



ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2012

October 25, 2012

Statements in this Annual Information Form may be viewed as forward-looking statements. Such statements involve risks and uncertainties that could cause actual results to differ materially from those projected. There are no assurances the Corporation can fulfill such forward-looking statements and the Corporation undertakes no obligation to update such statements. Such forward-looking statements are only predictions; actual events or results may differ materially as a result of risks facing the Corporation, some of which are beyond the Corporation's control. The forward-looking statements or information contained in this Annual Information Form are made as of the date hereof and the Corporation undertakes no obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.

TABLE OF CONTENTS

INTRODUCTION	1
FORWARD-LOOKING INFORMATION	1
GLOSSARY OF TERMS	3
CORPORATE STRUCTURE.....	4
GENERAL DEVELOPMENT OF THE BUSINESS.....	5
DESCRIPTION OF THE BUSINESS	9
RISK FACTORS	16
DIVIDENDS	25
CAPITAL STRUCTURE	26
MARKET FOR SECURITIES	27
ESCROWED SECURITIES	28
DIRECTORS AND OFFICERS	28
AUDIT COMMITTEE INFORMATION.....	32
LEGAL PROCEEDINGS.....	34
REGULATORY ACTIONS	34
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	34
TRANSFER AGENTS AND REGISTRARS.....	34
MATERIAL CONTRACTS	34
NAMES AND INTEREST OF EXPERTS.....	34
ADDITIONAL FINANCIAL AND OTHER INFORMATION	35
SCHEDULE	

SCHEDULE A	Audit Committee’s Terms of Reference
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INTRODUCTION

The information in this Annual Information Form (“**Annual Information Form**” or “**AIF**”) is stated as at June 30, 2012, unless otherwise indicated. For an explanation of the capitalized terms and expression and certain defined terms, please refer to the “Glossary” section of this Annual Information Form. **Except as otherwise indicated, all dollar amounts in this Annual Information Form are expressed in Canadian dollars and references to \$ are to Canadian dollars. References to US\$ are to United States dollars.**

FORWARD-LOOKING INFORMATION

Certain statements contained in this AIF may constitute forward-looking statements. These statements relate to future events or Intertainment Media Inc.’s (the “**Corporation**” or “**Intertainment**”) future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar expressions. These statements involve known and unknown risks, uncertainties and other factors facing the Corporation. Risks, uncertainties and other factors may be beyond the Corporation’s control and may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this AIF should not be unduly relied upon by investors. These statements are stated only as of the date of this AIF and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this Annual Information Form contains forward-looking statements, pertaining to the following:

- the Corporation’s operations, anticipated financial performance, business prospects and strategies;
- the Corporation’s expectations with respect to the demand for its products and services;
- competition and changes in the competitive landscape;
- the Corporation’s management and protection of intellectual property and other proprietary rights; and
- the Corporation’s expectations regarding revenue.

With respect to forward-looking statements contained in this Annual Information Form, the Corporation has made assumptions regarding, among other things:

- the Corporation’s ability to succeed in the North American market;
- acceptance of its products in the marketplace;
- the Corporation’s operating cost structure;
- current and future trends in social media advertising and traditional print media;
- the Corporation’s ability to successfully integrate its acquisitions and any liabilities arising as a result of such acquisitions;
- general global economic and business conditions;
- the effects of competition and pricing pressures;
- market demands;
- dependence on the Internet; and
- the Corporation’s ability to raise capital.

The Corporation’s actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Annual Information Form:

- overall economic conditions;
- the early stage of the Corporation’s Ortsbo, itiBiti and Ad Taffy businesses;
- uncertainty of revenues, markets and profitability;

- the Corporation's lack of product revenues and history of operating losses;
- technological changes;
- dependence on the Internet;
- demand for the Corporation's products;
- the introduction of competing technologies;
- ability to raise capital;
- fluctuations in foreign currency exchange rates; and
- the other factors referred to under "Risk Factors".

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Annual Information Form are expressly qualified by this cautionary statement. Further, any forward-looking statement is made only as of a certain date, and the Corporation undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as may be required by applicable securities laws. New factors emerge from time to time, and it is not possible for management of the Corporation to predict all of these factors and to assess in advance the impact of each such factor on the Corporation's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

GLOSSARY OF TERMS

In this Annual Information Form, the following abbreviations and terms shall have the meanings set forth below, unless otherwise indicated:

“**ABCA**” means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

“**Ad Taffy**” means a geo-based target marketing system, an advertising and promotional program utilizing mapping technologies to improve on-line marketing;

“**Board of Directors**” or “**Board**” means the Board of Directors of the Corporation;

“**Common Shares**” means common shares in the capital of the Corporation;

“**Corporation**” or “**Intertainment**” means Intertainment Media Inc. and, when used in the context of describing the Corporation’s assets and business, may include its subsidiaries and predecessors;

“**ISI**” means Itibiti Systems Inc.;

“**itiBiti**” means the Rich Internet Application (RIA) created by ISI providing global brands with the ability to power their marketing efforts within a unique, white-label social media platform that resides on the computer desktop, and offering users a suite of services in combination with branded client initiatives, and the power of Microsoft Live services;

“**Ortsbo**” means the real time translation technology for leading social media instant message platforms and the Microsoft Outlook e-mail platform; and

“**TSXV**” means the TSX Venture Exchange Inc.

Words importing the singular number only include the plural and vice versa and words importing any gender include all genders.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Corporation was incorporated under the name Leitrim Group Inc. on August 22, 2000 pursuant to the ABCA. On February 16, 2001, the Corporation's articles were amended to remove the "private company" restrictions contained therein.

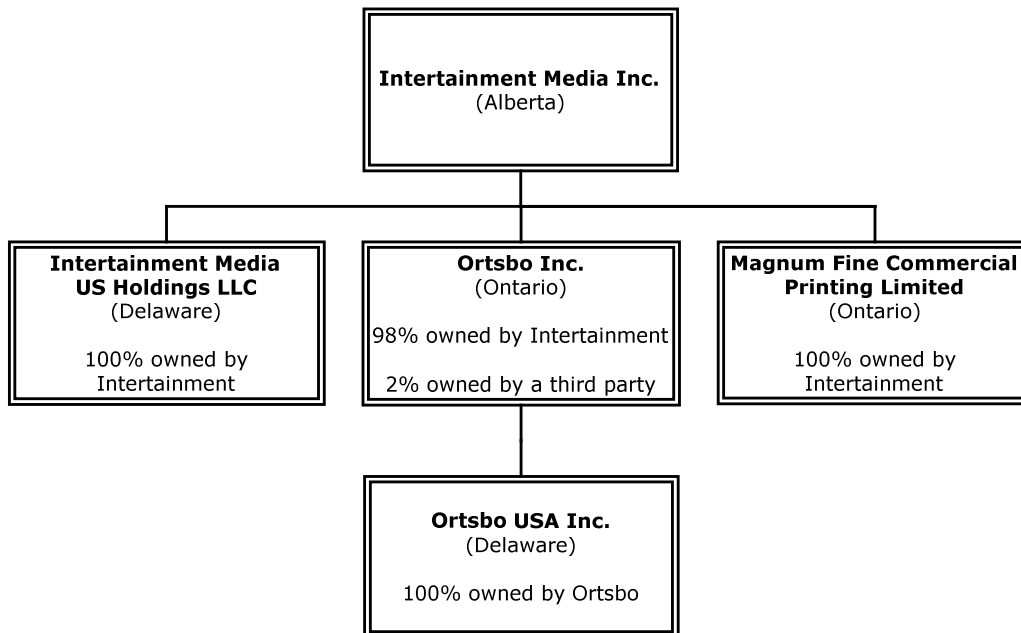
The Corporation was established as a "capital pool company" in accordance with the policies of the TSXV. On May 26, 2006, the Corporation completed the acquisition of all of the issued and outstanding shares of Savers Plus GTA Inc. and Magnum Fine Commercial Printing Limited ("**Magnum**") as the Corporation's qualifying transaction. On July 21, 2006, the Corporation changed its name to Savers Plus International Inc. On April 27, 2007, the Corporation changed its name to Entertainment Media Inc. On April 4, 2012, the Corporation vertically amalgamated with its wholly-owned subsidiaries ISI, Eye Rock Digital Inc., Ad Taffy Inc. and Deal Frenzy Corporation.

The Corporation's head office is located at 30 West Beaver Creek Road, Unit 111, Richmond Hill, Ontario L4B 3K1, and its registered and records office is located at Suite 1000, 250 2nd Street S.W., Calgary, Alberta T2P 0C1.

The Corporation is a reporting issuer in Alberta, British Columbia and Ontario. The Common Shares are listed on the TSXV under the trading symbol "INT", on the OTCQX in the United States under the trading symbol "ITMTF" and on the regulated unofficial market of the Frankfurt Stock Exchange through the electronic trading platform Xetra® under the trading symbol "I4T".

Intercorporate Relationships

The following is an organizational chart illustrating the intercorporate relationships of the Corporation and its subsidiaries as at the date hereof:



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Intertainment is one of North America's leading technology incubators and is focused on developing, nurturing and investing in both North American and global technologies and companies that provide technology solutions for brands and consumers alike. Intertainment also owns and operates a number of key properties and divisions. The Corporation is headquartered in Richmond Hill, Ontario, Canada.

The following describes the development of Intertainment's business, and major transactions and events of the last three completed financial years, as well as activities that have occurred or are expected to occur in the current financial year.

Period from July 1, 2009 to June 30, 2010

On July 6, 2009, ISI closed a \$1,415,430.50 private placement of convertible debentures (the "**ISI July Debentures**"). Each ISI July Debenture matured on July 6, 2011 and carried a 15% interest rate. The ISI July Debenture holders had the option to convert the ISI July Debentures into either: (a) units of the Corporation at a conversion price of \$0.11 per unit, with each unit consisting of one Common Share and one warrant, with each warrant exercisable into one Common Share at a price of \$0.16 per Common Share for a period of two years from the date of conversion of the ISI July Debenture; or (b) common shares of ISI upon the occurrence of a Liquidity Event (as defined below) whereby each \$0.70 of principal amount outstanding under the ISI July Debentures could be converted into one ISI common share. A "**Liquidity Event**" is the occurrence of an event whereby ISI is listed for trading on a public stock exchange or whereby substantially all of the assets or securities of ISI are sold or amalgamated.

On August 5, 2009, the Corporation announced that its wholly owned subsidiary, Magnum, executed an agreement to purchase the print and graphic assets, clients, programs and equipment of Dye & Durham, a division of The Cartwright Group Ltd., a leader in serving the legal, professional and business markets in Canada for 135 years.

On August 28, 2009 and September 8, 2009, the Corporation closed a non-brokered private placement of units in two tranches. The Corporation issued, in aggregate, 5,936,001 units at a price of \$0.15 per unit for gross proceeds of \$890,400. Each unit was comprised of one Common Share and one warrant, with each warrant exercisable into one Common Share at an exercise price of \$0.20 per Common Share for a period of 24 months from the closing date.

On September 30, 2009, Magnum completed the acquisition of the print and graphic assets, clients, programs and equipment of Dye & Durham for consideration of a cash purchase price and no issuance of securities.

On October 22, 2009, ISI closed a \$2,733,147.84 private placement of convertible debentures (the "**ISI October Debentures**"). Each ISI October Debenture will mature on October 22, 2011, and carry a 12% interest rate. The ISI October Debenture holders have the option to convert the ISI October Debentures into either: (a) units of the Corporation at a conversion price of \$0.175 per unit with each unit consisting of one Common Share and one warrant, with each warrant exercisable into one Common Share at a price of \$0.22 per Common Share for a period of two years from the date of conversion of the ISI October Debenture; or (b) common shares of ISI upon the occurrence of a Liquidity Event whereby each \$0.70 of principal amount outstanding under the ISI October Debentures could be converted into one ISI common share.

On January 12, 2010, the Corporation announced that it had completed a non-brokered private placement of 2,208,500 units at a price of \$0.16 per unit for total gross proceeds of \$353,360. Each unit issued pursuant to the private placement consisted of one Common Share and one-half of one warrant. Each whole warrant

entitles the holder to acquire one Common Share at an exercise price of \$0.25 per Common Share for a period of 18 months from the closing date.

On February 17, 2010, the Corporation announced that it had developed a new industry advertising platform, Ad Taffy. Ad Taffy provides advertisers with the ability to instantly offer online and mobile users geo-targeted location, retailer and product information and can connect them instantly via their online, mobile or land lines to a desired vendor directly with one click of an online or mobile ad.

On April 23, 2010 and May 6, 2010, the Corporation completed a brokered private placement in two tranches. The Corporation issued, in aggregate, 19,146,754 units at a price of \$0.16 per unit for gross proceeds of \$3,063,480. Each unit issued consisted of one Common Share and one warrant, with each warrant entitling the holder to acquire one Common Share at an exercise price of \$0.20 per Common Share for a period of 24 months from the closing date.

Period from July 1, 2010 to June 30, 2011

On July 15, 2010, the Corporation announced that it had entered into an agreement with GEM Global Yield Fund Limited (“**GEM**”) for a \$5,000,000 equity line of credit. The Corporation controlled the timing and maximum amount of any drawdown under this facility, and had the right, not the obligation, to drawdown on available funds. The Corporation had the option within the terms of the agreement to drawdown funds in tranches by requiring GEM to subscribe for Common Shares at a 10% discount to the average closing price of the Common Shares over a 15 day trading period following the drawdown notice date. The Corporation had also agreed to issue 7,500,000 warrants to GEM in conjunction with the first draw down tranche. On June 15, 2011, the Corporation announced the GEM agreement was terminated. The Corporation did not issue any securities in connection with this agreement. Refer to the related information under “Legal Proceedings” below.

During the first quarter of the year ended June 30, 2010, the Corporation entered into a licence agreement (the “**Ortsbo Licence Agreement**”) with SaaS Technologies Inc. (“**SaaS**”) for the world-wide rights for instant translation technologies from SaaS and named them “Ortsbo”. Ortsbo is a real time translation technology for leading social media instant message platforms and the Microsoft Outlook e-mail platform.

On July 22, 2010, the Corporation announced, together with partner Hale Technologies Inc., the launch of Ortsbo, the world’s first, multi-client, multi-conversation, real time translation platform for social media and email.

On November 9, 2010, the Corporation announced that its wholly owned subsidiary, ISI, had entered into a strategic relationship with US national multi-platform media firm Cross MediaWorks (“**CMW**”). CMW will provide sales support and services for ISI through its extensive roster of networks, clients, agencies and programming platforms. ISI and CMW will work together to develop ISI programs and other Intertainment applications for CMW and its clients. As part of the strategic relationship and achievement of business milestones, the Corporation issued ISI common share purchase warrants to CMW at \$2.70 per ISI common share.

On January 12, 2011 and February 3, 2011, the Corporation completed a non-brokered private placement of units in two tranches. Intertainment issued, in aggregate, 30,000,000 units at a price of \$0.10 per unit for gross proceeds of \$3,000,000. Each unit issued pursuant to the private placement was comprised of one Common Share and one warrant, with each warrant entitling the holder to acquire one Common Share at a price of \$0.13 per Common Share for a period of 24 months from the closing date.

On May 13, 2011, the Corporation completed a non-brokered private placement of special warrants (“**Special Warrants**”). Intertainment issued 19,760,271 Special Warrants at a price of \$1.20 per Special Warrant for gross proceeds of \$23,712,326.60. Each Special Warrant was exchanged, for no additional consideration, for one Common Share and one-half of one warrant on September 14, 2011. Each whole warrant entitles its holder to purchase one additional Common Share for \$2.00, expiring on May 13, 2013. In the event that the

Common Shares trade at a closing price on the TSXV of \$4.00 or higher for a period of 15 consecutive trading days at any time after September 14, 2011, the Corporation may accelerate the expiry date of the warrants by giving notice to holders thereof and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Corporation.

Effective June 29, 2011, Intertainment acquired all of the issued and outstanding shares of Commobility Inc. (“**Commobility**”) pursuant to a share purchase agreement between Intertainment and the shareholders of Commobility (the “**Commobility Vendors**”). In consideration for all issued and outstanding shares of Commobility, Intertainment issued 6,000,000 Common Shares at a deemed price of \$0.70 per Common Share to the Commobility Vendors over a period of one calendar year from the closing date pursuant to a voluntary escrow agreement. The Commobility Vendors were an arm’s length vendor. The acquisition of Commobility provided Intertainment and its subsidiary, Ortsbo Inc., a platform to operate on mobile devices and access to the software (Bonga Wonga) being developed by Commobility, which will significantly enhance the translation capabilities of the software and applications currently owned and used by the Corporation. On July 7, 2011, Commobility amalgamated with Ortsbo Inc.

Effective June 29, 2011, Intertainment also acquired all the turn-key assets of Deal Frenzy Inc. (“**Deal Frenzy**”) including the backbone technology, deal pipeline, preferred deals with major brands and an experienced sales and support team (the “**Deal Frenzy Assets**”) pursuant to an asset purchase agreement. Intertainment acquired the Deal Frenzy Assets in consideration for \$700,000 by way of \$500,000 in cash and 289,855 Common Shares at a deemed price of \$0.69 per Common Share. Deal Frenzy is an arm’s length vendor.

Period from July 1, 2011 to June 30, 2012

On July 25, 2011, the Corporation, through its subsidiary, advanced a loan under a 10% secured promissory note (the “**AIN Note**”) in the principal amount of US\$500,000 to Active ImageNation Inc. (“**AIN**”), due July 31, 2012. AIN issued a warrant to Intertainment to purchase 60,000 shares of common stock of AIN for \$0.15 per share. On February 23, 2012, Intertainment, through its subsidiary, closed the acquisition of 342,466 Class B preferred shares of AIN (the “**Active Shares**”) at a price of US\$5.84 per share. The purchase price for the Active Shares was satisfied as follows: (i) cash payment in the amount of US\$1,500,000; and (ii) tender and cancellation of the AIN Note. The Active Shares are convertible into common stock of AIN at the option of the holder. Intertainment also received a warrant of AIN entitling the holder to purchase 34,247 common shares of AIN at a price of US\$5.84 per share.

On October 19, 2011, Intertainment completed the acquisition of SaaS for the total purchase price of \$25,578,426 to be paid by way of cash and Common Shares over a period of 24 months. At closing, Intertainment issued 8,250,000 Common Shares at a deemed price of \$0.58 per Common Share and paid \$4,500,000 in cash to the sole shareholder of SaaS (the “**SaaS Vendor**”). Intertainment also cancelled a promissory note in the principal amount of \$500,000 issued by the SaaS Vendor to Intertainment. Intertainment issued a non-interest bearing promissory note to the SaaS Vendor in the principal amount of \$5,000,000 which is being paid over a period of 24 months in eight equal instalments. Intertainment also issued 16,750,000 Common Shares to the SaaS Vendor at a deemed price of \$0.58 per Common Share to be held in escrow pursuant to a voluntary escrow agreement and released over a period of 24 months in eight equal instalments. If Intertainment disposes of Ortsbo Inc. or the Ortsbo software to a third party within three years after the closing date, the SaaS Vendor will receive 5% of the consideration, which may include cash or marketable securities. The SaaS Vendor will also receive 5% of the quarterly revenue of Ortsbo Inc. for a period of three years after the closing date.

On November 21, 2011, Intertainment announced Ortsbo Inc.’s investment in China Green Channel International.

Effective as of December 8, 2011, Intertainment, through its subsidiary, invested, as a limited partner, US\$125,000 in Velvet Red Card Ventures, L.P.

Effective as of December 21, 2011, Entertainment, through its subsidiary, advanced \$62,500 to Warrior One MMA Inc. under a convertible demand promissory note, bearing interest at the rate of 10% per annum.

On January 23, 2012, Entertainment advanced a loan to theAudience, Inc. under a promissory note in the total principal amount of US\$1,000,000 (the “**Audience Note**”), and the two companies entered into a binding agreement to integrate the Live & Global platform from Ortsbo into theAudience, Inc.’s social distribution platform. On May 29, 2012, the Corporation converted the principal amount of the Audience Note and the capitalized accrued interest into series A preferred shares in theAudience, Inc. concurrently with the placement of the same series of shares to other investors.

On January 31, 2012, Entertainment finalized its early stage investment in Shiny Inc. for \$250,000 (the “**SA Investment**”). In connection with the SA Investment, Entertainment received an ownership stake in the company and a seat on the Shiny Inc. board of directors.

Effective February 2, 2012, Entertainment advanced a loan in the total principal amount of \$25,000 to Tunezy, Inc. under a convertible secured promissory note (the “**Tunezy Note**”). The Tunezy Note was amended and restated effective as of March 16, 2012, such that the total principal amount was increased to \$100,000 to be advanced in several installments based on the achievement of certain pre-agreed milestones. The note bears the interest at the rate of 8% per annum and is secured by the borrower’s assets.

On February 22, 2012, Entertainment entered into a letter of intent with Capstream Venture Inc. (“**Capstream**”), which contemplates the spin-out of Ortsbo Inc. Refer to the related information under “Subsequent to June 30, 2012” below.

Effective as of March 9, 2012, Entertainment provided Poynt Corporation (“**Poynt**”) with secured debt funding (the “**Facility**”) in the amount of \$1,500,000, maturing on June 29, 2012, in order to facilitate, among others, the integration of Ortsbo and the ad inventory into the Poynt platform. The Facility is secured by a first priority lien against the Poynt’s assets and bears a pre-default annual interest rate of 8%, and post-default annual interest rate of 12% accruing from the date of the loan advance in the case of default. In connection with the Facility, Entertainment received 6,000,000 common share purchase warrants of Poynt, with each warrant entitling the holder to acquire one common share of Poynt at an exercise price of \$0.115 per share. The warrants expire on the earlier of the date the Facility is repaid pursuant to its terms and five years from the date of issuance. Refer to the related information under “Subsequent to June 30, 2012” below.

On April 27, 2012, Entertainment completed the purchase of a 25% ownership stake in Israel-based Lexifone Communications Systems (2010) Ltd. (“**Lexifone**”), developer of proprietary voice translation technology systems. As part of the acquisition, Entertainment: (i) acquired 117 ordinary shares (the “**Transferred Shares**”) in the capital of Lexifone from Lexifone’s shareholders in consideration for the issuance to them of 1,010,101 Common Shares at a price of \$0.495 per Common Share; and (ii) subscribed for 349 ordinary shares (together with the Transferred Shares, the “**Acquired Shares**”) in the capital of Lexifone issued out of treasury in consideration for \$1,375,000 in cash and cancellation of a promissory note in the total principal amount of \$125,000 issued by Lexifone to Entertainment as of April 2, 2012. The Acquired Shares, representing 25% of the issued and outstanding ordinary shares in the capital of Lexifone as of the closing date of the acquisition, were transferred to Ortsbo Inc. immediately following the closing of the acquisition in exchange for the issuance of common shares of Ortsbo Inc. to Entertainment. Entertainment was also granted several options to acquire the remaining stakes in Lexifone prior to January 1, 2014, which options were also assigned to Ortsbo Inc. immediately following closing.

Subsequent to June 30, 2012

On July 6, 2012, the Corporation was informed that Poynt had filed with the Office of the Superintendent of Bankruptcy a Notice of Intention to File a Proposal under the *Bankruptcy and Insolvency Act* (Canada) (“**BIA**”). The filing enabled Poynt to continue its operating activities while providing relief from creditors while the company restructures its cost structure and develops a proposal plan to its creditors. Poynt has received a number of extensions under the BIA since July 6, 2012 and currently has an extension to November

26, 2012. On October 25, 2012, a material adverse change report was filed by the trustee assigned as part of the BIA proceedings, which contained a recommendation to end the stay under the BIA based on an inability of Poynt to close the latest round of debtor in possession (“DIP”) financing needed to continue to operate. As at October 25, 2012, Poynt still has an opportunity to resolve outstanding issues with the DIP financiers and continue to operating under BIA protection under the current extension terms. In the event financing is not achieved through this process, additional parties could bid on the assets of Poynt (under which the Corporation’s secured position must first be settled before ownership of Poynt assets could be transferred to a third party), or failing that, a receivership scenario could commence. The Corporation is currently determining what its course of action would be under a receivership scenario if that were to occur. The Corporation believes it can recover full value of the secured loan in Poynt through either scenario; however, in recognition of the uncertainty in recovering full value, a valuation allowance of \$300,000 has been recorded in the consolidated statement of operations and comprehensive loss. The valuation allowance is an estimate based on current circumstances and information available at the current date and may materially change based on future events.

On August 31, 2012, the Corporation completed a non-brokered private placement of units. Intertainment issued 12,500,000 units at a price of \$0.20 per unit for gross proceeds of \$2,500,000. Each unit issued pursuant to the private placement was comprised of one Common Share and one warrant, with each warrant entitling the holder to acquire one Common Share at a price of \$0.29 per Common Share for a period of five years from the closing date.

On September 4, 2012, the Corporation terminated the letter of intent with Capstream with respect to the proposed spin-out of Ortsbo Inc. and continues work on proposed US public opportunities for Intertainment and its subsidiaries, including Ortsbo Inc.

On October 4, 2012, the Corporation announced a non-brokered private placement of up to 12,500,000 units of Intertainment at a price of \$0.20 per unit for aggregate gross proceeds of \$2,500,000. Each unit will consist of one Common Share and one common share purchase warrant exercisable at \$0.29 for a period of two years from the date of issuance.

Significant Acquisitions

During the year ended June 30, 2012, the Corporation completed the acquisition of SaaS. A Form 51-102F4 in relation to the acquisition of SaaS was filed on SEDAR on February 28, 2012. Please see “Three Year History - Period from July 1, 2011 to June 30, 2012” for a summary of the acquisition.

DESCRIPTION OF THE BUSINESS

General Overview

Intertainment is one of Canada’s leading technology incubators and is focused on developing, nurturing and investing in both North American and global technologies and companies that provide technology solutions for brands and consumers alike. Intertainment also owns and operates a number of key properties including Ad Taffy, itiBiti, Ortsbo, Deal Frenzy and Magnum, with investments in leading edge technologies and social media platforms including theAudience.com. The itiBiti platform is a next generation social entertainment application and is focused on delivering unique user experiences through white label and branded platforms. Magnum has accelerated programs with major Canadian and international brands and continues to lead the charge in transitioning the print industry through leading edge technology programs. The Corporation’s Ad Taffy division delivers real time voice connection features to the digital advertising market as well advanced consumer mapping connection capabilities directed at brands and service companies alike. The Ortsbo division is focused on delivering its best in class experiential translation platform for personal, corporate and social translation and connection programs that remove the barrier of communication on the web and through textual correspondence. Deal Frenzy is committed to delivering the best group buying service and experience to the public at large through its local and national relationship networks.

Principal Products and Services

The Corporation's core operations are divided into two divisions: (i) new media (the "**New Media Division**"); and (ii) graphic and print services (the "**Graphic and Print Services Division**"). The following is a description of each division.

The New Media Division

The New Media Division has the following four product offerings:

- (i) **Ortsbo** – Ortsbo is a world leading real time global experience platform that provides real time translation technology and solutions in 66 languages. Ortsbo has continued to expand its real time translation capability with social media applications, instant messaging and chat platforms, including Facebook, Windows Live Messenger, Google Talk, AIM, ICQ, Gadu-Gadu, Ovi, Lotus Sametime, LiveJournal, Tencent QQ and QQ International (China's largest chat platforms), Twitter and other popular systems that reach billions of people globally. Ortsbo translation products and services span across major endpoints, including desktops, tablets and smartphones, and perform on many industry leading device operating systems and through popular web browser applications. Ortsbo's Live & Global Platform, introduced in 2011, which allows brands, personalities and events to engage audiences in a live global chat with participants from around the world in real time has been expanded and moved to a commercialization mode with a tight focus on revenue generation. During the fourth quarter of the year end 2012, the Corporation delivered on many Live & Global events including: launch of the Disney and Marvel movie "The Avengers", several major "IndyCar" races and events, "Rock'n'Roll Allstars" with "Gene Simmons", "Hollywood Walk of Fame" interviews with "John Cusack", "Scarlett Johansson", "Ellen K", and "Patricia Heaton". The Ortsbo Live & Global Translation Platform was also used globally with events inclusive of, "Britweek Film and TV Summit" in conjunction with Variety and BAFTA, "The Entertainment & Technology Summit" in conjunction with Variety and Digital Hollywood, several "Wango Tango" events, the "Banff World Media Festival" with Achilles Media, and "Variety Live" at the Cannes Film Festival all "Powered by Ortsbo". During this period, Ortsbo also worked on and held private commercial pilots. Ortsbo has advanced its development and commercialization efforts around our previously introduced closed captioning translation technology and has continued its efforts around delivering Global Customer Care (GCC) products and commercial solutions enabled by Ortsbo's real time translation platform, providing GCC in 66 languages. Ortsbo continues to build on its own brand and increase its visibility globally to the public through Ortsbo's own cutting edge Live & Global Translation Platform delivering high profile and popular global events to audiences around the world in the language of their choice. This increased Ortsbo brand awareness, in conjunction with our continuing development on commercial products and services within our translation focus, should well support Ortsbo's number one focus on revenue attainment.
- (ii) **itiBiti** - The itiBiti application is a desktop social entertainment application that connects users with content, offers a full free hybrid VoIP service and is an advertising based revenue model. The application can be private labelled (white label) for third party brands and organizations or offered as a stand-alone version with no title branding. Third parties can brand the white label product and distribute to consumers through a combination of social and traditional media and programs. Once installed, the itiBiti application launches automatically every time the computer is turned on, providing "top of mind awareness" for the brands, thus increasing share of mind and screen for those organizations that are working to increase their online presence, offerings and revenue programs. The platform includes full multi-media (video / audio / flash), multiple links to the private label online activities, RSS/XML feeds and a full suite of communications tools. The Corporation launched its own version, or house brand, of the desktop app named KNCTR®, the next generation of social communications application that allows users to aggregate their social media and voice services into one location on their desktop. The Corporation successfully launched the KNCTR® app to the market in Q4 of fiscal 2011 and was immediately able to garner revenue opportunities through display and video advertising. The Corporation continues to find ways to improve the user experience with the application and in turn increase the overall engagement time which will allow for an increased prospects for incremental

revenue. The Corporation continues to explore relationships with brands and companies alike for the development of private label versions of the application. The Corporation's development cycle in Fiscal Q4 2012 included the limited live external and internal testing of the revised application platform with an expectation to fully test the functional modifications to the technology in Fiscal Q1 of 2013 with an eye to a wider roll consumer roll out in Fiscal Q2, 2013.

- (iii) **Ad Taffy** - The Corporation has developed a geo-location based mapping system, a marketing and promotional program utilizing mapping technologies to improve on-line marketing, called "Ad Taffy". Ad Taffy allows consumers to better connect with brands from traditional digital advertising by providing the user the ability to "call" the retailer or service provider directly from a web ad. Ad Taffy was developed to take advantage of a consumer's intent for a product or service and move them to action more efficiently and effectively. The development of the Ad Taffy platform for HTML was completed and will undergo significant testing in Fiscal Q1 2013 and will be ready for live market testing in Fiscal Q2 2013 and the mobile platform development continues into Fiscal Q1 2013. Ad Taffy has also developed the next generation of click to call technology that allows brands, retailers, direct response and non-profit corporations alike the ability to allow consumer to connect directly with them through any digital communication. The Corporation has produced its technology to allow for integration into social media sites to again allow consumers to connect with brands directly through the existing medium. The platform continues to take hold and the Corporation is seeing increased traction from new clients and prospects.
- (iv) **Deal Frenzy** – The Corporation has continued to expand its footprint in the online deal space. Deal Frenzy's Internet based offerings of services and products have seen continued positive growth in a limited fashion at this early stage as we continue to refine a unique value proposition for our customer base that differentiates us from the competition. We have and are continuing to expand our sales force in an effort to ensure a healthy and continuing pipeline of services and products that meet the needs of our users' requirements and with a realistic approach and target to geographic areas that we can manage and be successful in.

Principal Markets

The principal markets for the New Media Division are fairly broad and sometimes lack tangible physical borders. Ortsbo, as a global entity, has grown with a proportion of its current user base based in China and South America. The North American user base continues to grow and is providing a substantial percentage of Ortsbo revenue. The One2One and O2Go platform should also see significant penetration in the international markets as well as the North American one. The Live & Global, Corporate Communications ("CC") and Global Customer Care ("GCC") platforms will be sold to corporate customers primarily located in North America, with some opportunity in Central Europe.

The current itiBiti market is focused on North America with growth predominantly centred in the US. The application is targeted to the home computer user who will appreciate the value of free phone service. The application was built to allow for multiple language development and includes plans to grow into the European and Asian markets.

Ad Taffy is primarily focused on the North American market, with advertising agencies and brands being the primary target audience. The platform can easily integrate into any existing campaign or website. This technology can also easily be transferred to the European and Asian markets.

Deal Frenzy is centered on the North American marketplace with specific focus on the Canadian market and a potential expansion into the US market in fiscal 2014.

Distribution Methods

The New Media Division relies predominantly on on-line distribution. The consumer base is able to download the applications and technologies directly through an on-line interface and is able to use/interact with these technologies immediately.

Ortsbo's GCC and CC product lines will be sold directly to customers through commissioned internal and external sales agents. Target customers for these products are Fortune 1000 companies that have global customers and/or brands.

Revenue

During the year ended June 30, 2012, the New Media Division accounted for 19% of the Corporation's revenue (5% for the year ended June 30, 2011). The New Media Division derives revenues through a multitude of avenues, with the primary driver being display advertising within its functional units. Both Ortsbo and itiBiti have built-in advertising inventory that is sold to brands, sponsors and advertisers on a Cost per Thousand ("CPM"), Cost per Click ("CPC") or a Cost per Action ("CPA") basis. The inclusion of contextual advertising, where an ad is presented based on what the user is either engaged in or discussing, is also an avenue for advertising revenue. The itiBiti application is also capable of driving revenues through pre-roll (video ads running before a video clip) and sponsorship (the "look" of the application is tailored to the sponsor's brand and/or image).

Ortsbo will also have the opportunity to deliver revenues through the licensing, installation and support of its CC and GCC technology platforms. The O2O and O2Go platforms will have free versions available to the general public that will contain advertising units within and will also have consumer paid versions available. The Live & Global revenues will be generated through multiple opportunities including sponsorship, licensing fees, management fees and development fees.

Ad Taffy will secure revenues through its inclusion in advertising campaigns and is sold to agencies as a CPM add-on, or on a specific cost per call basis. Ad Taffy will also attract revenues by licensing directly to brands and becoming the de facto mapping tool for all major brands.

Deal Frenzy derives revenue through revenue sharing agreements with each of its business partners.

Production and Services

The New Media Division services include customized design of applications and technologies depending on specific needs of the brands or clients. These services include graphic design and custom functional web-based tools to maximize the functionality of the technologies.

Specialized Skill and Knowledge

The New Media Division has a number of specialized employees who are trained in programming and coding, as well as graphic and video design. Most of the individuals within these functions have intimate knowledge of computing technology and web based interface requirements. Specific knowledge has a direct correlation to the work being performed.

Competitive Conditions

Ortsbo competition is still relatively nascent as it begins to carve out its place on the global stage, but there is a move to a more intimate globalization and ability to move freely around the globe and language will play an integral role in this shift. More importantly, the ability to communicate across multiple platforms with multiple people in a real time capacity will be the key to winning in this space. All major players – Microsoft, Google, Yahoo, etc. – have translation services and are capable of making investments in the improvement and growth of the translation field. The need for a consumer-centric translation application has been identified and

competition may increase substantially to capture a share of this segment. The focus will be squarely on the international stage as the economic power moves away from North America and more people want access to the English language. There is a major push for real time voice translation services.

itiBiti's competitive set remains relatively small. While the VoIP space is crowded with a substantial number of VoIP dedicated companies and there is a number of content "widgets" along with social media aggregation tools, there is not one specific product that combines all three into one space. The climate is poised for a solution like itiBiti that allows utilitarian value to the end user and provides a "one stop" opportunity for consumers.

Ad Taffy has some competition in the form of "click to call", but there has not been another company that provides the level of integration that Ad Taffy does. The Ad Taffy proprietary tool set, allowing calling outside of the browser from within an ad unit or map, has not been replicated, to our knowledge, by any other company. The customization and ease of use and set up provides Ad Taffy with a clear advantage. Projections for global on-line advertising spend is set to increase fourfold to over \$10 billion in the near term, and Ad Taffy is positioned to begin to penetrate this segment.

Deal Frenzy competes in a crowded market space and will continue to see many competitors drop out or consolidate. With the distribution power of the other Entertainment divisions, Deal Frenzy has an advantage over many likeminded companies.

New Products

Ortsbo has advanced its development and commercialization efforts around our previously introduced closed captioning translation technology and has continued its efforts around delivering Global Customer Care (GCC) products and commercial solutions enabled by Ortsbo's real time translation platform, in 66 languages. Ortsbo continues to build on its own brand and increase its visibility globally to the public through Ortsbo's own cutting edge Live & Global Translation Platform delivering high profile and popular global events to audiences around the world in the language of their choice.

Itibiti's development cycle in Fiscal Q4 2012 included the limited live external and internal testing of the revised application platform with an expectation to fully test the functional modifications to the technology in Fiscal Q1 of 2013 with an eye to a wider roll consumer roll out in Fiscal Q2, 2013.

Ad Taffy has completed the development of the platform for HTML and will undergo significant testing in Fiscal Q1 2013 and will be ready for live market testing in Fiscal Q2 2013 and the mobile platform development continues into Fiscal Q1 2013. Ad Taffy has also developed the next generation of click to call technology that allows brands, retailers, direct response and non-profit corporations alike the ability to allow consumer to connect directly with them through any digital communication. The Corporation has produced its technology to allow for integration into social media sites to again allow consumers to connect with brands directly through the existing medium. The platform continues to take hold and the Corporation is seeing increased traction from new clients and prospects.

Deal Frenzy will continue to modify the outward facing interfaces to ensure a proper user experience.

Intangible Properties

The ability of the Corporation to compete successfully is dependent in part upon proprietary technology. Factors such as the technological and creative skills of personnel, new product developments, frequent product enhancements, brand name recognition, and reliable product quality are essential to establishing and maintaining a technological leadership position in the rapidly changing social media and translation markets. Where appropriate, patent protection has been sought in the major markets where the Corporation operates.

The Corporation has primarily acquired business or product lines and has typically acquired the intellectual property owned by the vendor for exclusive use in the acquired business or product line; however, the

Corporation has also obtained licenses from the vendors or third parties for other intellectual property rights, which may also be used by the vendors in their retained businesses or licensed by the vendor from third parties.

In addition to completing patent and trademark applications for intellectual property, either internally developed or obtained through acquisitions, the source code for proprietary software is also protected as trade secrets and by copyright. The Corporation also enters into confidentiality and non-disclosure agreements with employees, consultants, and generally controls access to and distribution of proprietary information.

Cycles

The nascent revenue of the New Media Division is insufficient to identify any seasonality trends.

Changes to Contracts

During the year end June 30, 2012, the Corporation completed the acquisition of SaaS making the Corporation the sole owner of all existing, in development and future technology, IP and patents related to the Ortsbo platform. Please see “Three Year History - Period from July 1, 2011 to June 30, 2012” for a summary of the acquisition.

Employees

As at the date hereof, the Corporation has 25 full time employees, no part time employees, and 1 contractor in the New Media Division. As the Corporation grows, it is anticipated that the Corporation will accommodate this growth with the appropriate number of employees. The Corporation leases approximately 11,000 square feet of office space in Richmond Hill, Ontario for the New Media Division.

Lending

There have been no loans undertaken by the New Media Division.

Graphic and Print Services Division

Graphic design, digital, print production services and mass customization initiatives are provided to the commercial, financial, legal and trade print services through the Corporation’s subsidiary, Magnum and its division D&DM. Magnum is migrating clients to its online ordering portal, enabling 24/7 access to ordering and immediate proofing. Magnum has been certified as an FSC printer with both the president and vice president of production achieving the designation of FSC Xpert – Pioneers.

Principal Markets

The principal markets for the Graphic and Print Services Division are substantially in North America with some international work having been completed. The most significant area of business is centered on the legal and financial services segments of the economy, with Magnum supplying products and services to 13 of the top 20 legal firms in Canada and having contracts with two of the country’s major financial institutions.

Distribution Methods

The Graphic and Print Services Division relies on a combination of direct sales representatives and agents, on-line ordering and internal customer service coordinators. The Graphic and Print Services Division ships client product directly from its manufacturing facility in Richmond Hill, Ontario, and has the ability to deliver print ready files to its national alliance print partners that are closer to the delivery destination, thereby reducing its direct carbon footprint and decreasing delivery times.

Revenue

During the year ended June 30, 2012, the Graphic and Print Services Division accounted for 81% of the Corporation's revenue (95% for the year ended June 30, 2011). The Graphic and Print Services Division's revenues are driven primarily through margins on the physical printing of materials for clients. The Graphic and Print Services Division also derives revenues from the delivery of graphic services, including web site design, logo and brand designs.

Production and Services

The Graphic and Print Services Division's core competency is short run on-demand targeted printed materials enabling efficient promotion of their clients' corporate image as well as products and services to their clients. The Graphic and Print Services Division produces various printed materials used in marketing such as catalogues, brochures, etc. This also includes business communications and consumer solutions. The Graphic and Print Services Division's production facilities include state-of-the-art digital colour and black, on-demand printing, conventional spot and process printing and finishing technology as well as mailing and fulfillment capabilities. The Graphic and Print Services Division provides additional finishing services augment standard machines such as folding and cutting with die cutting, foil stamping and embossing as well as a host of binding and packaging options.

Specialized Skill and Knowledge

The Graphic and Print Services Division has a number of employees with specialized skills required to provide design and operate the printing equipment.

Competitive Conditions

The Graphic and Print Services Division operates in an extremely competitive marketplace with thousands of competitors. Direct competition among providers of graphic services may increase if customers shift away from traditional print marketing to on-line or electronic media. Some potential competitors are larger than Intertainment and have greater access to capital, sales, marketing, technical, manufacturing and other resources. These competitors may be able to respond more rapidly to new or emerging products and changes in customer requirements, or to devote greater resources to the development, promotion and sale of their products. Technology in the marketplace has changed traditional requirements. These changes, along with recent downturns in the economy, have caused confusion and price reductions in commodity print areas from unsophisticated print providers. Magnum's solution-based approach of technology and experienced sales/service representatives has aligned the organization with the market trends and customer demands, creating a competitive differentiator in the marketplace.

New Products

The Graphic and Print Services Division continues to look for new and innovative ways to address client needs. Through the pursuit of client driven products and services, a number of new packaging formats and product offering have been developed which are now part of the traditional offering to its clients.

Intangible Properties

See "New Media Division – Intangible Properties" above.

Cycles

The Graphic and Print Services Division currently does not experience significant traditional and/or seasonal sales cycles; however, management anticipates a greater impact of seasonality to occur as the Graphic and Print Services Division continues to grow. Management expects greater growth during the second to fourth

quarters inclusive than during the first quarter, creating seasonality in the first quarter, which coincides with the summer holiday season.

Economic Dependence

In the year ended June 30, 2012, one customer accounted for 20% of total revenues (19% in the year ended June 30, 2011) and 18% of the trade accounts receivable balance as at June 30, 2012 (19% at June 30, 2011). One additional customer accounted for 7% of total revenues for the year ended June 30, 2012 and 6% of the trade accounts receivable balance as at June 30, 2012 (two additional customers accounted for 17% of revenue for the year ended June 30, 2011 and 10% of the trade accounts receivable balance as at June 30, 2011).

Changes to Contracts

There have been no changes to contracts relating to the Graphic and Print Services Division during the year ended June 30, 2012. The Corporation does not expect any part of the Graphic and Print Services Division will be affected during the current financial year by changes to contracts.

Employees and Facilities

As at date hereof, the Corporation has 18 full time employees, no part time employees, and 4 contractors in the Graphic and Print Services Division. As the Corporation grows, it is anticipated that the Corporation will accommodate this growth with the appropriate number of employees. The Corporation leases approximately 8,640 square feet of combined office and manufacturing space in Richmond Hill, Ontario for the Graphic and Print Services Division.

Lending

On July 27, 2010, the Corporation entered into a credit facility agreement (“**Credit Agreement**”) for a two year term loan in amount of \$150,000 and an operating line of credit of up to \$300,000. The Credit Agreement requires Magnum to maintain a required tangible net worth amount not less than \$300,000 and maintain a debt service coverage ratio of not less than 1.25:1. The Credit Agreement restricts the permitted borrowings under the operating line of credit based on accounts receivable balances. Magnum is also limited on settling balances with the Corporation and a related party.

On November 25, 2011, Magnum amended the Credit Agreement, increasing the operating line of credit to the lesser of (a) \$400,000; and (b) the total of 75% of accounts receivable, net over 90 day accounts, less holdbacks, related party receivables and contra accounts, plus the value of any cash security. The limit is to be capped on a monthly basis based on the available borrowing base if less than \$400,000. The Credit Agreement is secured by a general security agreement covering substantially all of Magnum’s assets.

Investments

The Corporation’s modified incubation strategy to invest and nurture new technologies, companies and individuals that focus on delivering programs and initiatives that help reimagine the way brands connect with consumers is fully entrenched and operational within the scope of focus. Entertainment assists companies in moving from concept to commercialization more effectively by leveraging the Corporation’s management experience and skills sets. Unlike most other incubation, or venture capital models, Entertainment is committed to ensuring that the investee companies have the greatest ability to succeed and is committed to providing both the investment, resource and guidance framework to do so. The following is the portfolio of investments as at June 30, 2012 under the Corporation’s incubator strategy:

Active ImageNation Inc.

- AIN is a Los Angeles based developer of Cap That™, a patent pending technology platform that allows consumers, studios and professionals to capture and manipulate video, creating images that can

be shared socially and commercially printed on demand on a wide variety of products directly through Cap That™. AIN utilizes proprietary channel partners and licensees including a signed initial agreement with Disney Studios to allow consumers to use the Cap That™ technology and is currently negotiating agreements with several other entertainment, sports, music and lifestyle content producers to include their video offerings within the Cap That™ platform.

Lexifone Communications Systems (2010) Ltd.

- Lexifone, based in Haifa, Israel, offers a simple and effective automatic phone interpreter service via its proprietary generic software platform. Its learning-based linguistic and semantic translation delivers best-of-breed voice translations using any phone, whether standard landline telephone, VoIP phone, or mobile phone. Callers simply speak normally into the phone and their speech is translated in seconds. The Corporation has continued its beta testing and performed limited releases in select geographic markets. Initial results have contributed greatly to refining the intended final market deliverable and plans are now underway for a broader public product release.

theAudience, Inc.

- theAudience is a recognized innovator and leader in social media distribution for entertainment brands. theAudience manages the social media presences of global entertainment brands and celebrities and provides an integrated platform for the optimization and activation of their audiences. Concurrent with the investment, Intertainment and theAudience have entered into a separate binding letter of intent to integrate the Live & Global platform from Intertainment subsidiary, Ortsbo Inc., into theAudience's social distribution platform, enabling real-time, multi-lingual translation for certain live events on behalf of theAudience clients and partners. The companies will jointly promote the integrated offering.

Shiny Inc.

- Shiny Inc. ("**Shiny Ads**") is an advertising technology company specializing in sell-side automation of premium inventory. The award-winning Self-Service Advertising Platform is a core product offering. With Shiny Ads, smaller advertisers are able to quickly and easily purchase advertising without the need of industry knowledge, graphic designers, or a large budget. Shiny Ads is not an ad network, nor does it solicit directly from advertisers or ad networks. Shiny Ads is a solutions provider that supports direct sales team and works in conjunction with ad networks – providing online publishers with access to an untapped revenue stream.

Tunezy, Inc.

- Tunezy, Inc. ("**Tunezy**") is a privately held start up Canadian company and is a direct musician-to-fan "social record label" where individuals can closely follow and help promote their favorite independent musicians. Tunezy is a player in the \$20 billion independent music arena that is primed for new ideas and revenue models given the new emerging trends in music and technology. The site will provide a social platform where emerging musicians can grow their careers.

Warrior One MMA Inc.

- Warrior One MMA Inc. ("**W-1**") is a media production company focused on broadcasting Mixed Martial Arts ("**MMA**") live events and related media content in North America. Since 2008, W-1 has successfully produced 7 MMA live arena events in both Canada and the United States, with television broadcasts in both countries.

Velvet Red Card Ventures, L.P.

- Velvet Red Card Ventures, L.P. (“**Velvet Red**”) features the hottest Hollywood content, VIP events, and the latest products being used by your favourite celebrities. Velvet Red gives fans the ultimate VIP Pass and gets fans behind the velvet rope at movie premieres, music concerts and other red carpet events. Velvet Red features the latest fashion trends and coolest gadgets being used by celebrities. By working closely with celebrities and brand name merchants, Velvet Red provides fans exclusive deals and significant discounts on selected products and services available for purchase on the Velvet Red destination site. The host of the Velvet Red show is Ellen K, who co-hosts the wildly popular and globally syndicated #1 rated KISS-FM morning program with Ryan Seacrest.

China Green Channel International

- China Green Channel International (“**CGCI**”) is a joint Canadian and Chinese government sanctioned broadcast service and online venture that will allow CGCI access to program blocks of time on the China Education Channel 3 Primetime (CETV 3) and its Early Learning Channel (CELC) and to build the program and channel assets of China Television’s Early Learning Channel.

RISK FACTORS

Overview

A potential investor should carefully consider the factors set forth below in deciding whether to invest in the securities of Intertainment. An investment in securities of Intertainment is suitable only to those investors who are willing to risk the loss of their entire investment. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of management of Intertainment. An investment in the securities of Intertainment is speculative and involves a high degree of risk due to the nature of Intertainment’s business. The following are certain risk factors relating to the business of Intertainment which prospective investors should carefully consider before deciding whether to purchase securities of Intertainment. The following is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form. Additional risks and uncertainties not presently known to Intertainment or that Intertainment currently deems immaterial may also impact Intertainment’s business.

Market

The market for Intertainment’s products and services has only recently begun to develop. As is typical for a new and rapidly evolving industry, demand for and market acceptance of recently introduced services and products are subject to a high level of uncertainty. Furthermore, the adoption of social media applications may occur at a much slower rate than current market data suggests. There is no assurance that Intertainment’s sales will continue to increase or that it will even be able to maintain current levels. Market conditions will have an impact on Intertainment’s success in the future. There is also no assurance that Intertainment will earn profits in the future or that any profitability will be achieved or sustained.

Economic Risk

A major change in any of the market segments that are serviced by the Corporation, Ortsbo Inc. or Magnum could potentially impact their ability to sell products to those segments and would have a negative effect on the Corporation. The general economic environment, notably in the technology sector, impacts the Corporation and its subsidiaries in many ways, including customer spending, capital availability and funds available for advertising.

Cash Flow and Absence of Profits

The Corporation has not earned profits to date, and there is no assurance that it will earn profits in the future, or that profitability, if achieved, will be sustained. A significant portion of the Corporation's financial resources have been, and will continue to be, directed toward the development of its systems and marketing activities. The success of the Corporation will ultimately depend upon its ability to generate revenues, such that business development and marketing activities may be financed by revenues from operations instead of external financing. There is no assurance that future revenues will be sufficient to generate the required funds to continue the business development and marketing activities.

The Corporation's current and future expense levels are based largely on its investment plans and estimates of future revenues and are, to a large extent, fixed. The Corporation may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues relative to the Corporation's planned expenditures would have an immediate adverse effect on the Corporation's business, results of operations, cash flow and financial condition. Further, as a strategic response to changes in the competitive environment, the Corporation may from time to time make certain pricing, service or marketing decisions that could have a material adverse effect on its business, results of operations, financial condition and prospects.

Lack of Operating History and Unpredictability of Operating Results

The Corporation has a limited history of operations, is in the early stage of development and must be considered a start-up company. As such, the Corporation is subject to many risks common to such enterprises, including under-capitalization, cash shortages, liquidity fluctuations, limitations with respect to personnel, financial and other resources and the lack of revenues.

Risks Associated With Evolving Business Model

The Corporation's business model continues to evolve. The Corporation seeks to develop and promote new or complimentary opportunities, services, products or transaction formats and expand the breadth and depth of services. These include acquiring businesses, technologies, services or products, or funding investments or other relationships that management believes are strategic. There can be no assurance that the Corporation will be able to expand its operations in a cost effective or timely manner or that any such efforts will maintain or increase overall market acceptance. Furthermore, any new business or service launched by the Corporation that is not favourably received by customers could damage the Corporation's reputation and diminish the value of its brand name. Expansion of the Corporation's operations in this manner would also require significant additional expenses and development, operations and other resources and would strain the Corporation's management, financial and operational resources. The lack of market acceptance of such services or the Corporation's inability to generate satisfactory revenues from such expanded services to offset their cost could have a material adverse effect on the Corporation's business, results of operations, cash flow, financial condition and prospects.

Fluctuation in Operating Results

Intertainment may experience fluctuations in future quarterly operating results that may be caused by many factors, including: (i) variability of sales to new and existing customers; (ii) changes in the level of marketing and other operating expenses; (iii) competitive factors; and (iv) the timing of delivery. Consequently, Intertainment believes that period-to-period comparisons of its operating results will not necessarily be meaningful and should not be relied upon as an indication of future performance. It is likely that Intertainment's future quarterly operating results from time to time will not meet the expectations of securities analysts or investors, which may have a materially adverse effect on the market price of its Common Shares. Intertainment is currently not generating positive cash flows from its operations and is still highly dependent on new sales every period to minimize its cash usage. Up until the point where the Corporation is able to generate and predict continued positive cash flows from recurring revenue, the Corporation faces risk in

utilizing its existing cash resources and potentially requiring further cash infusions from investors to maintain its operations.

Negative Operating Cash Flow

The Corporation had negative operating cash flows for the year ended June 30, 2012 and available cash has been used and will continue to be used, to the extent required, to fund its negative cash flow.

Additional Financing Requirements

The Corporation expects its capital requirements to increase significantly due to the proposed expansion of its marketing and business development activity. The exact amount of the Corporation's future capital requirements will depend on numerous factors, including, but not limited to, slower growth and adverse changes in the Corporation's business environment, delays in growth of the Corporation's customer base, government regulations, failure or delays in executing marketing programs, and growth that is more rapid than anticipated or competitive pressures. The Corporation may also need to raise additional funds sooner than anticipated in order to acquire businesses, technologies or products, or fund investments and other relationships the Corporation believes are strategic. Accordingly, the Corporation's actual capital requirements may vary from currently anticipated needs, and such variations could be material.

There can be no assurance that additional financing will be available on commercially reasonable terms or at all. If adequate funds are not available or are not available on acceptable terms, the Corporation may not be able to fund its expansion, take advantage of strategic acquisitions, investments, or other opportunities or respond to competitive pressures. Such inability to obtain financing when needed could have a material adverse effect on the Corporation's business, results of operations, cash flow, financial condition and prospects. If additional funds are raised through the issuance of equity or convertible debt securities, the percentage ownership of the shareholders of the Corporation will be reduced, shareholders may experience additional dilution and such securities may have rights, preferences and privileges senior to those of Common Shares.

Acquisitions and Investments

During the year ended June 30, 2012, Intertainment completed several acquisitions and investments as part of Intertainment's growth strategy (see "*Three Year History - Period from July 1, 2011 to June 30, 2012*"). There is no assurance that Intertainment will derive the planned benefits from such acquisitions and investments or future acquisitions and investments, if any, that Intertainment may pursue.

The technology industry is highly competitive and technology issuers in which Intertainment may invest must compete with many other companies, many of which have far greater financial strength, experience and technical resources. The business activities of the issuers that Intertainment invests in may be adversely affected by sector specific risk factors, outside the control of such issuer, which may ultimately have an impact on Intertainment's investments in such issuer's securities and/ or on an investor's investment in Intertainment. The value of investments may vary from day to day depending on a number of factors including economic conditions, global events and market news.

Intertainment may also be unable to retain key employees or key business relationships of the acquired businesses, efficiently consolidate IT infrastructures, accounting controls, policies and procedures, combine administrative, research and development and other operations, eliminate duplicative facilities and personnel, which could result in significant costs and expenses. Integration of the businesses may divert the attention and resources of Intertainment's management. Intertainment's failure to successfully integrate acquired businesses into Intertainment's operations could have a material adverse effect on Intertainment's business, operating results and financial condition. Even if such acquisitions are successfully integrated, Intertainment may not receive the expected benefits of the transactions if it finds that the acquired business does not further Intertainment's business strategy or that Intertainment paid more than what the business was worth. Managing the completion and integration of acquisitions and alliances requires management resources, which may divert

Intertainment's attention from other business operations. As a result, the effects of any completed or future transactions on financial results may differ from Intertainment's expectations.

Dependence on Intellectual Property Rights

The Corporation relies on a combination of trademark law, trade secrets, confidentiality procedures and contractual provisions to protect its intellectual property rights and its ability to operate without infringing on the proprietary rights of others. Despite its efforts to protect its intellectual property rights, unauthorized parties may attempt to copy aspects of the Corporation's product designs and products, or to obtain and use information that the Corporation regards as its intellectual property. The Corporation may also be unable to obtain registrations and other categories of legal protection for its intellectual property.

Policing unauthorized use of the Corporation's intellectual property rights, if required, may be difficult, time consuming, and costly. In addition, the laws of certain countries in which the Corporation's products may be sold or licensed may not protect its products and related intellectual property rights to the same extent as the laws of Canada or the U.S. There can be no assurance that the Corporation's means of protecting its intellectual property rights will be adequate and the effect of inadequate protection may be materially adverse to its business, financial condition and results of operations. It is possible for others to develop products which have the same effect as the Corporation's or to design around the Corporation's devices without infringing its intellectual property.

Risk of Claims for Infringement

There can be no assurance that third parties will not claim infringement of their proprietary rights by the Corporation or its licensors with respect to current or future products. Many fields are characterized by frequent claims and related litigation regarding infringement of proprietary rights. In the event that a third party was to sustain a valid claim against the Corporation and any required licence was not available on commercially reasonable terms, the Corporation's business, results of operations and financial condition could be materially and adversely affected. The Corporation could be required to pay infringement damages, modify its products so that they are non-infringing, discontinue offering products which are found to be infringing and/or indemnify its customers. Furthermore, efforts to defend such claims could divert a significant portion of its management resources whether or not claims are determined in Intertainment's favour.

Technological Changes

The social media information technology industry is susceptible to technological advances and the introduction of new technologies. Further, this industry is also subject to changing market trends and customer preferences and to competitive pressures which can, among other things, necessitate revisions in pricing strategies, price reductions and reduced profit margins. The success of Intertainment will depend, in part, on its ability to secure technological superiority in its products and operations and maintain such superiority in the face of new technologies. No assurance can be given that further modification of product offerings of Intertainment will not be required. Changes to the Corporation's products may be necessitated by developments and/or advancements made by competitors that might render services and operations of Intertainment less competitive. The future success of Intertainment will be influenced by its ability to continue to adapt its products. Although Intertainment has committed resources to improve its products, there can be no assurance that these efforts will increase revenues or profits.

Share Price Volatility

The market price of Common Shares may be volatile and could be subject to wide fluctuations due to a number of factors, including actual or anticipated fluctuations in the Corporation's results of operations, changes in estimates of its future results of operations by management or securities analysts, introduction of technological innovations or new products by the Corporation or its competitors, general industry changes, announcement of new, or loss of, significant customers by the Corporation or its competitors.

In addition, the financial markets have experienced significant price and value fluctuations that have particularly affected the market prices of equity securities and valuations of many companies and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally, may adversely affect the market price of Common Shares.

Uncertain Demand

Demand for the Corporation's products is dependent on a number of social, political and economic factors that are beyond the Corporation's control. While the Corporation believes that demand for its products will continue to grow, there is no assurance that such demand will exist or that the Corporation's products will be purchased to satisfy that demand.

Competition

The Graphic and Print Services Division operates in an extremely competitive marketplace with thousands of competitors. Direct competition among providers of graphic services may increase if customers shift away from traditional print marketing to on-line or electronic media. Increased competition may result in price reductions, reduced gross margins, longer sales cycles and loss of market share, any of which would seriously harm Intertainment's business and results of operations. Management of Intertainment cannot be certain that Intertainment will be able to compete successfully against current or future competitors or that competitive pressure will not seriously harm its business. Some of Intertainment's New Media and Graphic and Print Services Divisions' potential competitors are larger than Intertainment and have greater access to capital, sales, marketing, technical, manufacturing and other resources. These competitors may be able to respond more rapidly to new or emerging products and changes in customer requirements or devote greater resources to the development, promotion and sale of their products than Intertainment can. Furthermore, some of these competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties in the industry to increase their ability to rapidly gain market share by addressing the needs of prospective customers.

Sales Cycle

The sales cycle of Intertainment's products and services, particularly larger customer opportunities, is lengthy and unpredictable. The dynamics of the Corporation's sales cycle and its close rates continues to evolve. While customers are evaluating Intertainment's product offering, Intertainment may incur expenses and expend management effort. The result of making these expenditures, with no corresponding revenue in any given quarter, could further exacerbate fluctuations of the quarterly operating results of Intertainment.

Loss of Customer Contracts

The loss of one or more of the Graphic and Print Services Division's major customers, the failure to attract new customers on a timely basis, or a reduction in usage and revenues associated with Intertainment's existing or proposed customers would materially harm its business, financial condition, liquidity, operating results and prospects.

Customer Relationships

The Corporation's failure to maintain its customer relationships or to develop similar relationships with other customers could result in decreased support for its products, which could materially adversely affect its business, financial condition and results of operations, or a decrease in access to information necessary to evolve its product portfolio.

Bad Debts

The Corporation regularly evaluates the risk of collections from debt investments to its investees and from sales to new and existing customers based on the size and type of customer and has adopted a policy to take

reserves against overdue accounts based on the period for which a receivable has been outstanding. There is always a risk that some investees may not repay their debt to the Corporation or some customers may not honour their accounts with the Corporation, resulting in the Corporation being unable to collect outstanding amounts and a significant charge for bad debts being incurred during a specific period.

Business Disruptions

Intertainment's business and operations are highly automated; thus, a disruption or failure of the Corporation's systems may delay the ability to complete sales and to provide services. A major fire, disaster or other catastrophic event that results in the destruction or disruption of any of the Corporation's premises, critical business or information technology systems could severely affect the ability to conduct normal business operations. This possible disruption may materially and adversely affect future operating results.

Product Liability

Intertainment, like any other business, faces an inherent risk of exposure to product and service liability claims in the event that the use of its products and services results in loss of a customer's data or ability to effectively operate their own business. Although Intertainment believes it has sufficient liability insurance coverage in accordance with the standards of its industry, such coverage is subject to standard limitations and exclusions. Product liability claims could have a materially adverse effect on Intertainment. The successful assertion or settlement of any uninsured claim, a significant number of insured claims or a claim exceeding Intertainment's insurance coverage could have a materially adverse effect on Intertainment.

System Failures

Intertainment's success depends on the continuing and uninterrupted performance of its systems. Sustained or repeated system failures that interrupt the ability to provide services to customers, including failures affecting the Corporation's ability to deliver advertisements quickly and accurately and to process visitors' responses to advertisements, would significantly reduce the attractiveness of Intertainment's services to advertisers and affiliates. Intertainment's business, results of operations and financial condition could also be materially and adversely affected by any systems damage or failure that impacts data integrity or interrupts or delays operations. Computer systems are vulnerable to damage from a variety of sources, including telecommunications failures, power outages, malicious or accidental human acts, and natural disasters. Moreover, despite network security measures, servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems in part because the Corporation cannot control the maintenance and operation of third-party data centers. Despite the precautions taken, unanticipated problems affecting Intertainment's systems could cause interruptions in the delivery of solutions in the future and the Corporation's ability to provide a record of past transactions. Intertainment's insurance policies may not adequately compensate for any losses that may occur due to any failures in the Corporation's systems.

Reliance on Third Parties

The Corporation's business is dependent on the development and deployment by third parties of their infrastructure to manufacture certain components for its products and on their sales of products and services that use Intertainment's products. The loss of, or inability to maintain, any of these relationships, or the failure of such third parties to execute or effectively manage their own business plans could materially adversely affect the Corporation's business, financial condition and results of operations. In addition, there can be no assurance that the Corporation will be able to continue to receive supplies or finished product from third-party suppliers in the amounts required or on acceptable terms.

United States Operations

Intertainment may further increase its presence in the United States. Such efforts may not be successful to the degree that management expects. Further, United States operations are influenced by numerous inherent risks, including: unexpected changes in regulatory requirements; complex state and local taxes requiring significant judgment in the determination of the obligation to collect and remit such taxes; longer accounts receivable

payment cycles and possible difficulties in collecting payments that may increase its operating costs and impair its financial performance; political and economic instability; and fluctuations in currency exchange rates.

Currently, a small portion of the Corporation's revenues and expenses are denominated in United States dollars and restated to Canadian dollars for financial statement purposes. The Corporation's US denominated expenses can act as a natural hedge to partially offset the exposure to United States denominated revenues. However, significant changes in the foreign exchange rates between Canada and the United States have had, and may continue to have, a material effect on both the revenues and expenses of the Corporation. As the Canadian dollar fluctuates relative to the United States dollar, both United States dollar denominated revenues and expenses as stated in Canadian dollars will also fluctuate. There can be no assurances that the Corporation will prove successful in its effort to manage this risk, which may adversely impact the Corporation's financial results.

Changes in the Regulatory Environment

From time to time, governments may review the legislation and regulations applied to the industry. Such reviews could result in the enactment of new laws and/or the adoption of new regulations in Canada or the United States, which might adversely impact businesses in Canada and the United States in general and consequently, may threaten growth prospects. The Corporation regularly reviews its risk management practices to offset these risk factors to the greatest extent possible.

Dependence on the Internet

The Corporation relies on Internet service in order to deliver, promote and further develop its products and services. Inadequate service and unreliable networks could affect the overall commercial viability of the Internet marketplace.

Government Regulation of the Internet

Companies engaging in online search, commerce and related businesses face uncertainty related to future government regulation of the Internet. Due to the rapid growth and widespread use of the Internet, federal and state governments are enacting and considering various laws and regulations relating to the Internet. Furthermore, the application of existing laws and regulations to Internet companies remains somewhat unclear. Intertainment's business and operating results may be negatively affected by new laws, and such existing or new regulations may expose the Corporation to substantial compliance costs and liabilities and may impede the growth in use of the Internet. Additionally, third party data partners may be adversely affected by any new or existing laws.

As a company that provides services over the Internet, Intertainment may be subject to an action brought under any current or future laws governing online services. Intertainment may also be subject to costs and liabilities with respect to privacy issues. Several Internet companies have incurred costs and paid penalties for violating their privacy policies. Further, it is anticipated that new legislation may be adopted by federal and state governments with respect to user privacy. Additionally, foreign governments may pass laws which could negatively impact business or may prosecute Intertainment for products and services based upon existing laws. The restrictions imposed by and cost of complying with, current and possible future laws and regulations related to the business could harm the Corporation's business and operating results. Further, any such laws that affect third party data partners could indirectly harm the business and operating results.

Recently, the United States Federal Trade Commission ("FTC") issued guidelines recommending that companies that engage in behavioural targeting engage in self-regulation in order to protect the privacy of consumers who use the Internet. If notwithstanding this report, the FTC were in the future to issue regulations, it may adversely affect what Intertainment perceives to be a competitive advantage. This could increase costs and reduce future revenues.

Failure to Properly Measure Impressions, Clicks and Actions on Advertisements Could Impact Entertainment's Relationship with Advertisers and Affiliates

Entertainment earns revenue from advertisers and makes payments to publishers based on the number of impressions, clicks and actions from advertisements delivered on the Corporation's network of websites and email lists. Advertisers' and affiliates' willingness to use the service and join the network will depend on the extent to which they perceive Entertainment's measurements of impressions, clicks and actions to be accurate and reliable. Advertisers and affiliates often maintain their own technologies and methodologies for counting impressions, clicks and actions, and from time to time the Corporation has had to resolve differences between its measurements and theirs. Any significant dispute over the proper measurement of user responses to advertisements could cause the loss of customers or advertising inventory.

Management of Growth and Expansion

The Corporation's success in achieving its planned growth, including expansion into new vertical and geographic markets, will place significant strain on its management, administrative, operational and financial resources, as well as increased demands on its internal systems, procedures and controls. The Corporation's ability to manage future growth will depend on its ability to continue to improve its financial and management controls and reporting systems and procedures on a timely basis, and to expand, train, manage and motivate its employee workforce.

Failure to successfully manage expansion may have a materially adverse effect on the Corporation's business, results of operations and financial condition. There can be no assurance that the Corporation will be able to manage any future expansion successfully.

Dependence on Key Personnel

The Corporation's success depends, to a significant extent, upon the efforts and abilities of its senior management team. The loss, disability or prolonged absence of any executive officer or senior manager or other key employee or independent contractor could have a material adverse effect on the Corporation's business, operating results and financial condition. The Corporation does not presently carry key man insurance on any of its management team. Investors must rely on the ability, expertise, judgment, discretion, integrity and good faith of management of the Corporation.

Conflicts of Interest

As certain of the directors and proposed directors of the Corporation are directors, officers or shareholders of other companies, there are potential conflicts of interest to which the directors, or proposed directors, of the Corporation may be subject to from time to time, in connection with the operations of the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the ABCA.

DIVIDENDS

The Corporation has not paid any dividends and currently intends to reinvest any earnings to fund the development and growth of its business. Any future payments of dividends will be at the discretion of the Board of Directors and will depend upon the financial condition, capital requirements and earnings of the Corporation as well as other factors it may deem relevant. The Corporation's articles do not contain any restrictions on the payments of dividends.

CAPITAL STRUCTURE

General Description of Share Capital

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of preferred shares issuable in one or more series (the “**Preferred Shares**”). As at October 25, 2012, 340,581,283 Common Shares are issued and outstanding as fully paid and non-assessable shares and no Preferred Shares were issued and outstanding.

Common Shares

The Common Shares have attached to them the rights, privileges, restrictions and conditions as hereinafter set forth:

- (a) Except for meetings at which only holders of another specified class or series of shares of the Corporation are entitled to vote separately as a class or series, each holder of a Common Share is entitled to receive notice of, to attend and to vote at all meetings of the shareholders of the Corporation.
- (b) Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation, the holders of the Common Shares are entitled to receive dividends if, as and when declared by the Board of Directors.
- (c) Subject to the rights, privileges, restrictions and conditions attached to any other class of shares of the Corporation, the holders of the Common Shares are entitled to share equally in the remaining property of the Corporation upon liquidation, dissolution or winding-up of the Corporation.

Preferred Shares

The Preferred Shares shall have attached to them, as a class, the rights, privileges, restrictions and conditions as hereinafter set forth:

- (a) The Preferred Shares may from time to time be issued in one or more series and, subject to the following provisions, and subject to the sending of articles of amendment in prescribed form and the issuance of a certificate of amendment in respect thereof, the Board of Directors may fix from time to time and before issue of a series of Preferred Shares, the number of shares which are to comprise that series and the designation, rights, privileges, restrictions and conditions to be attached to that series of Preferred Shares including, without limiting the generality of the foregoing, the rate or amount of dividends or the method of calculating dividends, the dates of payment of dividends, the redemption, purchase and/or conversion prices and terms and conditions of redemption, purchase and/or conversion, and any sinking fund or other provisions.
- (b) The Preferred Shares of each series shall, with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other return of capital or distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, rank on a parity with the Preferred Shares of every other series and be entitled to preference over the Common Shares and over any other shares of the Corporation ranking junior to the Preferred Shares. The Preferred Shares of any series may also be given other preferences, not inconsistent with these articles, over the Common Shares and any other shares of the Corporation ranking junior to the Preferred Shares of a series as may be fixed in accordance with (a) above.

- (c) If any cumulative dividends or amounts payable on the return of capital in respect of a series of Preferred Shares are not paid in full, all series of Preferred Shares shall participate rateably in respect of accumulated dividends and return of capital.
- (d) Unless the Board of Directors otherwise determine in the articles of amendment designating a series of Preferred Shares, the holder of each share of a series of Preferred Shares shall not, as such, be entitled to receive notice of or vote at any meeting of shareholders, except as otherwise specifically provided in the ABCA.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and posted for trading on the TSXV under the symbol “INT”. The following table sets out the price range (monthly high and low closing prices) of the Common Shares and volumes traded on the TSXV for the periods indicated (as reported by the TSXV).

	High (\$)	Low (\$)	Volume
2011			
July	0.730	0.490	30,530,847
August	0.710	0.410	41,817,723
September	0.570	0.370	15,719,776
October	0.660	0.275	52,125,829
November	0.600	0.450	18,811,948
December	0.530	0.390	20,187,559
2012			
January	0.650	0.445	21,399,006
February	0.910	0.580	56,441,090
March	0.700	0.550	17,671,883
April	0.580	0.475	8,671,001
May	0.500	0.360	8,763,268
June	0.465	0.345	7,179,486
July	0.380	0.220	13,719,730
August	0.270	0.175	27,795,293
September	0.260	0.185	12,699,702
October ⁽¹⁾	0.215	0.145	25,005,334

Note:

- (1) Up to and including October 25, 2012.

Prior Sales

The following table summarizes the issuances of unlisted securities for the year ended June 30, 2012:

Date of Issuance	Securities	Number of Common Shares Issued/Issuable	Price/Exercise Price per Security (\$)
July 6, 2011	Warrants	22,720 ⁽¹⁾	0.16
September 9, 2011	Warrants	35,745 ⁽²⁾	0.22
September 14, 2011	Warrants	9,880,140 ⁽³⁾	2.00
January 19, 2012	Stock Options	10,645,000 ⁽⁴⁾	0.465
January 19, 2012	Stock Options	5,300,000 ⁽⁵⁾	0.465
January 19, 2012	Stock Options	300,000 ⁽⁶⁾	0.465

Notes:

- (1) Issued upon conversion of ISI July Debentures. Each warrant is exercisable into one Common Share until July 6, 2013.
- (2) Issued upon conversion of ISI October Debentures. Each warrant is exercisable into one Common Share until September 9, 2013.

- (3) Issued upon conversion of Special Warrants. Each warrant is exercisable into one Common Share until May 13, 2013.
- (4) Options expiring five years from date of issue.
- (5) Options expiring two years from date of issue.
- (6) Options expiring four months from date of issue.

ESCROWED SECURITIES

The number of Common Shares held in escrow and the percentage that number represents of the outstanding securities of the Corporation as of June 30, 2012 is as follows:

Designation of Class	Number of Securities Held in Escrow	Percentage of Class ⁽¹⁾
Common Shares	10,468,750 ⁽²⁾	3.2%

Notes:

- (1) As of June 30, 2012, there were 327,309,855 Common Shares outstanding.
- (2) These Common Shares are escrowed pursuant to a voluntary escrow agreement dated September 29, 2011 among the Corporation, Computershare Trust Company of Canada and the SaaS Vendor (the “SaaS Escrowed Shares”) in connection with the acquisition of SaaS. The SaaS Escrowed Shares are releasable as to 12.5% at the end of each of the calendar quarters following September 29, 2011.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holdings

The following table sets forth the names and municipalities of residence of the current directors and executive officers of the Corporation, their respective positions and offices with the Corporation and date first appointed or elected as a director and/or officer and their principal occupation(s) within the past five years. Each director will hold office until the next annual general meeting of shareholders or until his successor is duly elected, unless his office is earlier vacated in accordance with the by-laws of the Corporation or the provisions of the ABCA to which the Corporation is subject.

Name and Municipality of Residence and Position with Intertainment	Director/Officer Since	Principal Occupation During the Last Five Years
David Lucatch Thornhill, Ontario, Canada Chief Executive Officer and Director	May 26, 2006	Mr. Lucatch is the primary founder and has been CEO of the Corporation from May 2006 to the present. Mr. Lucatch has spent over 25 years developing business concepts and taking them to market holding senior management posts at both private and public media and technology firms.
Edward Jonasson Aurora, Ontario, Canada Chief Financial Officer	March 3, 2010	Mr. Jonasson was appointed to the position Chief Financial Officer in March 2010. Prior to joining the Corporation, Mr. Jonasson was Vice President, Corporate Controller at Open Text Corporation from 2006 through 2010. Mr. Jonasson was a member of the Board of Directors and Chairman of the Audit Committee for Norwall Group Inc. from June 2010 to March 2011.

Name and Municipality of Residence and Position with Intertainment	Director/Officer Since	Principal Occupation During the Last Five Years
Anthony R. Pearlman Newmarket, Ontario, Canada President and Chief Operating Officer	July 4, 2011	Mr. Pearlman was appointed to the position of President and Chief Operating Officer in July 2011. Mr. Pearlman has a twenty-year background in technology and business development. He was President of the Enghouse Asset Management Division for from 2005 to July 2011. Prior to his position at Enghouse, he was CIO for Valu-Net Corporation for six years.
Brad Parry East York, Ontario, Canada Chief Marketing Officer	October, 2009	Mr. Parry was appointed to the position of Chief Marketing Officer in October 2009. Previously, he was Vice President Marketing, Communications and Strategy with Canwest (now Shaw) Media from 2005 through 2009.
Jana Lucatch Thornhill, Ontario, Canada President of Magnum	May 26, 2006	Ms. Lucatch has been the President of Magnum from 1994 to the present. Ms. Lucatch is proud to have achieved the designation of FSC Xpert Pioneer. Ms. Lucatch is a respected member of the printing industry and is a Board Member of the Digital Imaging Association and an Editorial Board Member of Graphic Arts Magazine.
Patrick Bultema Colorado Springs, Colorado, United States President of Ortsbo Inc.	December 2011	Mr. Bultema is the President of Ortsbo Inc. since December, 2011 and brings over 30 years of industry experience to Ortsbo Inc. having led numerous start-up ventures and high growth private and public companies in the US, Canada and globally including Chairman and General Manger of Ziff Davis Help Desk Institute. As a recognized technology and business author and speaker Patrick has written 10 books, numerous articles and instructional videos. Mr. Bultema continues to be active in providing strategic corporate direction to organizations, and has successfully led numerous capital raises. Mr. Bultema has a Bachelors Degree from California State University and a Masters from Princeton University.
Girvan L. Patterson ⁽¹⁾ Ottawa, Ontario, Canada Director	August 2000	Mr. Patterson is currently Chief Executive Officer of GaN Systems Inc, a leading developer of semiconductors for cleantech applications. Until March 2007, he was a senior executive of Voxium Inc. and prior to that, Executive Vice President of Radialink Corp. From October 2001 to December 2002, he was CFO of Northland Systems Training Inc. Mr. Patterson is currently a director of Plaintree Systems Inc. (TSX-V). Mr. Patterson has extensive finance, technology and public company experience.

Name and Municipality of Residence and Position with Intertainment	Director/Officer Since	Principal Occupation During the Last Five Years
Herb Willer ⁽¹⁾⁽²⁾ Toronto, Ontario, Canada Director	January 2007	Mr. Willer, a chartered accountant, is the founder and president of HMW Capital Inc, a private equity and investment banking firm founded in 2007. HMW Capital and partners invest in early to mid-stage companies across a broad range of industries, primarily technology. Mr. Willer represents each investment group on the respective boards and plays an active role working with management on an on-going basis to create value for shareholders. In particular Mr. Willer has extensive experience in corporate strategy, brand development, management team performance development and corporate finance. Up to 2002, Mr. Willer was a global partner with Arthur Andersen in Toronto, responsible for the entrepreneur practice. From 2002 until the formation of HMW Capital, Mr. Willer was a shareholder and corporate finance director for Kingsdale Capital Markets, an IIROC and TSX registered brokerage firm.
Kevin Shea ⁽²⁾ Oshawa, Ontario, Canada Director	March 2008	Mr. Shea is currently the Chair of the Ontario Media Development Corporation and the Owner and President of SheaChez Inc., a consulting firm whose clients include the CBC, Telus Communications and Standard Broadcasting. Mr. Shea was formerly President and Chief Executive Officer of Sirius Satellite Radio as well as YTV Canada and has served as President and Chief Operating Officer of the Global Television Network, and Executive Vice President at Bell Globemedia Inc.
D. Gregory Hall ⁽¹⁾ West Vancouver, British Columbia, Canada Director	July 19, 2011	Mr. Hall brings over 30 years of experience in the capital market sector. He recently retired as Director of SilverCorp Metals Inc. His experience in capital markets includes Director of Haywood Securities Inc., Vice President of Canaccord Capital Corporation and Senior Vice President of Leede Financial Markets Inc. Mr. Hall is a graduate of Rotman School of Management, University of Toronto, SME Enterprise Board Program and is a Member of the Institute of Corporate Directors.
Jeffrey D. Puritt ⁽²⁾ Toronto, Ontario, Canada Director	July 19, 2011	Mr. Puritt is currently President and Chairman of the Board of TELUS International. Prior to TELUS, Mr. Puritt served as Vice President, Corporate Development and General Counsel at Daedalian eSolutions where he was responsible to leading Daedalian's go-public transaction and then directed the sale of Daedalian to TELUS. Mr. Puritt is a graduate of York University, has his law degree from Osgoode Hall and is a member of the Law Society of Upper Canada.

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Corporate Governance and Compensation Committee.

As at the date hereof, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly or exercised control or direction over, 19,058,979 Common Shares or approximately 5.60% of the issued and outstanding Common Shares.

Corporate Cease Trade Orders or Bankruptcies

Other than as set forth below, no director or executive officer of the Corporation is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that:

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

Girvan L. Patterson was an officer of Northland Systems Training Inc. (“**Northland**”) in January 2003 when Northland became subject to a cease trade order from the Ontario Securities Commission, the Alberta Securities Commission, and the British Columbia Securities Commission for failure to file documents indicated within the required time period. The cease trade order remains in effect.

Other than as set forth below, no director or executive officer of the Corporation or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Northland was put into receivership in April of 2003, at which time Girvan L. Patterson was an officer of Northland. Subsequently, Northland sold all of its business to a third party, effectively ceased operations and was delisted from the TSXV.

Girvan L. Patterson has been a director of Plaintree Systems Inc. (“**Plaintree**”) since March 2000. In November of 2002, Plaintree filed a proposal to creditors under the *Bankruptcy and Insolvency Act* (Canada). Plaintree’s creditors approved the proposal on January 8, 2003 and Plaintree made its final payment under this arrangement to the trustee in August of 2003.

Penalties or Sanctions

No director, executive officer or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

No director or executive officer of the Corporation or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has, within 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

Conflicts of Interest

Certain directors and officers of the Corporation and its subsidiaries are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. In accordance with corporate laws, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Corporation. Some of the directors of the Corporation have either other employment or other business or time restrictions placed on them and accordingly, these directors of the Corporation will only be able to devote part of their time to the affairs of the Corporation. In particular, certain of the directors and officers are involved in managerial and/or director positions with other companies whose operations may, from time to time, provide financing to, or make equity investments in, competitors of the Corporation. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA.

AUDIT COMMITTEE INFORMATION

The Audit Committee is a committee of the Board of Directors to which the Board of Directors delegates its responsibility for oversight of the financial reporting process. The Audit Committee is also responsible for managing, on behalf of the shareholders, the relationship between the Corporation and the external auditor.

Pursuant to National Instrument 52-110 — *Audit Committees* ("NI 52-110") the Corporation is required to disclose certain information with respect to its Audit Committee, as summarized below.

Audit Committee Terms of Reference

The Corporation must, pursuant to NI 52-110, have a written charter which sets out the duties and responsibilities of its Audit Committee. The terms of reference of the Audit Committee are attached hereto as Schedule A.

Audit Committee Composition

The following are the members of the Audit Committee:

Girvan Patterson	Independent ⁽¹⁾	Financially Literate ⁽¹⁾
D. Gregory Hall	Independent ⁽¹⁾	Financially Literate ⁽¹⁾
Herb Willer	Independent ⁽¹⁾	Financially Literate ⁽¹⁾

Note:

(1) As defined by NI 52-110.

Relevant Education and Experience

All of the members of the Audit Committee have been either directly involved in the preparation of the financial statements, filing of quarterly and annual financial statements, dealing with auditors, or as a member of the Audit Committee. All members have the ability to read, analyze and understand the complexities surrounding the issuance of financial statements.

Audit Committee Member Biographies

Mr. Girvan Patterson

Mr. Patterson is currently Chief Executive Officer of GaN Systems Inc, a leading developer of semiconductors for cleantech applications. Until March 2007 he was a senior executive of Voxium Inc. and prior to that, Executive Vice President of Radialink Corp. From October 2001 to December 2002, he was CFO of Northland. He is currently a director of Plaintiffree and serves on the board of the Pearson Peacekeeping Centre. A Chartered Engineer, Mr. Patterson has extensive finance, technology and public company experience.

Mr. D. Gregory Hall

Mr. Hall brings over 30 years of experience in the capital market sector. He recently retired as Director of SilverCorp Metals Inc. His experience in capital markets includes Director of Haywood Securities Inc., Vice President of Canaccord Capital Corporation and Senior Vice President of Leede Financial Markets Inc. Mr. Hall is a graduate of Rotman School of Management, University of Toronto, SME Enterprise Board Program and is a Member of the Institute of Corporate Directors.

Mr. Herb Willer

Mr. Willer, a Chartered Accountant, was a global Arthur Andersen partner up to February 2002, and subsequently invested in Kingsdale Capital Markets Inc, where he has acted as the Head of Corporate Finance to March of 2007. Mr. Willer is also involved as an investor and a board member of private entrepreneurial companies including a role as Chairman of Mill St. Brewery in Toronto. Mr. Willer is also the founder and President of HMW Capital Inc. since March 2007. HMW is an investment banking and private equity firm.

As a global Arthur Andersen partner in charge of the firm's entrepreneurial practice in Ontario, Mr. Willer's experience included managing the growth of the professional practice, extensive corporate finance, strategic and operational consulting, audit engagement responsibilities, and managing technical financial reporting issues.

Pre-Approval Policies and Procedures

The Audit Committee had adopted specific policies and procedures for the engagement of non-audit services as described above under the heading "*External Auditors*" in the terms of reference of the Audit Committee is attached hereto as Schedule A.

External Auditor Service Fees

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years for audit and other fees are as follows:

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
2012	\$79,100	\$71,960	\$14,350	\$78,650
2011	\$67,000	\$Nil	\$9,400	\$30,910

LEGAL PROCEEDINGS

Other than as described below, there are no legal proceedings material to the Corporation to which the Corporation is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Corporation to be contemplated.

During the year ended June 30, 2012, the Corporation has settled the claim with GEM in the total amount of \$2,000,000. The settlement amount is payable in equal monthly installments of \$133,333 over 15 months. If the total settlement amount is paid before the final maturity date, the Corporation is entitled to a rebate of 0.75% for every month early from September 30, 2013 to the date payment is made in full. The Corporation can miss one payment without penalty provided payment is made by the next scheduled payment date. If the Corporation misses a second payment the settlement amount is deemed a consent judgment for \$2,750,000 against the Corporation. The Corporation has missed one payment as at the date of this Annual Information Form.

REGULATORY ACTIONS

There were no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority, or any other penalties or sanctions likely to be considered material by an investor, and the Corporation did not enter into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority during the year ended June 30, 2012.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no other material interests, direct or indirect, of directors and executive officers of the Corporation, any shareholder who beneficially owns more than 10% of the Common Shares, or any associate or affiliate of such persons in any other transactions within the last three years before the date hereof or in any other proposed transaction which has materially affected or could materially affect the Corporation or any of its subsidiaries, other than as set forth in Note 24, "Related Party Transactions and Advances from Related Parties", to the Corporation's June 30, 2012 annual consolidated financial statements, which information is incorporated herein by reference and can be found on SEDAR at www.sedar.com.

TRANSFER AGENTS AND REGISTRARS

The Corporation's transfer agent and registrar is Computershare Trust Company of Canada, at its Calgary office located at 600, 530-8th Avenue S.W., Calgary, Alberta T2P 3S8.

MATERIAL CONTRACTS

There are no material contracts entered into by Intertainment within the most recently completed financial year, or before the most recently completed financial year but which are still in effect, other than contracts entered into in the ordinary course of business and the share purchase agreement dated effective September 29, 2011 among the Corporation, Ortsbo Inc. and the SaaS Vendor.

NAMES AND INTEREST OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by the Corporation during, or related to, the Corporation's most recently completed financial year other than MSCM LLP, the Corporation's auditors.

MSCM LLP, Chartered Accountants, is the external auditor of Intertainment and is independent in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta, Canada.

ADDITIONAL FINANCIAL AND OTHER INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.SEDAR.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, options to purchase securities and interests of insiders in material transactions, where applicable, will be contained in the Corporation's information circular for the next annual meeting of shareholders that involves the election of directors and additional information as provided in the Corporation's comparative financial statements for its most recently completed financial year. Intertainment will provide this information to any person, upon request made to the Chief Financial Officer of the Corporation at 30 West Beaver Creek Road, Unit 111, Richmond Hill, Ontario L4B 3K1. The documents will also be located on SEDAR at www.sedar.com.

Additional financial information is provided in the Corporation's comparative financial statements and management's discussion and analysis for the year ended June 30, 2012 which are also available on SEDAR.

SCHEDULE A
AUDIT COMMITTEE TERMS OF REFERENCE

I. Mandate

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Corporation to regulatory authorities and shareholders, the Corporation's systems of internal controls regarding finance and accounting, and the Corporation's auditing, accounting and financial reporting processes. Consistent with this function, the Audit Committee will encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels. The Audit Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Corporation's financial reporting and internal control system and review the Corporation's financial statements.
- Review and appraise the performance of the Corporation's external auditors.
- Provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board of Directors.

II. Composition

The Audit Committee shall be comprised of three (3) directors as determined by the Board of Directors, the majority of whom shall be independent directors, pursuant to the policies of the TSX-V. At least one (1) member of the Audit Committee shall have accounting or related financial management expertise. All members of the Audit Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the terms of reference of the Audit Committee, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation's financial statements.

The members of the Audit Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Audit Committee may designate a Chair by a majority vote of the full Audit Committee membership.

III. Meetings

The Audit Committee shall meet at least twice annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Audit Committee will meet at least annually with management and the external auditors in separate sessions.

The minutes of the Audit Committee meetings shall accurately record the decisions reached and shall be distributed to the Audit Committee members with copies to the Board of Directors, the Chief Financial Officer or such other officer acting in that capacity, and the external auditor.

IV. Responsibilities and Duties

To fulfill its responsibilities and duties, the Audit Committee shall:

Documents/Reports Review

- 1) Review and update the terms of reference of the Audit Committee annually.
- 2) Review the Corporation's financial statements, management discussion and analysis and any annual and interim earnings, press releases before the Corporation publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

External Auditors

- 3) Require the external auditors to report directly to the Audit Committee.
- 4) Review annually the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Audit Committee as representatives of the shareholders of the Corporation.
- 5) Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Corporation and confirming their independence from the Corporation.
- 6) Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.
- 7) Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.
- 8) Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval and the compensation of the external auditors.
- 9) Review with management and the external auditors the terms of the external auditors' engagement letter.
- 10) At each meeting, consult with the external auditors, without the presence of management, about the quality of the Corporation's accounting principles, internal controls and the completeness and accuracy of the Corporation's financial statements.
- 11) Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.
- 12) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.
- 13) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Corporation's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:
 - (a) the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than five percent (5%) of the total amount of revenues paid by the Corporation to its external auditors during the fiscal year in which the non-audit services are provided;

- (b) such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and
- (c) such services are promptly brought to the attention of the Audit Committee by the Corporation and approved prior to the completion of the audit by the Audit Committee or by one or more members of the Audit Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Audit Committee.

Provided the pre-approval of the non-audit services is presented to the Audit Committee's first scheduled meeting following such approval, such authority may be delegated by the Audit Committee to one or more independent members of the Audit Committee.

Financial Reporting Processes

- 14) In consultation with the external auditors, review with management the integrity of the Corporation's financial reporting process, both internal and external.
- 15) Consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.
- 16) Consider and approve, if appropriate, changes to the Corporation's auditing and accounting principles and practices as suggested by the external auditors and management.
- 17) Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.
- 18) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
- 19) Review any significant disagreement among management and the external auditors regarding financial reporting.
- 20) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.
- 21) Review certification process.
- 22) Establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Other

- 23) Review any related-party transactions.

V. Authority

The Audit Committee may:

- (a) engage independent outside counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Audit Committee; and
- (c) communicate directly with the internal and external auditors.

The Audit Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.