income/(loss) from Q1 2016 to Q2 2016 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 versus $nil in Q3 2016. Variances experienced in net loss from Q2 2016 to Q3 2016 largely relate to increased transaction costs incurred for the 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.

The fluctuation in revenue between Q3 2016 and Q4 2016 primarily relates to higher revenues for both the Jackpotjoy and Vera&John segments. The decrease in the net loss in Q4 2016 is due to a larger gain on the cross currency swap, increased revenues, and lower transactions costs.

Financial condition

	December 31, 2016 ($000's)	December 31, 2015 ($000's)	Variance $ ($000's)	December 31, 2014 ($000's)
Total current assets	**230,285**	130,328	**99,957**	50,424
Total non-current assets	**1,080,471**	1,376,026	**(295,555)**	287,985
Total assets	**1,310,756**	1,506,354	**(195,598)**	338,409
Total current liabilities	**256,510**	110,763	**145,747**	63,780
Total non-current financial liabilities	**657,673**	805,762	**(148,089)**	90,990
Total liabilities	**914,183**	916,525	**(2,342)**	154,770

The $51.3 million increase in current assets (excluding the cash increase of $48.7 million) since December 31, 2015 largely relates to a $61.7 million increase in the current portion of the cross-currency swap.

Current assets additionally increased as follows:

- customer deposits increased by $0.9 million.

These increases were partially offset by the following:

- receivables decreased by $7.6 million, which is primarily attributed to the expiry of the Revenue Guarantee agreement with Amaya during the first quarter of 2016; and
- taxes receivable decreased by $3.7 million due to tax refunds received during the year.

The decrease in non-current assets of $295.6 million since December 31, 2015 mainly relates to translation on foreign currency intangible assets and goodwill of $129.7 million and $97.5 million respectively, amortization of the intangible assets of $100.2 million and an $8.1 million decrease related to the reclassification of the non-current portion of the currency swap to current assets. The decrease was partially offset by $37.3 million of additions to intangible assets, relating to the capitalized non-compete clauses ($34.0 million) and software development ($3.3 million), as well as a $1.7 million increase in other long term receivables, and $0.9 million in tangible assets.

The increase in current liabilities of $145.7 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 by $131.7 million.
- an increase of $2.2 million in accounts payable mainly driven by a switch to a new affiliate system, as well as a $24.3 million increase in other short-term payables due to accruals for transaction related costs ($14.4 million) and current portion of the payable to Gamesys related to the non-compete clauses ($9.9 million).
- an increase in interest payable of $1.0 million and $0.9 million increase in payable to customers.

These increases were partially offset by the following:

- a $7.1 million reduction of the current portion of long-term debt due to foreign exchange rate fluctuations.
- a $7.3 million decrease in provision for taxes relating to payments made in the year.

The decrease in non-current liabilities of $148.1 million since December 31, 2015 was mainly driven by a $360.4 million decrease in contingent consideration related to changes in foreign exchange rates, fair value adjustments, a £150 million pre-payment to Gamesys in respect of the Jackpotjoy earn-out, and the re-classification to current portion, a $9.4 million decrease in convertible debentures due to partial conversion, and a $0.8 million decrease in the deferred tax liability. These decreases were partially offset by a $198.5 million increase in long-term debt due to additional debt obtained, changes in foreign exchange rates as well as the addition of a $24.0 million liability payable to Gamesys related to the non-compete clauses.

Significant movements in balance sheet items between December 31, 2015 and December 31, 2014, primarily relate to the acquisition of the Jackpotjoy business.

Cash flow by activity

As at December 31	**Three month period ended 2016 ($000's)**	Three month period ended 2015 ($000's)	**Year ended 2016 ($000's)**	Year ended 2015 ($000's)
Operating activity	**31,830**	43,067	**150,082**	48,265
Financing activity	**(14,924)**	(65,095)	**(81,479)**	684,984
Investing activity	**(1,277)**	(7,101)	**(4,491)**	(699,685)

Operating activity

Cash provided by operating activities during the three months and year ended December 31, 2016 relates to cash generated from the operational activities of the Mandalay, Vera&John and Jackpotjoy segments. For the three months ended December 31, 2016, this activity decreased compared to the same period in 2015. This relates to higher revenues in Q4 2015 due to exchange rate differences, as well as transaction related payables being settled. For the year ended December 31, 2016, this activity increased from the same period in 2015, as the Jackpotjoy brands were acquired during Q2 2015 and cash used for transaction related activities decreased year over year.

Financing activity

Cash used in financing activities for the three months ended December 31, 2016 relates mainly to the following transactions:

- $246.6 million payment of contingent consideration.
- $8.9 million in principal debt repayments (net of proceeds from cross currency swap of $1.9 million).
- $7.3 million in interest payments (net of proceeds from cross currency swap of $0.4 million).

This decrease was substantially offset by $247.8 million in proceeds from long term debt and $0.1 million from the exercise of options.

Cash used in financing activities for the year ended December 31, 2016 relates mainly to the following transactions:

- $258.7 million payment of contingent consideration.
- $43.7 million in principal debt repayments (net of proceeds from cross currency swap of $4.6 million).
- $29.6 million in interest payments (net of proceeds from cross currency swap of $1.9 million).

This decrease was offset by $247.8 million in proceeds from long term debt and $2.7 million from the exercise of options and warrants.

Investing activity

Cash used in investing activities during the three months and year ended December 31, 2016 was $1.3 million and $4.5 million respectively, and relates to the purchase of tangible and internally generated 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 December 31, 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	14,894	—	—	—	—
Other short term payables	15,439	9,938	—	—	—
Payable to customers	14,201	—	—	—	—
Contingent consideration	—	148,059	55,658	6,212	—
Convertible debentures	—	—	5,938	—	—
Long-term debt	—	44,218	88,436	88,436	422,265
Other long-term liabilities	—	—	26,502	3,313	—
Provision for taxes	—	12,825	—	—	—
	44,534	215,040	176,534	97,961	422,265

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 repayment, amortization and interest payments related to the First Lien Facilities (as defined below) and the Second Lien 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, First Lien Facilities and Second Lien Facility amortization payments and repayments become due.

Other than as described below, in accordance with the terms of the Jackpotjoy earn-out payment, until the debt under the First Lien Facilities or the Second Lien Facility has been paid or becomes payable, whichever is the earlier, Gamesys cannot enforce Intertain's obligation to pay any portion of the earn-out when such payments are due. However, to the extent that Intertain does not pay any portion of the earn-out when due, Intertain will be required to pay interest on any unpaid earn-out payment at a rate equal to 30 day LIBOR plus 110 basis points ("bps") for the first 6 months, 30 day LIBOR plus 160 bps for balances of any unpaid earn-out payment outstanding for greater than 6 months, and 30 day LIBOR plus 200 bps for balances of any unpaid earn-out payment outstanding for greater than 12 months.

Notwithstanding the foregoing, Gamesys may take steps to realize any portion of the unpaid earn-out payment from Intertain during the standstill period described above, if: (a) Intertain's total leverage ratio (as calculated pursuant to the Credit Agreement) is less than or equal to 4.00 to 1 on a pro forma basis, and (b) no default or event of default is continuing or would result from such a payment, under the Credit Agreement, or the Second Lien Credit Agreement.

As at December 31, 2016, the Company believes it will be able to fund the Jackpotjoy earn-out payment (and all other future obligations) through internally generated cash. Subject to meeting certain financial covenants, the Company may have the ability to draw on the USD 17.5 million Revolving Facility (as defined below) as a further capital resource.

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 were initially 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. Upon completion of the Arrangement, the Convertible Debentures are convertible at the holder's option into ordinary shares of Jackpotjoy plc at a conversion price of $6.00 per share at any time prior to maturity. During year ended December 31, 2016, Convertible Debentures at par value of $11.1 million were converted into 1,853,667 common shares of Intertain. The remaining Convertible Debentures mature on December 31, 2018.

First Lien Facilities and Second Lien Facility

On April 8, 2015, the Company entered into a credit agreement (as amended and restated from time to time, including on October 27, 2016 and December 16, 2016, the "Credit Agreement") in respect of: (i) a seven-year U.S.$335.0 million first-lien term loan credit facility (the "Term Loan"); and (ii) a U.S.$17.5 million revolving credit facility (the "Revolving Facility", and together with the Term Loan, the "Credit Facilities").

On October 27, 2016, the Credit Agreement was amended to, among other things, permit the Plan of Arrangement. On December 16, 2016, the Credit Agreement was further amended and restated to, among other things, establish a £53,276,000 incremental first lien term loan facility and the €20 million first lien term loan facility under the Credit Agreement (collectively, the "Incremental First Lien Facility" and together with the Credit Facilities, the "First Lien Facilities"), permit the incurrence of a £90 million second lien term loan facility (the "Second Lien Facility") pursuant to a second lien credit agreement (the "Second Lien Credit Agreement"), and permit the Jackpotjoy and Starspins contingent consideration pre-payment of £150 million.

The Credit Facilities bear an annual interest rate of either (i) the applicable LIBOR (adjusted to reflect any applicable mandatory statutory reserves and, in the case of the Term Loan and the term loans made under the Incremental First Lien Facility, subject to a 1% floor), plus a margin of 6.50%, if LIBOR is elected based on current market conditions; or (ii) an adjusted base rate (being the greater of the applicable prime rate, the applicable federal funds rate plus 0.05%, one month US $ LIBOR plus 1% and, in the case of the Term Loans, 2%), plus a margin of 5.50%, if the base rate is elected based on current market conditions.

The Second Lien Facility bears an interest rate of applicable LIBOR (adjusted to reflect any applicable mandatory statutory reserves and subject to a 1% floor) plus a margin of 9% per annum.

The First Lien Facilities mature on April 8, 2022 and the Second Lien Facility matures on December 16, 2022.

The First Lien Facilities and the Second Lien Facility are guaranteed by each of Intertain's existing and subsequently acquired or formed wholly-owned direct and indirect subsidiaries, subject to certain exceptions (together with Intertain, the "Credit Parties" and each, a "Credit Party"). The obligations of each Credit Party in respect of the First Lien Facilities and the Second Lien Facility are secured by a perfected first priority security interest and a perfected second priority security interest, respectively (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).

Intertain is required to repay the principal amount of the Term Loan by making quarterly instalment payments equal to 2.50% (being 10.00% per annum) of the initial principal amount with the remaining principal balance due on April 8, 2022. In addition to the quarterly instalment payments, Intertain is also required to apply, on an annual basis, an amount equal to 50% of the excess cash flow of Intertain to the principal repayment of the Term Loan and the term loans made under the Incremental First Lien Facility. Excess cash flow in any excess cash flow period (i.e September 30, 2015 to December 31, 2015 and then each fiscal year thereafter) is calculated by determining the EBITDA of Intertain 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 Intertain's excess cash flow allocated to the principal repayment of the Term Loan may be reduced based on the total leverage ratio (i.e. consolidated debt to EBITDA) of Intertain at the end of the applicable cash flow period such that it will be:

- 25% if the total leverage ratio is less than 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 positive and negative covenants contained in the Credit Agreement include, among other things restrictions on Intertain and (subject to certain exceptions) its subsidiaries: (i) incurring further indebtedness (including preferred stock), liens and guarantees; (ii) fundamental changes to the nature of Intertain's business (e.g. mergers, acquisitions, re-organisations and asset sales); (iii) payment of dividends, the making of distributions in respect of capital stock and certain other restricted payments (provided that other exceptions, dividends, distributions and certain other restricted payments are permitted in an unlimited amount subject to satisfaction of a total leverage ratio of no greater than 2.75:1 on a pro forma basis, payment in full of the Jackpotjoy and Starspins earn-out and there being no default (as defined in Credit Agreement) existing at the time of such dividend, distribution or other restricted payment being made and no default resulting therefrom); (iv) use of proceeds; (v) investment loans and advances; (vi) optional payments and modifications of contractually subordinated debt instruments and certain other debt instruments; (vii) transactions with affiliates; (viii) sale and leasebacks; (ix) changes in fiscal year; (x) changes in lines of business; (xi) pension matters; and (xii) speculative hedging, in each case subject to important exceptions.

The positive and negative covenants to which Intertain and certain of its subsidiaries are subject in respect of the Second Lien Facility are substantially consistent with those under the Credit Agreement, with adjustments to reflect the second lien nature of the facility. Certain prepayments and repayments during the first, second and third years following the closing of the Second Lien Facility are subject to a prepayment premium equal to a customary make-whole premium (for the first year), 2% (for the second year) and 1% (for the third year), in each case, on the amount prepaid or repaid.

Intertain was in compliance with covenants contained in the Credit Agreement and Second Lien Credit Agreement as at December 31, 2016 and throughout the year.

Contingent consideration

The Company's contingent consideration currently consists of the Jackpotjoy earn-out payment. $258.7 million was paid in the year ended December 31, 2016 with $246.6 million relating to the Jackpotjoy acquisition and $12.1 million relating to the Vera&John acquisition.

Contractual commitments

Contractual commitments of the Company composed of various office leases, amount to $1.7 million and are due within a five-year period.

Dividends

During the three months and year ended December 31, 2016, $nil (December 31, 2015 – $nil) common share dividends were declared and paid.

Outstanding share data

As at March 28, 2017, the Company has a total of 19,564,276 exchangeable shares issued and outstanding and approximately $2.2 million principal amount of Convertible Debentures outstanding. See "Convertible Debentures".

Related party transactions

During the three months and year ended December 31, 2016, the Company incurred $nil and $0.3 million, respectively (three months and year ended December 31, 2015 – $nil and $0.4 million) in legal fees for services provided by Chitiz Pathak LLP whose partner Paul Pathak, is a Director of the Company and $nil and $0.2 million, respectively (three months and year ended December 31, 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 year ended December 31, 2016 the Company incurred $0.4 million (year ended December 31, 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 amount for the year ended December 31, 2016 reflects fees incurred in the period during which Mr. FitzGerald was still working for the Company. The arrangements with such firm specify that Mr. FitzGerald's spouse is not to provide legal services to the Company.

During the three months and year ended December 31, 2016, Intertain paid an aggregate of $0.3 million and $1.7 million, respectively (three months and year ended December 31, 2015 – $nil and $nil) in director fees to members of the Special Committee of the Board of Directors overseeing the UK Strategic Review. During the three months and year ended December 31, 2016, a further $nil and $0.7 million, respectively, has been paid to the members of the independent committee in connection with their work relating to the investigation of the short-seller report discussed in note 23 of the consolidated financial statements for the year ended December 31, 2016. Additionally, fees of approximately $0.2 million were paid to Chitiz Pathak LLP for work in connection with such investigation during the same period.

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 months and year ended December 31, 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 December 31, 2016 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 instruments issued as well as liabilities, and contingent consideration incurred or assumed. In particular, a high degree of judgment 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, 2016.

Taxes

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 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

The following accounting standards are effective and implemented as of January 1, 2016:

Amendment to IAS 1 - Presentation of Financial Statements

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.

Amendment to IAS 16 – Property, Plant and Equipment

On May 12, 2014, the IASB issued amendments to IAS 16 - Property, Plant and Equipment. The amendment to IAS 16 clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The implementation of these amendments to IAS 16 did not have an impact on Intertain'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

IFRS 15 affects any entity that enters into contracts with customers This IFRS will supersede the revenue recognition requirements in IAS 18 and most industry-specific guidance. 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, which replaces IAS 17 - Leases 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. The distinction between operating leases and finance leases is removed from the perspective of a lessee. 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. Intertain 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, Intertain’s earn-out obligations and evaluation of available financing alternatives (including a refinancing of the First Lien Facilities and/or the Second Lien 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 and the Company’s ability to access sufficient capital from internal or external sources. The foregoing risk factors are not intended to represent a complete list of factors that could affect the Company. Additional risk factors are discussed in Schedule “A” attached to the Company’s AIF. 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 consolidated financial statements for the year ended December 31, 2016. Additional information about the Company, including our AIF, is available under our profile on SEDAR at www.sedar.com.