MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management Discussion and Analysis ("MD&A") provides information concerning financial condition, results of operations and cash flows for NYX Gaming Group Limited ("NYX", "we", "us", or "our"), on a consolidated basis for the three months and year ended December 31, 2016. This document should be read in conjunction with the information contained in our audited consolidated financial statements and related notes for the year ended December 31, 2016 and December 31, 2015 and the MD&A thereon, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements and additional information regarding our business is available at www.sedar.com and on our website at www.nyxgg.com.

Certain statements in this document are about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments that constitute forward-looking statements and prepared by our management in accordance with standard practice. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indicates", "anticipates", "believes", "estimates", "predicts", "likely", "potential", or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. Applicable risks and uncertainties include, but are not limited to: credit, market, currency, operational, liquidity, and funding risks, including changes in economic conditions, interest rates or tax rates, the impact of government regulation on the online gaming industry and the risk that such regulation is subject to change, competition from other providers of online gaming services, the possibility that we may be unable to successfully integrate our OpenBet and Betdigital acquisitions (as described herein), the risks associated with international and foreign operations, the impact of consolidations in the online gaming industry, and the other risks identified under the heading "Risk Factors" in our final long form prospectus dated December 18, 2014, our final short form prospectus dated July 9, 2015 and July 14, 2016, as filed on SEDAR at www.sedar.com, and in other filings that NYX may make with applicable securities authorities in the future. Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding our financial performance and may not be appropriate for other purposes. Readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this document are made as of the date of this document, and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities regulations. The forward-looking statements contained in this document are expressly qualified by this cautionary statement. Some of the information contained in this discussion and analysis contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially from those indicated or underlying forward-looking statements as a result of various factors. This MD&A reflects information available to us at April 25, 2017 and relates to the year ended December 31, 2016.

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS, and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures, including Adjusted EBITDA, to provide investors with supplemental measures of our operating performance. We believe non-IFRS measures are important supplemental measures of operating performance because they eliminate items that have less bearing on our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors, and other interested parties frequently use non-IFRS measures in the evaluation of companies, many of which present similar metrics when reporting their results. Our Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period and to prepare annual operating budgets. Because other companies may calculate these non-IFRS measures differently than we do, these metrics are not comparable to similarly titled measures reported by other companies.

For reporting purposes, we prepared the consolidated financial statements in Canadian dollars and in conformity with IFRS as adopted by the International Accounting Standards Board. Unless otherwise indicated, all dollar ($) amounts in this MD&A are expressed in Canadian dollars. References include British Pounds (£), Euros (€), Swedish Krona (kr), United States dollars (US $), Singapore dollars (S$), and Australian dollars (AU$).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

NYX Gaming Group Limited is a digital gaming software supplier engaged in the design, development, manufacture and distribution of digital gaming solutions for interactive, social, and mobile gaming worldwide. We provide a comprehensive suite of gaming solutions, a distribution platform, full gaming process support services, brand and player management, and both real-money gaming and social gaming products and services. We have 1,040 employees (including 537 engineers and developers) and over 180 customers. We currently provide our technology to customers in the United Kingdom, Malta, Sweden, Canada, France, Denmark, Netherlands, Alderney, Singapore, Gibraltar, and the United States. Our registered offices are in Guernsey with principal offices in the United States, United Kingdom, Sweden, Australia, Malta, and Greece.

Our software platform is built on a fully-flexible system that is deployable within the international gaming industry. It supports all parts of our customers' business (interactive, mobile, and social networks). Our content platform has approximately 750 proprietary and over 900 third-party supplied lottery, bingo, and casino games developed to address the multi-channel content and distribution strategies of our customers. Our software platform supports online interactive game play and enables the deployment of software applications for casino, lottery, bingo, poker, mini-games, and social games over web-based, tablet/mobile, and social media applications. Our solutions are designed to provide a complete account suite with full back-office capabilities, including tournaments, bonuses, affiliates, campaigns, data warehouses, and data mining across multiple products, all while providing players with community and social media-based entertainment content to maximize their playing experience.

We believe we are well positioned for future growth in the digital gaming industry due to our content, platform technology, distribution capabilities, which provide best-of-breed solutions for our customers. With established brand-name customers already using our products and services, our platform is capable of further deployment with large operators and technology providers.

We offer a range of products and services, including:

- Platform and technology: Our full suite of digital gaming platform solutions;
- Sportsbook: Built from the ground-up as a highly flexible and performance sportsbook, our platform is able to cope with the very specific demands of today's sportsbooks and sportsbook customers. The OpenBet sportsbook platform can offer any type of sport (or non-sport) event and any type of betting market across both fixed-odds and pari-mutuel betting styles;
- Content: Proprietary library of more than 750 web and mobile enabled games, including casino, bingo, and lottery games and over 900 games from various third-party content suppliers;
- Poker: Offering in-house and licensed poker solutions in Europe and North America; and
- Social: Fully-hosted gaming platform including casino, bingo, lottery, and poker products.

The Board of Directors approved this MD&A on April 25, 2017.

Recent Highlights

Acquisition of OpenBet

On May 20, 2016, we closed the share purchase agreement with Vitruvian Partners LLP for the acquisition of OpenBet OB Topco Limited ("OpenBet"), pursuant to which we acquired 100% of the issued and outstanding shares of OpenBet, a supplier of platform software and related services to operators in the gaming industry. The total deal value of $515.2 (£270.0) million, which included repayment of OpenBet's $181.3 (£95.0) million existing third-party debt, was paid in cash and financed as described below:

- $227.5 (£125.0) million senior secured credit facilities from a leading alternative credit provider, consisting of a $218.4 (£120.0) million term loan facility and a $9.1 (£5.0) million revolving credit facility;
- $7.0 million in aggregate of new debentures under the existing debenture facility;
- $145.6 (£80.0) million and $36.4 (£20.0) million from William Hill Steeplechase Limited ("William Hill") and Cyan Blue Holdco 4 Limited through convertible preference shares;
- $10.5 million investment by a strategic investor in unsecured convertible debentures; and
- $150.0 million, or 54,550,000, of subscription receipts at a price of $2.75. The subscription receipts subsequently converted into special warrants and ultimately were deemed to be exercised for an aggregate of 54,550,000 ordinary shares of NYX and 13,637,500 ordinary share purchase warrants on July 20, 2016.

Revenue and net income subsequent to the closing date of the acquisition included in the consolidated income statement for the year ended December 31, 2016 was $78.4 million and $61.4 million, respectively. The net income included a $52.6 million gain on fair value adjustment to the derivatives related to OpenBet's debt instrument during the year ended December 31, 2016.

Acquisition of Betdigital

On May 27, 2016, we acquired Betdigital, a UK based supplier of gaming content and platforms. The acquisition of Betdigital, a creator of content and systems for online, mobile, interactive TV and land-based gaming platforms, provided us with a game development platform and studio that caters to the UK retail and online markets. The maximum aggregate consideration payable inclusive of the upfront payment and earnout payment is £24.5 million. The purchase price consists of an upfront cash payment of £3.5 million, as well as an earnout to be paid over three years, which may be made in cash or shares at our option.

Revenue and net loss subsequent to the closing date of the acquisition included in the consolidated income statement for the year ended December 31, 2016 was $2.3 million and $0.8 million, respectively.

Prior Year Acquisitions

During the year ended December 31, 2015, we made the following acquisitions:

- Side City (November 20, 2015), located in Montreal, Canada and produces graphics, sound and animations and delivers these either individually or as complete games;
- eGaming Consulting ("EGC") (August 7, 2015), an online poker and related casino games product;
- Chartwell and CryptoLogic (July 31, 2015), included gaming content and real-money gaming platform;
- Game360 Limited (May 20, 2015), designs and distributes online gaming content and sports betting software solutions, operating in the Italian regulated market; and
- SNG (May 28, 2015 - remaining 50% interest), provides real-money gaming solutions to casinos in New Jersey.

Sale of European Poker Business

In April 2016, we announced our intent to sell EGC, and subsequently closed the operations of Ongame, collectively our entire European poker business. As of December 31, 2016, we had not closed the sale of EGC. As part of the agreement to sell EGC, a partner with experience in the industry will assume all costs, customer contracts and development for the poker product. Because the European poker business was not considered a major line of business or geographical area of operations, management determined that the closure and potential sale of this division did not meet the qualifications for discontinued operations under IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. The European poker business historically had net losses negatively impacting operating results; therefore, management does not believe the sale or closing of this division will have a material negative impact in future periods.

Other Business Highlights

On September 26, 2016, we were recognized with the Digital Gaming Innovator award at the 2016 Global Gaming Awards held in Las Vegas, Nevada. We won the award specifically for our online slot, "Witch Pickings", which introduced industry-unique bonus features and has been a top performing game since we launched it earlier this year.

On November 3, 2016, we announced that we had been granted unconditional registration as a Class B Supplier from the Gaming Policy and Enforcement Branch in British Columbia. The registration permits us to deploy our market-leading content in British Columbia for the first time. Our sportsbook technology business, OpenBet, was certified in Canada in 2012, where we have longstanding partnerships with British Columbia Lottery Corporation ("BCLC"), Loto-Québec and the Atlantic Lottery Corporation. In 2016, BCLC's combined net win grew to $2.36 billion with much of the growth attributed to the expansion of online gaming, which delivered 24.0% year-over-year growth.

State of Our Company

During the fourth quarter of 2016, we signed 16 new agreements for our Open Gaming System ("OGS") and Open Platform System ("OPS") with Televisa, NeoGames Sazka, bwin, Evoke and Planetwin365. We successfully launched our OGS content across 14 new client sites including Luckia, Evoke, CIE NJ, Casumo and Rank Mecca.

During the year ended December 31, 2016, we signed a total of 46 new agreements for our OGS and OPS with operators such as Paddy Power, Telecinco, Marathonbet, Solverde, Luckia, ComeOn, and Televisa. Additionally, we successfully launched our OGS content across a total of 50 new client sites during 2016 including Mybet, Sisal, SNAI, Goalbet, Luckia, Evoke, CIE NJ, Casumo, and Rank Mecca.

As of December 31, 2016, our development pipeline remains strong as we held commitments with 24 customers that have not yet launched. This includes two OPS deals and 22 OGS deals. As of March 31, 2017, we signed 11 new deals and launched six new clients since year end.

Our NYX content studios released 79 new games during the year ended December 31, 2016. The number of game instances (i.e., unique game installations) across our distribution network grew from 52,727 in 2015 to 95,089 in 2016, or 80.3% growth.

Selected Financial Information

	Three Months Ended December 31,		Twelve Months Ended December 31,		
CAD$ (in 000s, except per share)	**2016**	**2015**	**2016**	**2015**	**2014**
Total revenue	54,508	18,377	163,733	52,309	27,278
Gross profit	48,142	15,838	144,211	44,798	24,082
Gross profit %	88.3%	86.2%	88.1%	85.6%	88.3%
Net loss	(61,120)	(10,739)	(57,936)	(8,403)	(7,006)
Basic and diluted loss per share	(0.57)	(0.21)	(0.77)	(0.20)	(0.25)
Total assets	752,376	291,812	752,376	291,812	68,397
Total non-current liabilities	472,017	97,633	472,017	97,633	12,852

We have historically produced, marketed, and distributed our innovative solutions through direct sales channels via our worldwide sales team. Our direct customers are digital operators that operate in regulated gaming jurisdictions, as well as land-based slot manufacturers and other legal gaming operators. Commercialization is typically preceded by securing a supplier's or manufacturer's license from the gaming jurisdiction, and by receiving technical product approval from independent testing laboratories or the jurisdiction's test labs. Once the order stage is reached, a supply agreement is usually established and one or multiple deliveries are processed under the supply agreement. Within our Diversified Gaming Solutions segment we further evaluate revenue performance by revenue stream. The increase in revenue and gross profit for the twelve months ended December 31, 2016, compared to the twelve months ended December 31, 2015, was attributable to a number of factors including the results of operations from OpenBet and Betdigital (both acquired in May 2016), a full year of Cryptologic and Chartwell (acquired in July 2015), increased gaming revenues from our existing customers, and new customer launches.

	Three Months Ended December 31,		Twelve Months Ended December 31,	
CAD$ (in 000s)	**2016**	**2015**	**2016**	**2015**
Royalty and license	26,025	15,841	90,723	44,178
Professional services	25,119	1,158	63,178	2,511
Social gaming	3,364	1,378	9,832	5,620
Total	**54,508**	**18,377**	**163,733**	**52,309**

	Three Months Ended December 31,		Twelve Months Ended December 31,	
CAD$ (in 000s)	**2016**	**2015**	**2016**	**2015**
Marketing costs	1,478	1,437	5,562	4,442
Administrative costs	9,837	2,980	29,097	9,908
Personnel costs	24,399	10,071	74,526	31,874
Depreciation	964	242	2,132	698
Amortization	11,325	4,317	29,445	9,659
Impairment of intangibles	21,438	3,189	27,923	3,189
Impairment of goodwill	65,949	1,498	66,115	1,498
Acquisition and restructuring costs	2,912	1,202	19,724	9,839
Capitalized development	3,960	2,840	11,833	9,298
Interest expense, net	11,595	2,066	30,218	4,060
Fair value adjustment to derivative	(46,214)	(1,115)	(93,218)	(6,621)
Foreign exchange	746	1,571	229	3,554
Other (income) expense, net	2,021	(153)	(4,613)	(348)

General and administrative expenses include distribution, remuneration of related personnel, professional fees associated with consultants, tax, accounting and legal advice, travel and trade show activities, gaming license fees, insurance costs, facilities, communications and general office expenditures. The portion of the remuneration included in personnel costs that relate to the compensation of our software engineering group was expensed, except in cases where development costs meet certain identifiable criteria for deferral. Accordingly, development costs, which have a probable future economic benefit and can be clearly defined and measured, and are incurred for the development of new products or technologies, were capitalized. These development costs are not amortized until the products or technologies are commercialized, at which time, they are amortized over the estimated life of the commercial production. We review these capitalized assets for impairment on an annual basis. The increase in expense for the three months and twelve months ended December 31, 2016 over the prior year periods was due primarily to our Cryptologic and Chartwell acquisition, which closed July 31, 2015, and our OpenBet and Betdigital acquisitions, which closed May 20, 2016 and May 27, 2016, respectively. The main driver of increased personnel cost was the increase in employee headcount to 1,040, including 537 engineers, as of December 31, 2016. Of the total employee headcount, the OpenBet acquisition contributed 633 employees as of December 31, 2016. Employee headcount was 448, including 245 engineers, as of December 31, 2015.

Exchange Rate

We conduct the majority of our business transactions in seven currencies: British pounds, Euros, Swedish Krona, Singapore dollars, Canadian dollars, U.S. dollars, and Australian dollars. Most of our sales are denominated in British pounds, Euros, and U.S. dollars. The majority of our operating expenses (i.e., salaries and operating costs) are paid from one of our primary operating subsidiaries based in Sydney, Stockholm, Athens, London and Las Vegas, and therefore, our expenses are primarily denominated in Australian dollars, Swedish Krona, Euros, British pounds, and U.S. dollars. As such, we are exposed to the risk of fluctuations in the currency exchange rates. At this time, we do not have a hedging program to mitigate the impact of fluctuations between these currencies, as these activities can experience negative repercussions themselves.

Summary of Results by Quarter

CAD$ (in 000s, except per share amounts)	4th Quarter 2016	3rd Quarter 2016	2nd Quarter 2016	1st Quarter 2016	4th Quarter 2015	3rd Quarter 2015	2nd Quarter 2015	1st Quarter 2015
Total revenue	54,508	54,364	35,211	19,651	18,377	13,297	10,698	9,938
Net income (loss)	(61,120)	41,350	(29,030)	(9,134)	(10,739)	(6,499)	13,868	(5,034)
Basic income (loss) per share	(0.57)	0.45	(0.56)	(0.18)	(0.21)	(0.14)	0.41	(0.15)
Diluted income (loss) per share	(0.57)	0.44	(0.56)	(0.18)	(0.21)	(0.14)	0.31	(0.15)

Seasonality

Historically, we have noticed a slight decline across all of our product and service revenues during the months June, July, and August, as end-users tend to spend more time outdoors during the aforementioned months and less time gaming. However, such seasonal impact on our financial position has been significantly reduced over the past few years given the increased use of our games on mobile devices, which enables our games to be played by end-users anywhere in the relevant jurisdiction and at any time. Our social gaming business does experience increases in revenue during the fourth quarter as this revenue stream is based on advertising rates which are generally stronger during the holiday season and weaker during the first quarter of the year.

Comparison of the Three and Twelve Months Ended December 31, 2016 and December 31, 2015

Revenue

Revenue for the three months ended December 31, 2016 increased to $54.5 million, or 196.6%, from $18.4 million for the three months ended December 31, 2015. All revenue categories grew significantly as a result of a full quarter contribution from our OpenBet acquisition in the amount of $30.4 million, which we acquired May 20, 2016, and 14 new client site launches of our OGS content during the current year quarter. Royalty and license revenue for the quarter increased $10.2 million, or 64.3%, to $26.0 million from $15.8 million for the same period in the prior year. Professional services revenue for the quarter increased $24.0 million to $25.1 million from $1.2 million for the same period in the prior year due primarily to the acquisition of OpenBet during the current year.

Revenue for the twelve months ended December 31, 2016 increased $111.4 million, or 213.0%, to $163.7 million from $52.3 million for the twelve months ended December 31, 2015. As was the case above, all revenue categories grew significantly as a result of our OpenBet acquisition during the current year, as well as our prior year acquisition of Cryptologic and Chartwell. Additionally, we launched our OGS content across 50 new client sites during the current period. Revenue from Chartwell and Cryptologic and OpenBet was $8.5 million and $78.4 million, respectively, for the twelve months ended December 31, 2016. Royalty and license revenue for the twelve-month period increased $46.5 million, or 105.4%, to $90.7 million from $44.2 million for the same period in the prior year. Professional Services revenue for the twelve-month period increased $60.7 million to $63.2 million from $2.5 million for the same period in the prior year.

Gross Profit

Gross profit increased by $32.3 million, or 204.0%, for the three months ended December 31, 2016 to $48.1 million, compared to $15.8 million the three months ended December 31, 2015. Gross profit margin was 88.3% for the three months ended December 31, 2016, compared to 86.2% for the three months ended December 31, 2015. The increase in gross profit was a result of a revenue increase from the underlying core casino business and the revenue impact from acquisitions.

Gross profit increased by $99.4 million, or 221.9%, for the twelve months ended December 31, 2016 to $144.2 million, compared to $44.8 million for the twelve months ended December 31, 2015. Gross profit margin was 88.1% for the twelve months ended December 31, 2016, compared to 85.6% for the twelve months ended December 31, 2015. The increase in gross profit was a result of a revenue increase from the underlying core casino business and the revenue impact from acquisitions.

General and Administrative Expenses

General and administrative expenses ("G&A") includes marketing, administrative, and personnel expenses. G&A increased by $21.2 million to $35.7 million for the three months ended December 31, 2016, compared to $14.5 million for the three months ended December 31, 2015. The increase was due primarily to the higher operating and personnel expenses associated with our acquisitions of Cryptologic, Chartwell and OpenBet. In addition, increases in personnel and administration costs associated with support functions for legal, finance, and human resources contributed to the increase in expenses.

For the twelve months ended December 31, 2016, G&A increased by $63.0 million to $109.2 million, compared to $46.2 million for the twelve months ended December 31, 2015. The increase was due primarily to the higher operating and personnel expenses associated with our acquisition of Chartwell, Cryptologic and OpenBet. In addition, increases in personnel and administration costs associated with support functions for legal, finance, and human resources contributed to the increase in expenses.

Depreciation, Amortization, and Impairment of Intangibles and Goodwill

Depreciation expense was $1.0 million for the three months ended December 31, 2016, compared to $0.2 million for the three months ended December 31, 2015. The increase was due primarily to the additional depreciation of property and equipment acquired in the OpenBet acquisition, which closed May 20, 2016. Depreciation expense was $2.1 million for the twelve months ended December 31, 2016, compared to $0.7 million for the twelve months ended December 31, 2015. The increase was due primarily to the additional depreciation of property and equipment acquired in the OpenBet acquisition, and the Cryptologic and Chartwell acquisition, which closed July 31, 2015.

Amortization expense was $11.3 million for the three months ended December 31, 2016, compared to $4.3 million for the three months ended December 31, 2015. The increase was due primarily to the additional amortization of intangible assets recognized from the OpenBet and Betdigital acquisitions. Amortization expense was $29.4 million for the twelve months ended December 31, 2016, compared to $9.7 million for the twelve months ended December 31, 2015. The increase was due primarily to the additional amortization of intangible assets recognized in the OpenBet, Betdigital, and Cryptologic and Chartwell acquisitions.

During 2016, it was determined that goodwill associated with the acquisitions of SNG, Game360 and Cryptologic and Chartwell was impaired. The total amount of the goodwill impairment recorded during the year ended December 31, 2016 was $66.1 million. A contributing factor to the impairment was the performance of the reporting units and changes made by management to the plans for future operations.

The value in use of assets allocated to SNG was calculated by an extrapolation of expected cash flows over a five-year period using revenue growth rates of 28.0%, 25.0%, 20.0%, 15.0% and 15.0% for the years 2017 through 2021. This reflects management's revised expectation of our growth in the New Jersey online gaming market. These future cash flows have been discounted at a rate of 9.4%, which is our long-term weighted average cost of capital. The discount rate reflects appropriate adjustments relating to market risk and specific risk for similar software companies. Management's key assumptions include stable profit margins based on past experience in this market. Management believes that this is the best available input for forecasting this market. The amount of the goodwill impairment related to the SNG acquisition recorded during the year ended December 31, 2016 was $19.4 million. As of December 31, 2016, $2.2 million of goodwill remains related to the SNG acquisition.

The value in use of assets allocated to Cryptologic and Chartwell was calculated by an extrapolation of expected cash flows over a five-year period using revenue growth rates of 8.5%, 7.0%, 6.5%, 6.0% and 5.5% for the years 2017 through 2021. This reflects management's expectation of our growth in the gaming content and overall online gaming market in Europe and Canada. These future cash flows have been discounted at a rate of 9.4%, which is our long-term weighted average cost of capital. The discount rate reflects appropriate adjustments relating to market risk and specific risk for similar software companies. Management's key assumptions include stable profit margins based on historical results and experience in this market. Management believes that this is the best available input for forecasting this market. The amount of the goodwill impairment related to the Cryptologic and Chartwell acquisition recorded during the year ended December 31, 2016 was $46.2 million. No goodwill remains for Cryptologic and Chartwell as of December 31, 2016. The intangibles allocated to customer relationships were impaired by $16.6 million. As of December 31, 2016, $64.8 million of intangible assets related to customer relationships remain.

The value in use of assets allocated to Game360 was calculated by an extrapolation of expected cash flows over a five-year period using revenue growth rates of 10.0%, 8.0%, 6.0%, 4.0% and 2.0% for the years 2017 through 2021. This reflects management's expectation of our growth in the online gaming content and overall mobile and sports betting software solutions market in Italy. These future cash flows have been discounted at a rate of 9.4%, which is our long-term weighted average cost of capital. The discount rate reflects appropriate adjustments relating to market risk and specific risk for similar software companies. Management's key assumptions include stable profit margins based on historical results and experience in this market. Management believes that this is the best available input for forecasting this market. The amount of the goodwill impairment related to the Game360 acquisition recorded during the year ended December 31, 2016 was $0.6 million. As of December 31, 2016, $0.8 million of goodwill remains related to the Game360 acquisition.

In April 2016, we announced its intent to sell EGC which was acquired in August 2015, and subsequently closing the operations of Ongame, collectively our entire European poker business. As of December 31, 2016, we had not closed the sale of EGC. As part of the agreement to sell EGC, the acquirer will assume all costs, customer contracts and development for the poker product. To assess the value in use, management assessed the cash flows based on the general terms of the agreement. It was determined that 100% of the goodwill associated with the acquisition of EGC was fully impaired and an impairment charge in the amount of $1.5 million was recorded during the year ended December 31, 2015. Because the European poker business was not considered a major line of business or geographical area of operations, management determined that the closure or potential sale of this division did not meet the qualifications for discontinued operations under IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Furthermore,we plan to retain the rights to continue to sell the poker product as a distributor for the new owners, including exclusive rights to be the sole distributor for poker in North America. No value has been assigned to these rights due to the uncertainty of future cash flows in the current North American market.

Interest Expense, Fair Value Adjustment to Derivatives and Foreign Exchange

Interest expense, net was $11.6 million for the three months ended December 31, 2016, compared to interest expense, net of $2.1 million for the three months ended December 31, 2015. The current period was comprised of interest expense, net of interest income, plus amortization of debt issuance costs. Interest expense, net was $30.2 million for the twelve months ended December 31, 2016, compared to $4.1 million for the twelve months ended December 31, 2015. The current period was comprised of interest expense, net of interest income, plus amortization of debt issuance costs.

During the three months ended December 31, 2016, we recorded a gain on the fair value adjustment to derivatives of $46.2 million, compared to $1.1 million for the three months ended December 31, 2015. The gain was due primarily to the change in fair value of the embedded derivatives related to the equity conversion feature in the preferred shares, convertible debentures, and certain warrants. During the twelve months ended December 31, 2016, we recorded a gain on the fair value adjustment to derivatives of $93.2 million, compared to $6.6 million for the twelve months ended December 31, 2015. The gain was due primarily to the change in fair value of the embedded derivatives related to the equity conversion feature in the preferred shares, convertible debentures, and certain warrants. The derivatives are valued using different valuation methodologies. The main factors driving the change are volatility in our stock price and strike prices greater than the current stock price. As of December 31, 2016, these derivative liabilities were valued at $38.2 million, and with the volatile nature of our stock could cause large changes in value. There is no cash impact to these changes and generally these instruments are converted into ordinary shares.

Foreign exchange loss for the three months ended December 31, 2016 was $0.7 million, compared to $1.6 million for the three months ended December 31, 2015. Foreign exchange loss for the twelve months ended December 31, 2016 was $0.2 million, compared to $3.6 million for the twelve months ended December 31, 2015.

Net Income Tax Benefit (Expense)

Net income tax expense was $5.7 million for the three months ended December 31, 2016, compared to a net expense of $0.7 million for the three months ended December 31, 2015. The net income tax expense was $8.8 million for the twelve months ended December 31, 2016, compared to a net expense of $1.2 million for the twelve months ended December 31, 2015.

Basic and diluted loss per share was $0.57 for the three months ended December 31, 2016, versus basic and diluted loss per share of $0.21 for the three months ended December 31, 2015. The decrease was the result of impairments to goodwill and other intangibles, partially offset by income recognized from positive changes in the fair market value of embedded derivatives related to the equity conversion feature in the preferred shares, convertible debentures, and certain warrants.

Basic and diluted loss per share was $0.77 for the twelve months ended December 31, 2016, versus basic and diluted loss per share of $0.20 for the twelve months ended December 31, 2015. The decrease was the result of impairments to goodwill and other intangibles, partially offset by income recognized from positive changes in the fair market value of embedded derivatives related to the equity conversion feature in the preferred shares, convertible debentures, and certain warrants.

Our net loss for the three months ended December 31, 2016 was $61.1 million, compared to a net loss of $10.7 million for the three months ended December 31, 2015. Our net loss for the twelve months ended December 31, 2016 was $57.9 million, compared to net loss of $8.4 million for the twelve months ended December 31, 2015. The decrease in net income was primarily the result of impairments to goodwill and other intangibles, partially offset by income recognized from positive changes in the fair market value of embedded derivatives, changes in the fair market value of the embedded derivatives, and a positive contribution from OpenBet for the period.

Adjusted EBITDA

To supplement our consolidated financial statements presented in accordance with IFRS, we use Adjusted EBITDA, a measure we believe is appropriate to provide meaningful comparison with, and to enhance an overall understanding of, our past financial performance and prospects for the future. We believe Adjusted EBITDA provides useful information to both management and investors by excluding specific expenses and gains that we believe are not indicative of our core operating results. Further, Adjusted EBITDA is a measure of operating performance used by management, as well as industry analysts, to evaluate operations and operating performance and is widely used in the technology and gaming industry. The presentation of this additional information is not meant to be considered in isolation or as a substitute for measures of financial performance prepared in accordance with IFRS. In addition, other companies in our industry may calculate Adjusted EBITDA differently than we do. A reconciliation of net loss to Adjusted EBITDA is provided in the table below.

We define "Adjusted EBITDA" as earnings before interest and other non-operating income (expense), income taxes, depreciation and amortization, impairment charges, share-based payments, gains and losses on the revaluing of contingent consideration, foreign currency gains and losses, acquisition and restructuring costs and other gains and losses.

	Three Months Ended December 31,		**Twelve Months Ended December 31,**	
CAD$ (in 000s)	**2016**	**2015**	**2016**	**2015**
Net loss	**(61,119)**	**(10,739)**	**(57,936)**	**(8,403)**
Net tax expense	(5,660)	(727)	(8,849)	(1,157)
Loss before tax	**(66,779)**	**(11,466)**	**(66,785)**	**(9,560)**
Depreciation and amortization	12,289	4,559	31,577	10,357
Interest expense, net	11,594	2,066	30,218	4,060
EBITDA	**(42,896)**	**(4,841)**	**(4,990)**	**4,857**
Impairment of intangibles and goodwill	87,387	4,687	94,038	4,687
Fair value adjustment to derivative	(46,214)	(1,115)	(93,218)	(6,621)
Loss on exchange of debt	8,474	—	23,856	—
Revaluing contingent consideration	(3,367)	—	(9,444)	—
Other (income) expense	5,389	—	4,831	30
Foreign currency loss	745	1,571	229	3,554
Share-based payments	491	136	1,759	276
Acquisition and restructuring costs	2,911	1,202	19,724	9,839
Gain on acquisition	—	—	—	(17,395)
European poker business sale/closure	—	2,891	5,950	11,317
Adjusted EBITDA	**12,920**	**4,532**	**42,735**	**10,544**

Adjusted EBITDA was $12.9 million and $42.7 million for the three and twelve months ended December 31, 2016, respectively, compared to $4.5 million and $10.5 million for the same periods ending December 31, 2015, respectively. During the fourth quarter, EBITDA was positively impacted by strong growth in revenues from organic growth in our real money casino business and the contribution of an entire quarter of OpenBet operations.

Liquidity and Capital Resource Requirements

The table below outlines selected balance sheet items and summarizes cash inflows and outflows by activity:

	Years Ended	
CAD$ (in 000s)	**December 31, 2016**	**December 31, 2015**
Key balance sheet items:		
Current assets	97,376	30,411
Current liabilities	89,210	59,489
Non-current assets	655,000	261,401
Financial liabilities:		
Trade and other payables	39,238	30,366
Current borrowings	30,532	9,589
Non-current borrowings	297,408	59,818
Cash inflows (outflows) by activity:		
Operating activities	3,401	(163,379)
Investing activities	(506,386)	(133,723)
Financing activities	534,926	129,045
Net cash inflows (outflows)	**31,941**	**(168,057)**

Net cash provided by (used in) operating activities

The cash provided by operating activities was $3.4 million for the twelve months ended December 31, 2016, compared to cash used in of $163.4 million for the twelve months ended December 31, 2015. The increase in operating cash flows was the result of the benefit from the operations of OpenBet since the acquisition closed in May of 2016. Cash flows were positively impacted by non-cash interest expense, the decrease in prepaids of $2.4 million, and the increase in trade payables, provisions, and other liabilities of $21.9 million.

Net cash used in investing activities

The cash used in investing activities for the twelve months ended December 31, 2016 was $506.4 million, compared to $133.7 million for the twelve months ended December 31, 2015. Approximately $491.2 million of the cash used in investing activities were related to the acquisition of OpenBet and Betdigital, both of which were completed during May of 2016.

Net cash provided by financing activities

The cash provided by financing activities for the twelve months ended December 31, 2016 was $534.9 million, compared to $129.0 million for the twelve months ended December 31, 2015. The increase was related to the issuance of new debt, preferred shares and equity to fund our acquisition of OpenBet.

Liquidity and Capital Resource Requirements

We manage liquidity risk by continuously monitoring forecasted and actual cash flows and matching the maturity of financial assets and liabilities. Our policy is to ensure adequate funding is available from operations and other sources as required.

Management's objective in managing capital is to ensure a sufficient liquidity position to market our products and finance our sales and marketing activities, research and development activities, general and administrative expenses, working capital, and overall capital expenditures, including those associated with property and equipment. The ability to fund these requirements in the future depends on our ability to access additional capital and generate additional cash flow from our operations. Since inception, we have financed our liquidity needs, primarily through issuance of capital stock, preferred equity, and borrowings.

Management defines capital as its total stockholders' equity and net borrowings. To date, our policy is to maintain a mix of equity and borrowings to maximize our capital structure within the required debt maintenance covenants. The Board of Directors regularly assesses our capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage and breaches of our debt maintenance covenants. This takes into account our capital structure to make adjustments in the light of changes in economic conditions and the risk characteristics of the underlying activities of the business. In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to stockholders, return capital to stockholders, issue new shares, or sell assets to reduce debt. The capital management objectives listed above have not changed during the fiscal year.

We have several significant projects which have not generated revenue, or that have generated revenue but are expected to generate additional revenue in the future, related to development services. Due to the nature of the software industry and the timing and extent of development of gaming content and platforms, at any given time, we have a pipeline of projects and contracts that are expected to lead to future revenue to be recognized in accordance with IFRS standards. In many cases this leads to deferred revenue and capitalized development costs. Refer to our critical accounting policies and judgments section for additional information, including estimates that we make in this area.

Management believes that funds from operations, as well as existing and future financial resources, should be sufficient to meet our requirements for the next fiscal year. We performed a detailed analysis of our cash flows, including our negative cash flows from operations, losses from operations and historical working capital deficiency, as disclosed in our financial statements, as well as our cash flow projections and anticipated cash inflows and outflows, and have determined that funds from operations, as well as existing and future financial resources, should be sufficient to meet our requirements for the foreseeable future. On May 20, 2016, we closed our previously announced share purchase agreement to acquire OpenBet, and in April 2016, we announced our intent to sell EGC, and subsequently closed the operations of Ongame, collectively our entire European poker business, which had a negative impact on cash generated from operations. In conjunction with the closed acquisition, we raised a total of $526.1 million in equity, debt, and preferred stock in order to fund the purchase of OpenBet and provide the necessary funding for us to meet our existing and future obligations. Total equity employed at December 31, 2016 was $191.1 million. Furthermore, our most recently acquired companies are expected to generate cash from operations per month and a recently entered into commercial arrangement with a key customer is expected to generate additional cash flows per year over the next three years. Combined, this additional cash, together with the improvements in trading, are expected to generate sufficient financial resources for the foreseeable future to meet all of our current and future obligations. Accordingly, notwithstanding our historically negative cash flows, losses and working capital deficiencies, we have concluded that there is no uncertainty over our ability to continue as a going concern as of December 31, 2016.

Material factors that could result in us being unable to fund our working capital needs and planned capital investment program include, but are not limited to (a) our ability to continue to develop gaming content desirable to gaming consumers, (b) changes in consumer spending patterns related to gaming, (c) changes in gaming regulation, tax rates, or gaming law in the jurisdictions which we operate, (d) any material disruption to our technology, (e) loss of talent to competing technology companies, (f) losses in the NYX business or an inability to distribute cash from subsidiaries to the parent company to satisfy NYX's cash requirements, (g) a decline in the currencies that we operate resulting in increased foreign exchange exposure to us; and/or (h) a material change in our working capital requirements or anticipated capital expenditures or in our strategies or activities that result in increased investments or the use of cash.

In any such event, we could be required to obtain additional capital from other sources in order to continue as a going concern and to satisfy its working capital and planned capital investment program. Alternative sources of capital may not be available or, if available, could result in increased dilution to shareholders or increased obligations, fees and expenses to us and may not be on terms that are favorable to us.

Financial Risk Management

Risks Arising from Financial Instruments and Risk Management

We are exposed to a variety of financial risks including credit risk, liquidity risk, and market risk (including foreign exchange and interest rate). Our overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Foreign Exchange Risk

We are exposed to fluctuations of the Canadian dollar (our reporting currency) against the functional currencies of our foreign subsidiaries (including the the currencies of the United States, Australia, Sweden, United Kingdom and Europe) when we translate our foreign subsidiaries' financial statements into Canadian dollars for inclusion in our financial statements. Cumulative translation adjustments are recorded in accumulated other comprehensive income or loss as a separate component of equity. Any increase or decrease in the value of the Canadian dollar against those foreign currencies results in unrealized foreign currency translation losses or gains with respect to assets acquired in, liabilities assumed from, intercompany balances with, and results of operations from our foreign subsidiaries. Therefore, we may experience a negative impact on our comprehensive income or loss and stockholders' equity with respect to our holdings in those subsidiaries as a result of foreign currency translation. We generally do not hedge against the risk that we may incur non-cash gains or losses upon the translation of the financial statements of our foreign subsidiaries into Canadian dollars.

On May 20, 2016, we closed our acquisition of OpenBet, which generates the majority of its revenue in British pounds. The exchange rate at closing was CAD$1.91/£1. Subsequent to the United Kingdom's vote to exit the European Union, the value of the British pound relative to the Canadian dollar decreased. For the three months ended December 31, 2016, we valued OpenBet's contribution using an exchange rate of CAD$1.66/£1. This change resulted in a negative impact to revenue of approximately $4.6 million for the quarter.

Risks associated with foreign exchange are partially mitigated by the following strategies:

- Diversification of revenues and expenses internationally (with a significant amount of expenses denominated in British pounds sterling) which reduces the impact of any country-specific economic risks;
- Executing on various business strategies so as to offset the impact of exchange rates; and
- Regularly review economist estimates of future exchange rates and use conservative estimates when managing business risk.

Liquidity Risk

Liquidity risk is our ability to meet our financial obligations when they come due. We are exposed to liquidity risk with respect to our contractual obligations and financial liabilities. We manage liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity of financial assets and liabilities. Our policy is to ensure that adequate funding is available from operations and other sources as required. Additionally, from time to time there may be a risk of significant projects which have not generated revenue due to delays in installation of our products, changes to plans, ongoing negotiations, or other unforeseen issues. As of December 31, 2016, other than those discussed within this MD&A, we do not have any significant projects that have not generated revenue.

Related Party Transactions

Transactions with Key Management Personnel

Our key management includes executive members of our Board of Directors and members of our executive management team. Key management personnel remuneration includes the following expenses:

	Years Ended	
CAD$ (in 000s)	**December 31, 2016**	**December 31, 2015**
Officers and Board Compensation		
Wages and salaries	1,486	1,984
Bonus	972	68
Share-based payments	460	440
Employee benefits and taxes	82	157
Board compensation	33	130
Total	**3,033**	**2,779**

Outstanding Share Data

Our authorized share capital consists of 108.2 million ordinary shares at December 31, 2016 and 50.6 million of ordinary shares at December 31, 2015. We recorded $1.8 million and $0.3 million of share-based payments in the share-based payments reserve for the years ended December 31, 2016 and December 31, 2015, respectively.

(in 000s)	Years Ended December 31, 2016	Years Ended December 31, 2015
Shares issued and fully paid		
Balance, beginning of the year	50,635	33,800
Share issue - stock options	1,020	802
Share issue - ordinary shares	56,573	16,033
Shares issued and fully paid	**108,228**	**50,635**

Critical Accounting Policies and Judgments

Management's discussion and analysis of financial conditions and results of operations are made with reference to the consolidated financial statements for the year ended December 31, 2016. A summary of our significant accounting policies are presented in Note 2, *Summary of Significant Accounting Policies*, in the audited consolidated financial statements for the year ended December 31, 2016 ("Annual Report"). The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that can have a significant effect on the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Some of the accounting policies, as reported by IFRS, require management to make subjective, complex judgments and estimates to matters that are inherently uncertain.

Estimates and judgments are significant when:

- The outcome is highly uncertain at the time the estimates are made; or
- Different estimates or judgments could reasonably have been used that would have had a material impact on the consolidated financial statements.

The consolidated financial statements include estimates based on currently available information and management's judgment as to the outcome of future conditions and circumstances. Management uses historical experience, general economic conditions and trends, as well as assumptions regarding probable future outcomes as the basis for determining estimates.

Estimates and their underlying assumptions are reviewed on a regular basis and the effects of any changes are recognized immediately. Changes in the status of certain facts or circumstances could result in material changes to the estimates used in the preparation of the financial statements and actual results could differ from the estimates and assumptions.

The following areas require management's most critical estimates and judgments.

Estimates

Restricted Cash

The carrying amounts of cash and cash equivalent items which are restricted as to withdrawal or usage are recorded as restricted cash in the consolidated balance sheet. Restrictions may include legally restricted deposits held as compensating balances against borrowing arrangements, contracts entered into with others, or entity statements of intention with regard to particular deposits; however, time deposits and short-term certificates of deposit are not generally included in legally restricted deposits. Our restricted cash at December 31, 2016 related to funds held for settlement of jackpot liabilities and cash held separately for operating lease agreements. Due to the uncertainty of timing of payment related to the jackpot liabilities, which could paid out at any time, management has determined that the restricted cash should be classified as current.

Investment Tax Credits

We participate in a federal tax incentive program designed to encourage Canadian businesses of all sizes and in all sectors to conduct research and development in Canada. The program is administered by the Canada Revenue Agency ("CRA"), which delivers investment tax incentives in a timely, consistent and predictable manner, while encouraging businesses to prepare their claims in compliance with Canada's tax laws and the CRA's policies and procedures. We record investment tax credits related to the capitalization of development costs within other intangible assets in the consolidated balance sheets. Collection can take up to several years to resolve depending on the CRA's review process and findings. Historically, we have not had to impair their investment tax credits because collection has been relatively certain. Management has assumed that all incentive tax credits recorded as of December 31, 2016 will be collected.

Capitalization of Development Costs

Naturally many technology companies invest heavily in research and development ("R&D") activities. This results in significant development costs and diversity in practice when it comes to capitalization. The capitalization rates vary between and even within subsectors because of different factors unique to the industry. Therefore, the capitalization requires significant management judgment, specifically with internally developed intangible assets, by requiring certain development costs to be capitalized when they meet the definition and recognition criteria for intangible assets. Development costs are capitalized only after technical and commercial feasibility of the asset for sale or use have been established. This means that the entity must intend and be able to complete the intangible asset and either use it or sell it and be able to demonstrate how the asset will generate future economic benefits. Our developed software includes catalog games, patents and trademarks, platforms, applications and domains developed by us and not acquired. We capitalize development costs, which includes personnel, consultant and certain other costs, only after the developed software is ready for use and at a rate that varies by product and jurisdiction based on our applicable policy. For instance, game content has development costs capitalized based on stage of completion as communicated by project managers and amortization begins once the game is finished and generating revenue. Alternatively, platforms are invoiced at a flat rate as determined by our Chief Technology Officer and amortization begins after the product is available for use by our customers and generating revenue. See Note 2, *Summary of Significant Accounting Policies*, in our Annual Report for more information regarding our policy on capitalization.

Recognition of Deferred Taxes

We recognize deferred taxes in accordance with IAS 12, *Income Taxes.* An amendment to IAS 12 goes into affect next year that clarifies certain areas of this guidance. Management does not plan to early adopt. Management makes assumptions in the recognition of deferred tax assets and liabilities, including in the areas of allowance against or premium on deferred tax balances, classification, timing, among other areas. Temporary differences arise when a company initially recognizes an asset or liability. Such differences have a tendency to arise in a business combination when the assets and liabilities are recorded at their fair values but the tax bases do not change. Temporary differences can also arise when an asset is acquired outside of a business combination, if the amount attributed to the asset for tax purposes is different from the financial statement carrying amount.

Revenue Recognition

The amount of revenue recognized for development services is based on the stage of completion of the development services provided. Management communicates with project managers and the Chief Technology Officer to determine the applicable stage for revenue recognition. Management estimates the percentage of completion based on expected costs to complete certain projects and recognizes the corresponding revenue at the end of the reporting period.

We entered into an agreement with one of its largest customers, for which final contract terms and project plans are still not finalized, to build a new global platform. This contract includes multiple elements including licensing of source code and development services. The development services will be recognized based on the stage of completion as discussed previously. The licensing of the source code, and subsequent updates to the code, has been accounted for evenly over the agreement related to this component.

Loss on Exchange of Debt

On November 17, 2014, we issued $10.0 million unsecured convertible debenture to Amaya, which matured November 17, 2016 and required PIK interest at 6.0% per annum, payable at maturity. Both interest and principal were payable in our common shares. On November 17, 2016, we entered into an agreement to extend the maturity date of the unconverted amount of the Amaya debenture until April 17, 2018 with minimum monthly payments in cash of $1.0 million beginning May 17, 2017. Prior to the original maturity date of November 17, 2016, Holders of an aggregate of $1.0 million principal amount converted the principal amount of their debentures, together with accrued interest, into our ordinary shares. The debt instrument in the new agreement no longer included a convertible feature. Management determined, through a qualitative analysis of the modified terms, that the extension of debt was a modification due primarily to the non-substantial modification of the terms of the unsecured debenture. . A modification is substantial if the present value of the cash flows under the new terms, including net fees paid or received, differs by 10% or more from the present value of the remaining cash flows of the existing liability. This was not the case as the fair value of the debt was unchanged and management's determination and conclusion resulted in the changes being accounted for as a modification. Management concluded that it would be difficult to consider the removal of the conversion option when assessing whether the characteristics or risk profile have changed substantially as this component is accounted for separately. See Note 16, *Borrowings*, in our Annual Report for more information relating to our debt terms.

On July 31, 2015, as a result of the completion of the acquisition of Chartwell and CryptoLogic, we issued $70.0 million of senior secured notes that included ordinary share purchase warrants. On April 4, 2016, we entered into certain waivers, undertakings and consents with two debenture holders representing in excess of two-thirds majority of the outstanding debentures in order to amend the indenture dated July 16, 2015. The exchange of debt was treated as an extinguishment of debt and the associated unamortized fees of $9.1 million and the principal value of the original debt of $6.3 million were treated as a loss on exchange of debt. Under IAS 39, *Financial Instruments: Recognition and Measurement*, an entity that accounts for an exchange of debt instruments or modification of terms as an extinguishment, shall recognize any costs or fees as part of the gain or loss on the extinguishment. Management determined, through a qualitative analysis of the modified terms, that the exchange of debt was an extinguishment due primarily to the substantial modification of the terms of the senior secured notes. This determination resulted in the extinguishment of the original liability and the recognition of a new financial liability. As such, we recognized an additional $8.5 million as a loss on exchange of debt. During the year ended December 31, 2016, we recognized a total of $23.9 million loss related to the exchange of the debt. See Note 16, *Borrowings*, in our Annual Report for more information relating to our debt terms.

Impairment of Goodwill and Long-Lived Assets

The determination of goodwill and other long-lived asset impairment requires significant estimates and assumptions to determine the recoverable amount of an asset and/or CGU, wherein the recoverable amount is the higher of fair value less costs of disposal and value in use. The value in use method involves estimating the net present value of future cash flows derived from the use of the asset and/or CGU, discounted at an appropriate rate. The fair value less cost of disposal is the amount for which the CGU could be exchanged between knowledgeable willing parties in an arm’s length transaction.

To assess value in use, management undertakes an assessment of relevant market data relevant to the CGU, using a discounted future cash flow model with an assumption around growth; estimated future cash flows for five years and are based on our budget and strategic plans. The pre-tax discount rate is a key estimate in the discounted cash flow model and is based on a representative weighted average cost of capital.

The key assumptions utilized in the determination of future cash flows represent management’s best estimate of the range of economic conditions relating to the CGU, and are based on historical experience, economic trends and communications with other key stakeholders of the Group. These key assumptions include the revenue growth rate, profit margins as a percentage of revenues, and the inflation growth rate. Significant changes in the key assumptions utilized in the determination of future cash flows could result in an impairment charge or reversal of an impairment loss.

During the year ended December 31, 2016, it was determined that goodwill associated with the acquisitions of Sportech NYX Gaming ("SNG") and Chartwell Technology Inc. ("Chartwell") and CryptoLogic Limited, NYX ("Cryptologic") was impaired. Additionally, during the year ended December 31, 2016, we impaired $27.9 million of intangible assetss, reducing the amount of other intangible assets, net to $338.0 million as of December 31, 2016.

The amount of the goodwill impairment related to the SNG acquisition recorded during the year ended December 31, 2016 was $19.4 million. As of December 31, 2016, $2.2 million of goodwill remains related to the SNG acquisition. A contributing factor to the impairment was the performance of the CGU and changes to timing of expectation of online gaming expansion in the United States. The value in use allocated to SNG was calculated by an extrapolation of expected cash flows over a five-year period using revenue growth rates of 28.0%, 25.0%, 20.0%, 15.0% and 15.0% for the years 2017 through 2021. Management made several judgments and estimates while performing the annual impairment test related to the goodwill recorded in relation to the SNG acquisition, including an exit multiple of 10.0 times EBITDA, which resulted in an enterprise value of $32.1 million. This reflects management's revised expectation of our growth in the New Jersey online gaming market. The pre-tax discount rate used to calculate the recoverable amount as of December 31, 2016, was 9.4%.

During the year ended December 31, 2016, it was determined that goodwill associated with the acquisition of Cryptologic and Chartwell was impaired. The amount of the goodwill impairment related to the Cryptologic and Chartwell acquisition recorded during the year ended December 31, 2016 was $46.2 million. No goodwill remains for Cryptologic and Chartwell as of December 31, 2016.

The amount of the impairment to other intangibles related to the customer relationships was recorded during the year ended December 31, 2016 at $16.6 million. As of December 31, 2016, $64.8 million of intangible assets related to customer relationships remain. In order to calculate the value in use associated with the Cryptologic and Chartwell acquisition, management used an extrapolation of expected cash flows over a five-year period using growth rates of 8.5%, 7.0%, 6.5%, 6.0% and 5.5% for the years 2017 through 2021, which reflects management's expectation of our growth in the gaming content and overall online gaming market in Europe and Canada. These future cash flows have been discounted at a rate of 9.4%, which is our long-term weighted average cost of capital. The discount rate reflects appropriate adjustments relating to market risk and specific risk for similar software companies. Management made several judgments and estimates while performing the annual impairment test related to the customer relationships recorded in relation to the Cryptologic and Chartwell acquisition, including an exit multiple of 10 times EBITDA. Additionally, management valued a customer contract using the same discount rate and a 2.0% growth rate, which when combined with the other test, resulted in a total enterprise value of $105.0 million. Management's key assumptions include stable profit margins based on past experience in this market. Contributing factors to the impairment included the performance of the CGU, changes made by management to the plans for future operations, changes in assumptions and delays in migrating customers from the acquired CGS platform to the internally developed and more advanced Open Gaming System ("OGS") platform, and a revised estimate for the expected revenue stream. The amount of the impairment related to the customer relationships recorded during the year ended December 31, 2016 was $16.6 million. As of December 31, 2016, $64.8 million of intangible assets related to customer relationships remain.

Additionally, management determined that the acquired intangible allocated to our developed software from the Side City acquisition was impaired. An extrapolation of expected cash flows over a five-year period using growth rates of 10.0%, 8.0%, 6.0%, 4.0% and 2.0% for the years 2017 through 2021 were used. This reflects management's expectation of the growth in the gaming content market in Canada. These future cash flows have been discounted at a rate of 9.4%, which is our long-term weighted average cost of capital. The discount rate reflects appropriate adjustments relating to market risk and specific risk for similar software companies. Management made several judgments and estimates while performing the annual impairment test related to the developed software recorded in relation to the Side City acquisition, including an exit multiple of 10 times EBITDA. A contributing factor to the impairment was the performance of the CGU. The amount of the impairment related to the developed software recorded during the year ended December 31, 2016 was $3.0 million. No intangible assets remain for Side City as of December 31, 2016.

The goodwill allocated to Game360 was calculated by an extrapolation of expected cash flows over a five-year period using revenue growth rates of 10.0%, 8.0%, 6.0%, 4.0% and 2.0% for the years 2017 through 2021. This reflects management's expectation of our growth in the online gaming content and overall mobile and sports betting software solutions market in Italy. These future cash flows have been discounted at a rate of 9.4%, which is our long-term weighted average cost of capital. The discount rate reflects appropriate adjustments relating to market risk and specific risk for similar software companies. Management's key assumptions include stable profit margins based on historical results and experience in this market. Management believes that this is the best available input for forecasting this market. The amount of the goodwill impairment related to the Game360 acquisition recorded during the year ended December 31, 2016 was $0.6 million. As of December 31, 2016, $0.8 million of goodwill remains related to the Game360 acquisition.

During the fourth quarter of 2015, it was determined that the intangible asset associated with the acquisition of eGaming Consulting ("EGC") and Ongame was impaired resulting in an impairment charge of $2.3 million and $0.9 million. At the time of the initial analysis, it was determined that the intellectual property acquired could be used in our U.S. poker operations. Upon further evaluation from our technology team, it was determined that the intellectual property would not be available for use in any other market other than the existing market. During the three months ended March 31, 2016, management made a further assessment of the future cash flows and determined an additional $6.5 million was impaired for EGC and $1.7 million for Ongame. All amortization and impairment charges are included in amortization and impairment of intangibles in the consolidated income statement. See Note 9, *Other Intangible Assets*, for more information.

Share-Based Compensation

Compensation expense for RSUs is calculated based on the fair market value of our stock on the date of grant. For stock options, we estimate the expense using the Black-Scholes option pricing model for employees, officers, directors and certain consultants. For warrants, we use the binomial option pricing model. The models take into account management's best estimate of the exercise price of the stock option/warrant, an estimate of the expected life of the option/warrant, the current price of the underlying stock, an estimate of the stock's volatility, an estimate of future dividends on the underlying stock, the risk-free rate of return expected for an instrument with a term equal to the expected life of the option/warrant, and the expected forfeiture rate of stock options/ warrants granted. See Note 22, *Employee Remuneration*, in our Annual Report for more information.

Fair Value Measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves development estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data when possible but when observable data is not available, management uses the best information available. Estimated fair values may vary from actual prices that would be achieved in an arm's length transaction at the reporting date. See Note 19, *Financial Assets and Liabilities*, in our Annual Report for more information.

Convertible Preferred Shares

On July 31, 2015, as a result of the completion of the acquisition of Chartwell and CryptoLogic, we issued $40.0 million of exchangeable preferred shares ("Exchangeable Preferred Shares"). We estimated the value of the Exchangeable Preferred Shares based on a binomial option pricing model. The model takes into account management's best estimate of the conversion price of the stock, an estimate of the expected time to conversion, 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 duration of the convertible debt. We determined that the Exchangeable Preferred Shares do not include a contractual obligation to deliver cash or another financial asset and the instrument will, or may be, settled in our ordinary shares. Therefore, we determined that the fair value of the Exchangeable Preferred Shares was appropriately classified as equity at the time of issuance. See Note 20, *Stockholders' Equity*, in our Annual Report for more information.

On May 20, 2016, in connection with the acquisition of OpenBet OB Topco Limited ("OpenBet"), we issued a number of convertible preference shares ("OpenBet Convertible Preference Shares") for an aggregate subscription price of £100.0 ($187.0) million. We estimated the value of the derivative instrument embedded in the OpenBet Convertible Preference Shares using the Monte Carlo Simulation model. The model takes into account management's best estimate of the conversion price of the stock, an estimate of the expected time to conversion, 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 duration of the convertible debt. See Note 17, *Convertible Preferred Shares*, in our Annual Report for more information.

Estimated Useful Lives of Long-Lived Assets

Judgment is used to estimate each component of an asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost and renewal history. If the estimated useful lives were incorrect, this could result in an increase or decrease in the annual depreciation and amortization expense, as well as the potential for future impairment charges.

Embedded Derivatives in Convertible Note

We estimated the value of the derivative instruments embedded in convertible debt using the binomial option pricing model and the Monte Carlo Simulation model. The models take into account the conversion price of the stock, management's best estimate of the expected time to conversion, 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 duration of the convertible debt. See Note 17, *Convertible Preferred Shares*, and Note 18, *Derivative Financial Liabilities*, in our Annual Report for more information.

Business Combinations

Management uses valuation techniques when determining the fair values of certain assets acquired and liabilities assumed in a business combination. See Note 5, *Acquisitions*, in our Annual Report for more information. In particular, the fair value of contingent consideration can be dependent on the outcome of many variables including the acquirees' future profitability. For business combinations achieved in stages management uses valuation techniques to remeasure its previously held interest in the acquiree at the acquisition date fair value and any gain or loss is recognized in the consolidated income statement.

Historical Negative Cash Flows from Operations

Management has performed a detailed analysis of our cash flows, including cash flows from operations, income (losses) from operations, working capital, cash flow projections, and anticipated cash inflows and outflows. We determined that funds from operations, as well as existing and future financial resources, should be sufficient to meet our requirements for the foreseeable future. In April 2016, we announced our intent to sell eGaming Consulting ("EGC"), and subsequently closed the operations of Ongame, collectively our entire European poker business, which had a negative impact on cash generated from operations. Furthermore, OpenBet, a supplier of platform software and related services to operators in the gaming industry, which was acquired in May 2016, is expected to generate significant cash from operations per month and is expected to generate positive cash flows annually over the next three years.

We have historically had negative operating cash flows. During the fiscal year ended December 31, 2015, we had negative cash flow from operating activities in the amount of approximately $15.0 million. Our cash and cash equivalents balance, including restricted cash, at December 31, 2016 was approximately $42.4 million. For the year ended December 31, 2016, net cash used in operating activities was $3.4 million. Although we anticipate it will have positive cash flow from operating activities in future periods, it is possible we may have negative cash flow in any future period as we continue to progress our integration of acquired companies, business plans and our capacity of operations. Refer to Note 2, *Summary of Significant Accounting Policies*, in our Annual Report for further discussion surrounding our conclusion that there is no uncertainty over our ability to continue as a going concern as of December 31, 2016.

Off-Balance Sheet Arrangements

As of December 31, 2016, we did not have off-balance sheet arrangements that have had, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of our company.

New Accounting Pronouncements - Not Yet Effective

IFRS 16, Leases

IFRS 16, *Leases*, replaces IFRS 17 and introduces a "right of use model" and entails, for the lessee, that largely all leases shall be reported on the balance sheet. IFRS 16 introduces a single lessee accounting model requiring lessees to recognize assets and liabilities for all leases with a term in excess of 12 months, excluding immaterial leases. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 is applicable to financial years starting on or after January 1, 2019 with early application permitted, provided that IFRS 15, *Revenues from Contracts with Customers*, is applied simultaneously. We are currently evaluating the impact of this standard and while we do not anticipate that the application of IFRS 16 will have a significant impact on the amounts recognized in our consolidated financial statements, we do not anticipate applying IFRS 16 prior to its effective date.

IFRS 9, Financial Instruments

The IASB issued IFRS 9, *Financial Instruments*, relating to the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (i.e., its business model) and the contractual cash flow characteristics of such financial assets. IFRS 9 also amends the impairment model by introducing a new expected credit losses model for calculating impairment on its financial assets and commitments to extend credit. The standard also introduces additional changes relating to financial liabilities. IFRS 9 also includes a new hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness; however, it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship. Extended disclosures about risk management activity for those applying hedge accounting will also be required under the new standard.

An entity shall apply IFRS 9 retrospectively, with some exemptions, for annual periods beginning on or after January 1, 2018, with early adoption permitted. We are currently evaluating the impact of this standard and do not anticipate applying it prior to its effective date.

IFRS 15, Revenues from Contracts with Customers

IFRS 15, *Revenues from Contracts with Customers*, affects any entity using IFRS that either enters into contracts with customers, unless those contracts are within the scope of other standards such as insurance contracts, financial instruments or lease contracts. This IFRS will supersede the revenue recognition requirements in IAS 18 and most industry-specific guidance.

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognition.

The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. We are currently evaluating the impact of this standard and do not anticipate applying it prior to its effective date.

IAS 7, Statement of Cash Flows

The amendments to IAS 7, *Statement of Cash Flows*, are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. We do not anticipate applying it prior to its effective date and believes the application of the amendments will only result in additional disclosures provided by us.

IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses

IAS 12, *Recognition of Deferred Tax Assets for Unrealised Losses*, clarifies that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after January 1, 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. We are currently evaluating the impact of this standard and do not anticipate applying it prior to its effective date.