BY SEDAR

October 29, 2015

Dear Sirs/Mesdames:
Re: 2014 Audited Annual Financial Statements

On March 11, 2015, Intertain Group Ltd. (“the Company”) released its 2014 Audited Consolidated Annual Financial Statements ("the Financial Statements") which unintentionally omitted the Unqualified Independent Auditors’ Report dated March 9, 2014. The Financial Statements which includes the Unqualified Independent Auditors’ Report dated March 9, 2014 is attached hereto. There is no change to the financial statements with this filing other than the inclusion of the Unqualified Independent Auditors Report. Please contact Intertain’s Investor Relations department with any questions you may have.

Yours truly,

THE INTERTAIN GROUP LTD.

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The Intertain Group Limited

Audited Consolidated Financial Statements

Year ended December 31, 2014

BDO

Independent Auditor's Report

To the Shareholders of The Intertain Group Limited

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

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

BDO LLP.

BDO LLP
London
United Kingdom

March 9, 2015

BSO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

The Intertain Group Limited

Consolidated Balance Sheets

December 31, 2014

(Canadian dollars)

	Note	As at December 31, 2014	As at December 31, 2013
ASSETS		**$**	$
Current assets			
Cash	6	**31,252,028**	1,281,572
Restricted cash	6	**327,637**	61,120,000
Prepaid expenses		**828,961**	–
Customer deposits		**1,355,505**	–
Receivables	8	**10,362,802**	–
Taxes receivable		**6,296,301**	–
Total current assets		**50,423,234**	62,401,572
Tangible assets	10	**490,447**	–
Intangible assets	10	**138,358,325**	–
Goodwill	5, 10	**142,382,207**	–
Other long term receivables		**336,219**	–
Total assets		**331,990,432**	62,401,572
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**22,001,474**	3,781,978
Interest payable		**–**	35,000
Payable to customers		**1,355,505**	–
Vendor take-back loan	5	**9,187,345**	–
Contingent consideration	5	**15,621,325**	–
Provision for taxes		**9,196,182**	–
Total current liabilities		**57,361,831**	3,816,978
Interest payable	5	**226,422**	–
Contingent consideration	5	**10,731,986**	–
Deferred tax liability	11	**4,425,819**	–
Vendor take-back loan	5	**3,773,702**	–
Convertible debentures	12	**14,443,506**	13,879,522
Bridge loan	14	**9,995,084**	–
Debentures	12	**47,392,931**	–
Total liabilities		**148,351,281**	17,696,500
Commitments	19		
Equity			
Shareholders' equity	12	**183,639,151**	44,705,072
Total equity		**183,639,151**	44,705,072
Total liabilities and equity		**331,990,432**	62,401,572

See accompanying notes

On behalf of the Board:

"John FitzGerald" — John FitzGerald, CEO

"Paul Pathak" — Paul Pathak, Director

The Intertain Group Limited

Consolidated Statement of Changes In Equity

For the year ended December 31, 2014

(Canadian dollars)

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

See accompanying notes

The Intertain Group Limited

Consolidated Statements of Comprehensive Income (Loss)

For the year ended December 31, 2014

(Canadian dollars)

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

See accompanying notes

The Intertain Group Limited

Consolidated Statements of Cash Flows

For the year ended December 31, 2014

(Canadian dollars)

	Note	Year ended December 31, 2014	Period ended December 31, 2013
		$	$
Operating activities			
Net loss for the period		**(26,067,946)**	(1,003,239)
Add (deduct) items not involving cash			–
Amortization	10	**14,831,041**	–
Share-based compensation expense		**1,116,537**	–
Deferred tax recovery		**(412,000)**	–
Tax provision		**793,934**	–
Fair value adjustment to contingent consideration		**3,381,140**	–
Interest expense		**4,556,017**	–
Loss on foreign exchange forward		**2,084,053**	–
Common shares issued upon amalgamation	1	**856,000**	–
		1,138,776	(1,003,239)
Change in non-cash operating items			
Prepaid expenses		**(828,961)**	–
Interest payable		**191,422**	35,000
Accounts payable and accrued liabilities		**6,810,504**	3,781,978
Long term receivables		**(336,219)**	–
Receivables		**(2,320,801)**	–
Total cash provided by operating activities		**4,654,721**	2,813,739
Financing activities			
Restricted cash		**60,792,363**	(61,120,000)
Proceeds from issuance of debentures, net of costs	12	**49,494,312**	17,043,500
Proceeds from bridge loan	14	**9,995,084**	–
Interest paid	7	**(2,960,272)**	–
Principal payments made on vendor take back loan	5	**(6,226,298)**	–
Dividend paid	12	**(431,862)**	–
Proceeds from exercise of warrants	12	**43,320,894**	41,010,900
Proceeds from issuance of common shares, net	12	**52,701,535**	1,532,863
Total cash provided by (used in) financing activities		**206,685,756**	(1,532,737)
Investing activities			
Purchase of tangible assets	10	**(123,328)**	–
Business acquisitions net of cash	5	**(181,009,166)**	–
Total cash used in investing activities		**(181,132,494)**	–
Net increase in cash during the period		**30,207,982**	1,281,002
Cash and cash equivalents, beginning of period		**1,281,572**	–
Exchange (losses)/gains on cash and cash equivalents		**(237,526)**	570
Cash and cash equivalents, end of period		**31,252,028**	1,281,572
See accompanying notes			
Restricted cash		327,637	61,120,000
Total cash, end of period		**31,579,665**	**62,401,572**

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

[*in Canadian dollars, except where otherwise noted]*
For the year ended December 31, 2014

1. CORPORATE INFORMATION

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

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

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

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

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

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

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

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

2. BASIS OF PREPARATION

Basis of presentation

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

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

Basis of consolidation

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

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

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

Name	Country of Incorporation and principal place of business
Intertain Holdings Inc.	Canada
Wagerlogic Malta Holdings Ltd	Malta
Cryptologic Operations Ltd.	Malta
Cryptologic Trading Ltd.	Malta
Wagerlogic Alderney Ltd.	Alderney
Wagerlogic Israel Ltd.	Israel
Mandalay Media Ltd.	Bahamas
Jet Management Ltd.	Bahamas
Jet Media Ltd.	Gibraltar
Intertain Management (UK) Ltd.	UK
Dumarca Holdings Ltd.	Malta
Dumarca Gaming Ltd.	Malta
Plain Support SA	Costa Rica
Dumarca Asia	Hong Kong
Simplicity V8	Hong Kong
Intertainment Asia Inc.	BVI
Entserv Asia Ltd.	Japan
BEAT	Sweden

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

Revenue recognition

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

Fair value measurement

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

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

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

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

> Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
> Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
> Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Foreign currency translation

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

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

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

Financial instruments

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

Fair value through profit or loss

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

Loans and receivables

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

Financial Liabilities at Amortized Cost

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

Impairment of financial assets

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

Compound financial instruments

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

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

Offsetting of financial instruments

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

Income taxes

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

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

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

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

Tangible assets

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

Computer hardware	Straight-line over three years
Office furniture	Straight-line over five years
Leasehold improvements	Straight-line over the term of the lease

Intangible assets

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

Brand	Straight-line over 20 years
Gaming licenses	Straight-line over 20 years
Software	Straight-line over 5 years
Revenue Guarantee and customer lists	Based on the timing of when estimated cash inflows will be earned

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

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

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

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

Stock based compensation

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

Earnings per share

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

Provisions

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

Research and development costs

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

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

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

Leases

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

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

Warrants

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

4. SUMMARY OF ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Taxes

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

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

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

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

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

Business combinations

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

Goodwill and intangibles assets valuation

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

5. BUSINESS COMBINATIONS

InterCasino Purchase

On February 11, 2014, Goldstar acquired 100% of the issued share capital of WagerLogic, the parent company of CryptoLogic which operates an online casino under the brand "InterCasino". The Company completed the transaction at a purchase price of $70,000,000, less working capital adjustments, which consisted of a cash payment of approximately $60,000,000 and the issuance of a $10,000,000 vendor take-back in the form of a promissory note, bearing interest of 6.0% per annum payable semi-annually in arrears beginning in the second year following its issuance and maturing on the fourth anniversary. On September 30, 2014, the Company made a principal payment of $5,237,460 on this promissory note. On December 31, 2014, the Company made a second principal payment of $988,838 with a remainder of $3,773,702 outstanding as at December 31, 2014.

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

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

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

[in Canadian dollars, except where otherwise noted]

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

	$
Assets acquired	
Cash*	**7,515,685**
Accounts receivable	**118,169**
Player deposits	**1,018,582**
Prepayments	**6,216**
Intangibles assets	**15,935,497**
Goodwill	**48,142,808**
	72,736,957
Liabilities assumed	
Accounts payable and accrued liabilities	**163,937**
Deferred tax liability	**790,000**
Due to players	**1,018,582**
	70,764,438
Source of financing	
Cash*	**59,975,557**
Vendor take back promissory note	**10,000,000**
Fair value of contingent consideration	**788,881**
	70,764,438

**$7,500,000 of cash acquired was used to settle the purchase price of the Acquisition.*

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

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

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

[in Canadian dollars, except where otherwise noted]

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

Mandalay Purchase

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

	$
Assets acquired	
Cash	**362,703**
Accounts receivable	**5,133,729**
Prepayments	**8,603**
Intangible assets	**62,367,270**
Goodwill	**30,418,233**
	98,290,538
Liabilities assumed	
Accounts payable and accrued liabilities	**3,984,942**
	94,305,596
Source of financing	
Cash	**83,004,047**
Fair value of contingent consideration	**11,301,549**
	94,305,596

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

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

[in Canadian dollars, except where otherwise noted]

Vera&John Purchase

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

	$
Assets acquired	
Cash	**17,637,842**
Accounts receivable	**1,758,985**
Income tax receivable	**1,816,859**
Prepayments	**1,016,299**
Capital assets and other non-current assets	**544,330**
Intangible assets	**75,994,080**
Goodwill	**63,159,578**
	161,927,973
Liabilities assumed	
Deferred tax liabilities	**4,047,819**
Accounts payable and accrued liabilities	**9,379,782**
	148,500,372
Source of financing	
Cash	**63,545,796**
Share Capital	**65,272,676**
Fair value of contingent consideration	**10,494,556**
Vendor take back promissory note	**9,187,344**
	148,500,372

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

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

Since the date of acquisition, these business combinations have contributed $40,776,239 (InterCasino - $21,927,743, Mandalay - $17,248,363, Vera&John - $1,600,133) in revenue and other income and $7,675,582 (InterCasino - $6,393,059, Mandalay - $843,490, Vera&John - $439,032) in net income to the Company.

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

6. RESTRICTED CASH

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

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

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

[in Canadian dollars, except where otherwise noted]

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

7. FINANCE EXPENSE/INCOME

	December 31, 2014 $	December 31, 2013 $
Interest earned on cash held during the year	**167,680**	-
Total finance income	**167,680**	
Interest accrued for related to the vendor take back loans	**271,422**	-
Interest paid on convertible debentures and debentures	**2,960,272**	81,570
Interest accretion recognized on contingent considerations	**597,728**	-
Interest accretion recognized on convertible debentures and debentures	**894,275**	-
Fair value adjustment to contingent consideration	**3,381,140**	
Total finance expenses	**8,104,837**	81,570

8. RECEIVABLES

Receivables consisted of the following items:

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

[in Canadian dollars, except where otherwise noted]

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

9. DERIVATIVE FINANCIAL INSTRUMENTS

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

10. TANGIBLE AND INTANGIBLE ASSETS

Tangible assets:

	Furniture and Computer Equipment	**Leasehold Improvements**	**Total**
	$	$	$
Cost			
Balance, January 1, 2014	-	-	-
Additions through acquisition	209,827	210,116	**419,943**
Additions	80,783	42,545	**123,328**
Balance, December 31, 2014	290,610	252,661	**543,271**
Accumulated amortization			
Amortization	32,794	20,030	52,824
Balance, December 31, 2014	32,794	20,030	**52,824**
Carrying value			
December 31, 2014	**257,816**	**232,631**	**490,447**

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[*in Canadian dollars, except where otherwise noted]*
For the year ended December 31, 2014

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

Goodwill Impairment Testing

For the purpose of the annual impairment test, goodwill has been allocated to each operating segment of the business. As the Mandalay and Vera&John acquisition occurred recently, management determined that there were no factors that could change the carrying value from those at the date of acquisition. The recoverable amount of the InterCasino cash-generating unit ("CGU") has been determined based on a fair value less selling costs calculation using cash flow projections from financial forecasts approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand for products and services. The pre-tax discount rate applied to cash flow projections is 20% and cash flows beyond the five-year period are extrapolated using a 2.0% growth rate. It was concluded that the fair value less cost to sell are in excess of the carrying value.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

[in Canadian dollars, except where otherwise noted]
For the year ended December 31, 2014

11. TAXES AND DEFERRED TAXES

	December 31, 2014 $	December 31, 2013 $
Current tax expense:		
Total current tax on profits for the period	**793,934**	-
Deferred current tax:		
Origination and reversal of temporary differences related to business combinations	**(412,000)**	-

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

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

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

Deferred Taxes:

	2014 $	2013 $
At January 1	**-**	-
Arising on business combinations	**4,837,819**	-
Recognized in profit and loss	**(412,000)**	-
At December 31	**4,425,819**	-

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

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For the year ended December 31, 2014

12. SHARE CAPITAL AND CONTRIBUTED SURPLUS

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

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

Common Shares

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

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

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

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

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

Warrants

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

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

Series B Warrants have an exercise price of $7.75 per share and expire on July 14, 2016 and were valued at $3,868,761 using the Black-Scholes valuation technique. On November 7, 2014, the Company elected to accelerate the expiry date of the Series B Warrants through certain acceleration provisions contained in the warrants which allow for the Company to cause the Series B Warrants to expire within 30 days if the Company's common shares trade at a 50% premium to the exercise price of the Series B Warrants for 20 consecutive trading days. 3,914,538 Series B warrants were exercised prior to their expiry on December 7, 2014.

Debentures

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

Convertible debentures

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

Share Options

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

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

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

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

[in Canadian dollars, except where otherwise noted]

Share-Based Compensation Expense

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

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

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

[1] Determined using the yield on Government of Canada benchmark bonds with a remaining term equal to the expected option life.
[2] Based on the annual dividend yield on the date of grant.
[3] Estimated by considering comparable entities price volatility.
[4] Estimated based upon the anticipated holding period of options between the grant and exercise dates, together with the assumption that a certain percentage of options will lapse due to forfeitures.

Dividend

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

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[*in Canadian dollars, except where otherwise noted]*
For the year ended December 31, 2014

13. EARNINGS PER SHARE

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

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

[1] In the case of a net loss, the effect of common share options and warrants potentially exercisable on diluted net loss per common share will be anti-dilutive; therefore, basic and diluted net loss per common share will be the same.

[2] An assumed conversion of convertible debentures have an anti-dilutive effect on EPS.
[3] Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.
[4] Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period and adjusted for the number of potentially dilutive share options and contingently issuable instruments.

14. RELATED PARTY TRANSACTIONS

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

[in Canadian dollars, except where otherwise noted]

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

15. COMPENSATION OF KEY MANAGEMENT

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

	Year ended December 31, 2014	**Period ended December 31, 2013**
	$	**$**
Salaries, bonuses, benefits*	**6,445,568**	**-**
Stock-based compensation	**743,477**	**-**
Total	**7,189,045**	**-**

*Compensation paid to management included in acquisition costs is included in this balance.

[in Canadian dollars, except where otherwise noted]

16. FINANCIAL INSTRUMENTS

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

Financials assets

	Loans and receivables	
	December 31, 2014 $	**December 31, 2013 $**
Cash and restricted cash	**31,579,665**	**62,401,572**
Receivables	**10,362,802**	**-**
Long term receivables	**336,219**	**-**
Customer deposits	**1,355,505**	**-**

Financial liabilities

	Financial liabilities at amortized cost	
	December 31, 2014 $	**December 31, 2013 $**
Accounts payables and accrued liabilities	**22,001,474**	**3,781,978**
Interest payable	**226,422**	**35,000**
Customer deposits	**1,355,505**	**-**
Vendor take back loans	**12,961,047**	**-**
Debentures	**47,392,931**	**-**
Convertible debentures	**14,443,506**	**-**
Bridge loan	**9,995,084**	**-**

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

Financial liabilities

	Financial liabilities held at fair value	
	December 31, 2014 $	**December 31, 2013 $**
Contingent considerations	**26,353,311**	**-**

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Fair Value hierarchy

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

	Level 3	
	December 31, 2014 $	December 31, 2013 $
Contingent considerations	**26,353,311**	-

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

17. FINANCIAL RISK MANAGEMENT

Credit Risk

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

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

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

[in Canadian dollars, except where otherwise noted]

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

Interest Rate Risk

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

Foreign exchange risk

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

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

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

As at December 31, 2014:	**Net foreign currency financial assets**	**Effect of 10% weakening in foreign exchange rates on comprehensive income**	**Effect of 10% weakening in foreign exchange rates on comprehensive income**
British pound sterling	**2,972,676**	**297,268**	**(297,268)**
New Israeli shekel	**639,987**	**63,999**	**(63,999)**
EURO	**7,468,843**	**746,884**	**(746,884)**
United States dollar	**4,833,249**	**483,325**	**(483,325)**

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

[in Canadian dollars, except where otherwise noted]

Liquidity Risk

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

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

December 31, 2014

	On demand	**Less than 1 year**	**1-2 years**	**4-5 years**	**More than 5 years**
	$	**$**	**$**	**$**	**$**
Payable and accrued liabilities	22,001,474	-	-	-	-
Interest payable	-	-	226,422	-	-
Payable to customers	1,355,505	-	-	-	-
Contingent consideration	-	15,708,102	11,984,180	-	-
Convertible debentures	-	-	-	17,500,000	-
Bridge loan	-	-	-	9,995,084	-
Debentures	-	-	-	51,175,000	-
Vendor take-back loan	-	9,187,345	-	3,773,702	-
	23,356,979	**24,895,447**	**12,210,602**	**82,443,786**	**-**

December 31, 2013

	On demand	Less than 1 year	1-2 years	4-5 years	More than 5 years
	$	$	$	$	$
Payable and accrued liabilities	3,781,978	-	-	-	-
Interest payable	-	35,000	-	-	-
Convertible debentures	-	-	-	17,500,000	-
	3,781,978	35,000	-	17,500,000	-

18. CAPITAL MANAGEMENT

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

19. COMMITMENTS

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

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

20. SEGMENT INFORMATION

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

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

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

	InterCasino $	Mandalay $	Vera&John $	Corporate $	Total $
Total revenue and other income	**21,927,743**	**17,248,363**	**1,600,133**	**-**	**40,776,239**
Income (loss) before taxes	**6,393,059**	**843,490**	**439,032**	**(33,361,593)**	**(25,686,012)**

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

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

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

21. SUBSEQUENT EVENTS

Jackpotjoy Acquisition

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

Credit Facilities

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

The Credit Facilities will consist of (i) a seven-year US$335.0 million first-lien term loan credit facility, to be used (together with the net proceeds of the Offering (as defined below)) to finance the Jackpotjoy purchase price, refinance certain indebtedness of the Company, and for working capital purposes, and (ii) a five-year senior secured US$17.5 million revolving credit facility to be used for working capital and general corporate purposes.

Subscription Receipts

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

The Subscription Receipts were sold pursuant to an underwriting agreement with a syndicate of underwriters led by Canaccord Genuity Corp. and began trading on the Toronto Stock Exchange under the symbol "IT.R" on February 26, 2015. Each Subscription Receipt will entitle the holder to receive, upon the satisfaction of all conditions precedent to the Jackpotjoy Acquisition but for the payment of the purchase price and any other amounts to be satisfied by the release of the escrowed funds, without payment of additional consideration or further action, one common share of the Company in exchange for each Subscription Receipt. The net proceeds of the Offering will be used to fund, in part the Jackpotjoy Acquisition; certain costs related to the Jackpotjoy Acquisition; the repayment of certain indebtedness, including but not limited to the early redemption of the Company's senior secured debentures; and for general corporate purposes.

22. RECENT ACCOUNTING PRONOUNCEMENTS

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

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

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