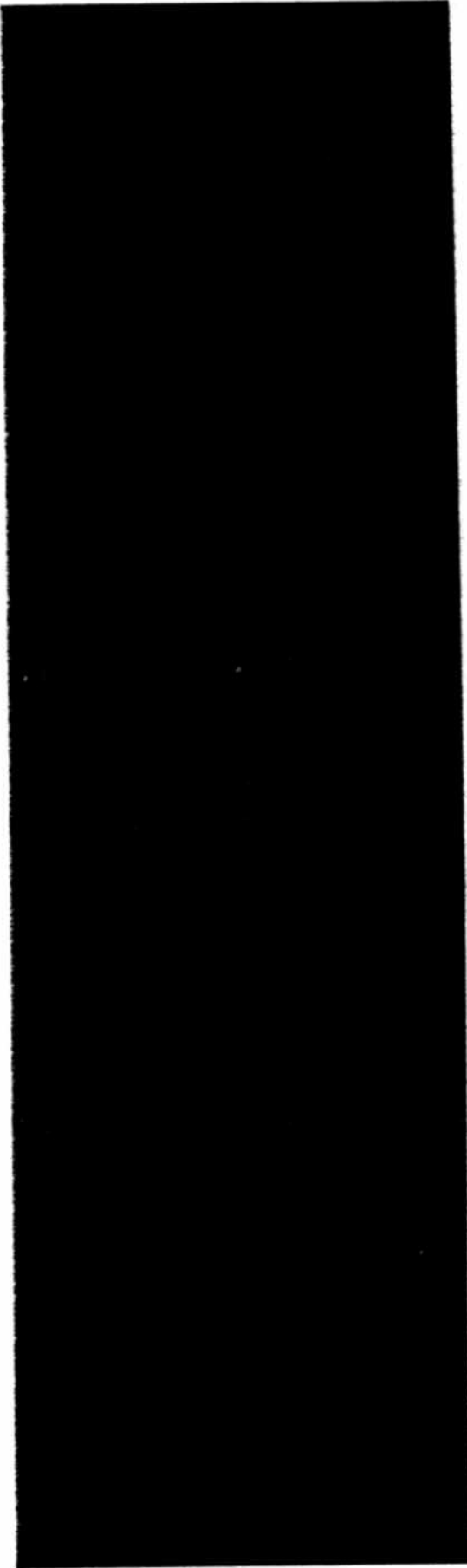


APPENDIX “D”



CONFIDENTIAL INFORMATION MEMORANDUM

June 2011

Disclaimer and Notice of Confidentiality

This Confidential Information Memorandum ("Memorandum") has been prepared from information provided by Parlay Entertainment Inc. ("Parlay" or the "Company"). This Memorandum is being provided to a limited number of parties who have expressed a preliminary interest in entering into an asset purchase agreement with the Company and who have executed a non-disclosure agreement ("Non-disclosure Agreement").

The sole purpose of this Memorandum is to assist the recipient in deciding whether to proceed further with its investigation of the Company. This Memorandum does not purport to be all-inclusive or to necessarily contain all the information that a prospective partner may desire in investigating the Company. This Memorandum contains certain statements, estimates and projections of financial results with respect to the Company's anticipated performance. Such statements, estimates and projections of financial or operating results reflect various assumptions by the Company that may or may not prove to be accurate and there can be no assurance that such results will be realized. Parlay and BDO Canada Limited ("BDO") expressly disclaim any and all liability for any errors and/or omissions that are contained in this Memorandum and make no representations or warranties, expressed or implied. Only such representations or warranties as are made to the recipient by such entities or persons in a definitive agreement when, as and if one is executed and subject to such limitations and restrictions as may be specified in such agreement, will be binding on any such entities or persons.

Except as otherwise indicated, no independent accountant has audited, reviewed, compiled or is in any way associated with the information presented herein, nor has an independent accountant expressed any conclusion thereon nor given any other form of assurance with respect thereto.

Disclaimer and Notice of Confidentiality

By accepting this Memorandum, the recipient agrees to keep confidential the information contained herein or made available in connection with any further investigation of the Company, in accordance with the terms of the Non-disclosure Agreement. This Memorandum has been prepared for informational purposes relating to this transaction only and upon the express understanding that it will be used only for the purposes set forth above. This Memorandum does not constitute an offering.

The Memorandum may not be photocopied, reproduced or distributed to others at any time without the prior written consent of Parlay. Upon request, the recipient agrees to promptly return to Parlay all material including written material and notes of verbal conversations received from Parlay and BDO without retaining any copies thereof.

In furnishing this Memorandum, neither Parlay nor BDO undertakes any obligation to provide the recipient with access to any additional information. This Memorandum shall not be deemed to be an indication of the state of affairs of the Company nor shall it constitute a representation that there has been no change in the business or affairs of the Company since the date hereof.

Parlay reserves the right to negotiate with one or more prospective partners at any time and to enter into a definitive agreement without prior notice to the recipient or other prospective partners. Parlay reserves the right not to pursue any transaction and to terminate, at any time, further participation in the investigation and proposal process by any party and to modify data, documentation and other procedures without assigning any reason.

Disclaimer and Notice of Confidentiality

Under no circumstances should any of the Company's employees be contacted directly to answer any questions in relation to any contemplated transaction, except in the ordinary course of business.

All communications, inquiries and requests for information relating to these materials or a possible transaction involving the Company should be directed to the individuals at BDO listed below:

BDO Canada Limited
123 Front St. West, Suite 1200
Toronto, Ontario M5J 2M2
Phone: (416) 865-0210
Fax: (416) 865-0904

To the attention of:

Ken Pearl

Phone: (416) 369-3063

kpearl@bdo.ca

Blair Davidson

Phone: (416) 369-3112

bdavidson@bdo.ca

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I. SALES PROCESS

I. Sales Process

- On May 4, 2011, Parlay filed a notice of intention to make a proposal pursuant to the *Bankruptcy and Insolvency Act* (“**BIA**”) naming BDO as the Proposal Trustee.
- By an order of the Ontario Superior Court of Justice (the “Court”) dated June 3, 2011, Parlay was authorized to enter into an agreement to sell its assets to M Projects Assets S.A. for the purpose of conducting a Stalking Horse Sales Process in accordance with the approved Bidding Procedures (see Appendix B).
- A Qualified Bidder that desires to make a bid shall deliver written copies of its bid to BDO by 5:00 p.m. on July 18, 2011.
- The Auction, if applicable, shall be conducted at the offices of BDO at 11:00 a.m. on July 25, 2011.
- The sale of the Purchased Assets to any Successful Bidder is subject to the approval of the Court. The Sale Approval Motion shall be made returnable on or before August 2, 2011.

II. KEY INVESTMENT CONSIDERATIONS

II. Key Investment Considerations

- Acquisition of Parlay Entertainment Inc.'s assets provides an acquirer with:
 - A best-in-class multi-player, multi-currency, multi-language, completely open technology platform, which will add-to or fast-track its position within the interactive gaming marketplace.
 - More than a decade of expertise in online gaming, with respected and professionally trained leadership and innovation.
 - North American patents which give acquirer a call option on interactive bingo within North America.
 - Ownership of proprietary technology solutions, multi-jurisdictional solution platforms, existing licensee base, revenue and extensive intellectual property.
 - Access to a proven and unique interactive bingo platform to enhance content, traffic and stickiness for online media properties.

III. COMPANY OVERVIEW

III. Company Overview

Company Highlights

- ✓ Established developer, licensor and operator of interactive bingo games
- ✓ First company in the world to commercialize an online bingo platform
- ✓ Commercial technology platform regarded as one of the most robust in the online bingo industry
- ✓ Two growing managed solutions platforms (including Parlay Games Limited in Alderney, UK)
- ✓ Modular design allows for rapid customization and deployment to large customers and governments
- ✓ Experienced management team and employee base

Key Company Facts

Revenue (FY2010) unaudited - \$000's	2,883
EBITDA (FY2010) unaudited - \$000's	(2,377)
Headcount – May 17, 2011 Parlay Entertainment Inc.	23
Headcount – May 17, 2011 Parlay Games Limited	21
Total consolidated headcount	44
Licensees – March 31, 2011	21
Locations – Oakville, Canada and Alderney, UK	2

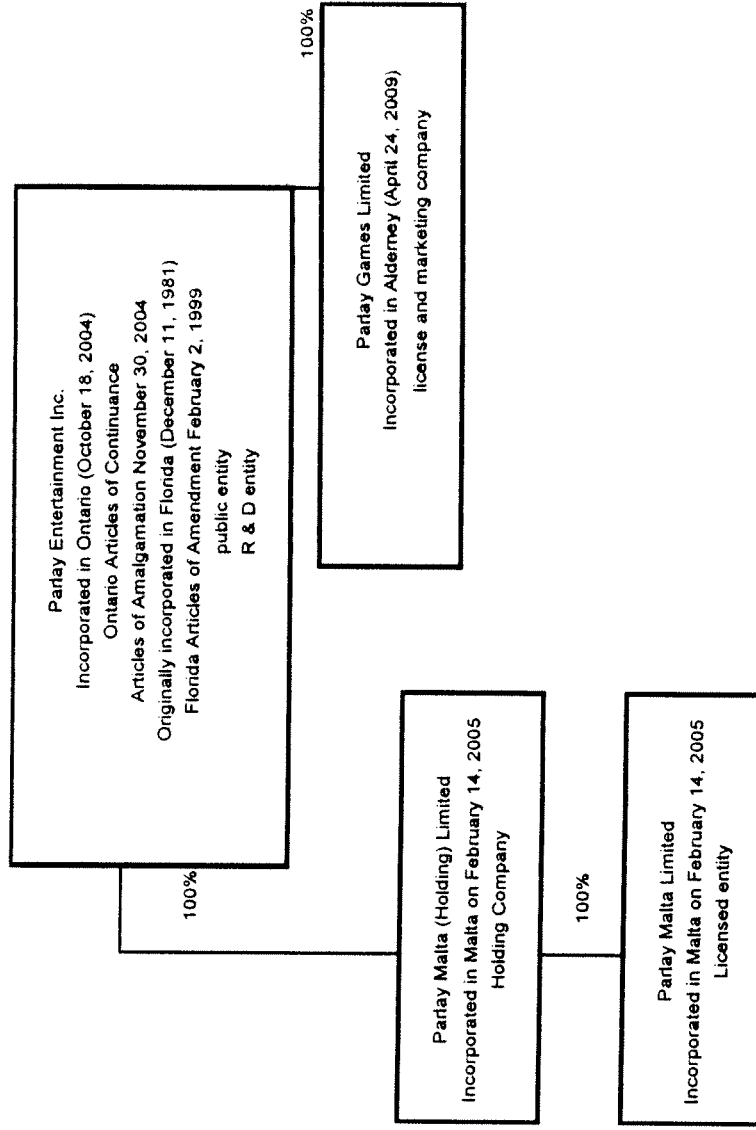
III. Company Overview

Corporate Milestones

Year	Event
2000	Company founded and RTO in U.S. creates public company vehicle
2004	Redomestication of company to Canada
2005	Company obtains listing on TSXV
2005	Company moves to a new Canadian research and development facility in Oakville, Ontario
2006	Passage of Unlawful Internet Gambling Enforcement Act in U.S. which has immediate negative effect on the industry
2008	Divestiture transaction completed to sell U.S.-facing licensee base
2009	Establishment of Parlay Games Limited in Alderney under purview of the Alderney Gambling Control Commission ("AGCC")
2011	Company files a Notice of Intention to Make a Proposal under the Bankruptcy and Insolvency Act. The Company seeks offers for the purchase of its assets pursuant to a court-approved Stalking Horse sales process

III. Company Overview

Ownership Structure



- Ignores Barbadian subsidiaries in the process of being wound up

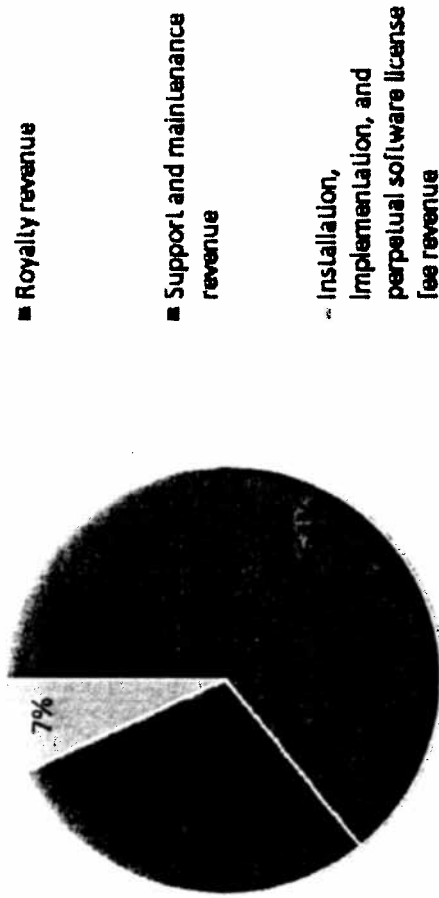
III. Company Overview

Operations and Facilities

The following table summarizes the company's facilities:

Facility	Area	Square Footage
Oakville leased facility	2 nd Floor stand alone building	13,500

Revenue Breakdown by Product/Service Type (Q1 2011 unaudited)



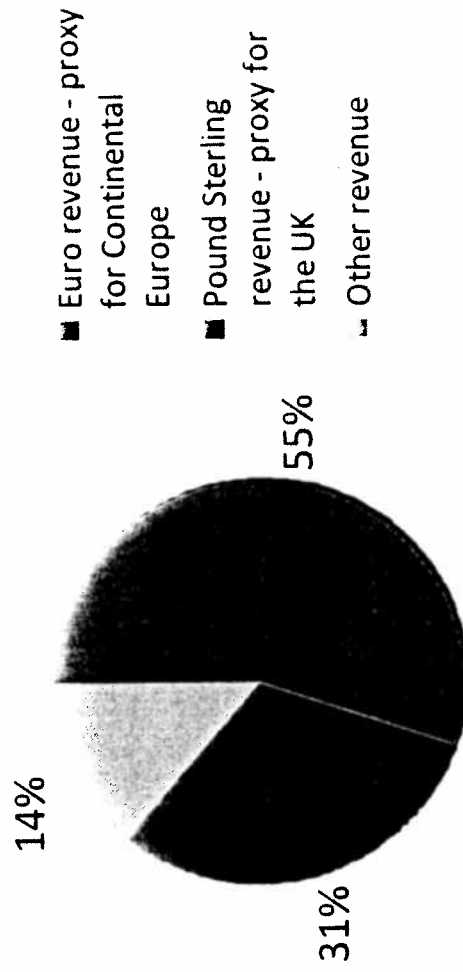
information is available on Parlay's profile at www.sedar.com. In particular, reference should be made to the April 22, 2009 annual information form (see Appendix A).

III. Company Overview

Revenue Breakdown by Geography (Q1 2011 unaudited)

Q1 - 2011 Revenue Source

Breakdown



IV. SERVICE OFFERING

IV. Service Offering

Service Lines

- Parlay develops and licenses software and provides support services to customers who operate internationally. In 2009, Parlay Games was launched in Alderney following the granting of a Full eGaming License to Parlay Games Limited by the AGCC. This delivery channel offers a platform for a number remote gaming services open to all operators. Parlay Games offers Parlay's latest software platform Parlay5. The Company embarked on the creation of its Parlay Games solution as an evolution from its entrenched software licensing model where Parlay generated its reputation as the pioneer and leading innovator in the online bingo marketplace.
- Parlay Games now allows the Company to evolve from being a pure developer and licensor of bingo software to an operator which develops and manages its own bingo network on behalf of its network partners. Parlay Games opens up new markets and revenue streams for the Company as it is now able to compete with all service providers in its sector – not simply software providers.
- Parlay owns and licenses its integrated technology systems. The Company earns installation and implementation fees by providing and integrating its software; service fees generated from customization and support services; monthly managed service fees generated from network partner access to the Parlay Games platforms and royalty fees which are calculated as an annual fee or as a continuing percentage of the licensee's gaming revenue (the "Royalty"). License agreements vary in length from one to three years. The Royalty will vary depending on the technology licensed, the performance of the licensee, the licensee's growth and the scope of the technology and support services licensed. After the initial installation or implementation of the software, the Company also provides technical support and professional services to licensees on terms agreed to by the parties.

V. CUSTOMERS

V. Customers

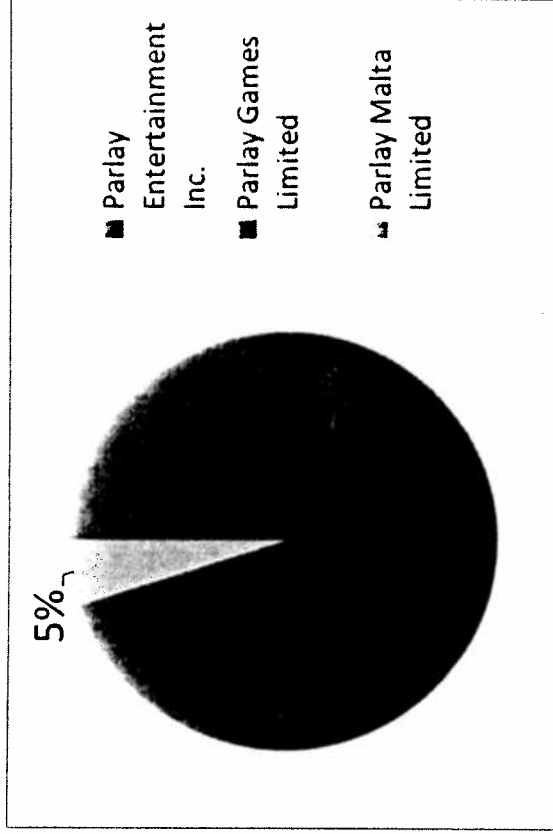
Customers

- Information for 2010 and Q1 2011 based on unaudited financial information
- Customer A, a new licensee in Q3 2010, represented 5% of 2010 fiscal year revenue

Customer	Years as Customer	Revenue (Cdn\$000's) 2011 Q1	% of Total Revenue 2011 Q1	Revenue (Cdn\$000's) 2010	% of Total Revenue 2010
A	1	184	33%	146	5%
B	6	52	10%	531	18%
C	6	57	10%	268	9%
D	9	36	6%	134	5%
Revenue from top 10 customers		494	88%	1,806	63%
Revenue		562	100%	2,883	100%

V. Customers

2010 Revenue Breakdown by Operating Entity



Parlay Entertainment Inc.

- Earns royalties and support fees from standalone licensees who host their own application of Parlay's software

Parlay Games Limited

- Earns royalties and monthly managed solution support fees earned from licensees using the AGCC regulated platform

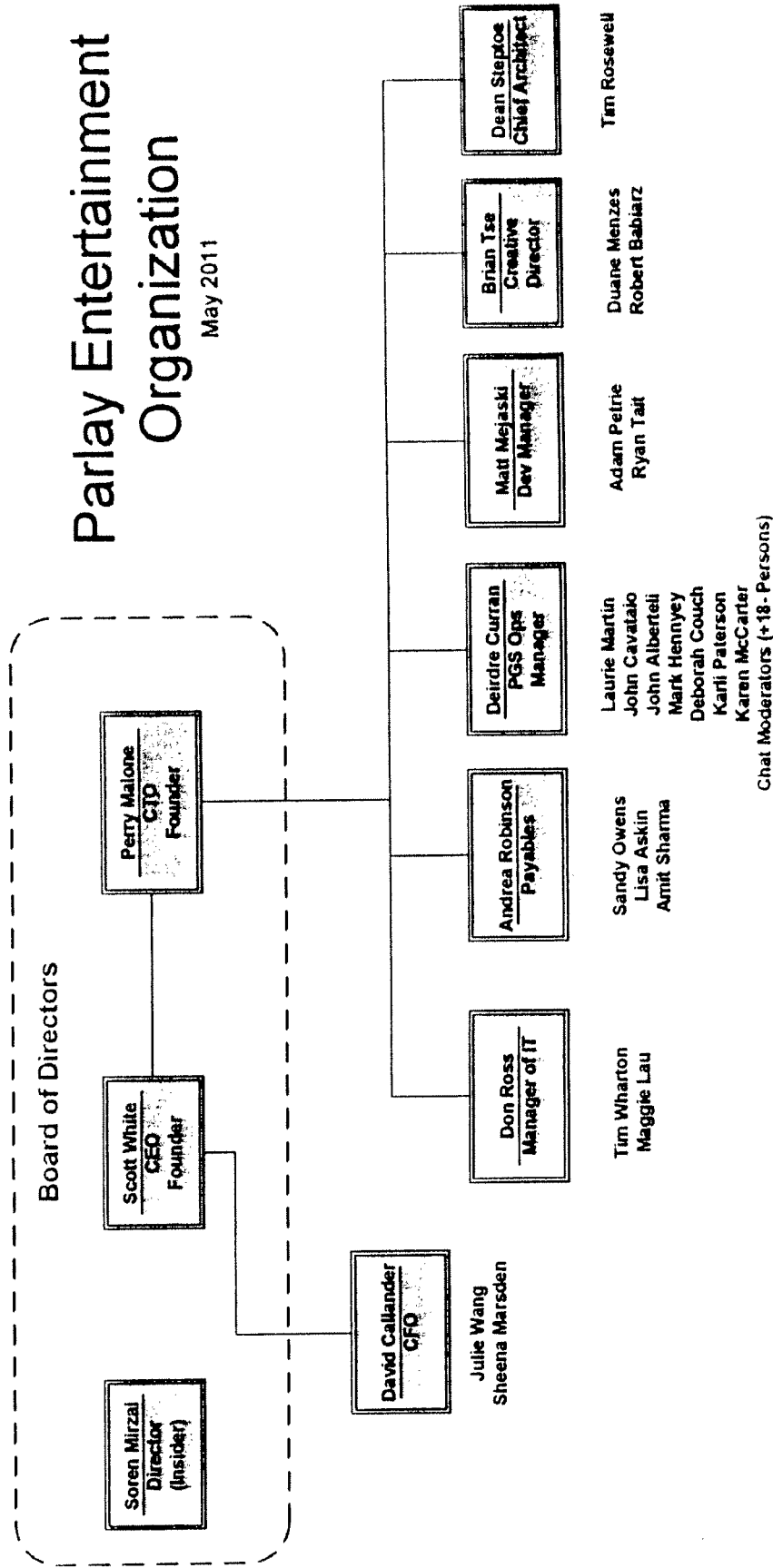
Parlay Malta Limited

- Provider of software to licensees operating in the U.K. under Parlay Malta's U.K. software supply license

VI. PEOPLE

VI. People

Organization Chart



Parlay Entertainment Organization

May 2011

VI. People

Executive Biographies

Scott F. White, Chief Executive Officer

Age 48, was called to the bar in the Province of Ontario in 1989. He is a graduate from the University of Toronto with a Bachelor of Arts degree and the University of Windsor with a Bachelor of Laws degree. Prior to his involvement with Parlay, Mr. White was engaged in private practice in the areas of corporate/commercial law, administrative law and business law. Mr. White served as the founding and managing partner of Bush, Frankel & White, Barristers & Solicitors (1992-2003, not in active practice from January 2000 to 2003) where he serviced a multinational, primarily corporate, client base. In addition to practicing law, Mr. White has been involved in a number of private and public enterprises including acting as a director. Mr. White is a founding shareholder of the Company.

Perry N. Malone, President and Chief Technology Officer

Age 48, graduated from Ryerson University in Toronto with a bachelor degree in Engineering in 1985. He has acquired extensive experience as a computer systems architect and engineer, providing consulting services to some of Canada's leading corporations. From February 1988 to January 1999, through his wholly owned consulting company Pericom Systems Corporation, Mr. Malone provided IT consulting services as a Senior Systems Analyst to Canadian Pacific Limited, Bell Canada, IBM Canada and Toronto Dominion Securities. Mr. Malone has served as the Company's Chief Technology Officer since its inception. Mr. Malone is a founding shareholder of the Company.

David Callander, Chief Financial Officer

Since 2002, David Callander has served as the CFO of Parlay Entertainment Inc. (PEI: TSXV). Prior to that time, Mr. Callander served as a partner with Ernst & Young LLP where he worked closely with many public and private companies. Mr. Callander has developed expertise in U.S. and Canadian regulatory affairs and in the financial reporting, taxation, treasury and governance affairs of public companies. Mr. Callander has a Bachelor of Arts (Honours) degree in Accounting & Business Law and Economics from the University of Stirling in the U.K. and is a member of the Institute of Chartered Accountants of Ontario and of Scotland. Mr. Callander is also a member of the Financial Executives Institute.

VII. FINANCIAL INFORMATION

VII. Financial Information

Summary Income Statements

(in \$000s)	FY2006A	FY2007A	FY2006A	FY2009A	FY2010A	Q1 2011
Revenue	9,028	8,032	8,538	3,354	2,883	562
Direct costs of revenue	4,124	5,032	4,181	3,429	3,304	803
Gross profit	4,904	3,000	4,357	(75)	(421)	(241)
Gross margin	54%	37%	51%	(2)%	(15)%	(43)%
Expenses	2,544	2,916	2,387	1,831	1,816	415
Adjusted EBITDA	2,360	84	1,970	(1,906)	(2,237)	(656)
Deduct (add) :						
Additional management bonuses	-	-	120	-	-	-
Restructuring/transaction expenses	167	334	671	100	-	-
FX	-	-	179	187	140	20
EBITDA	2,193	(250)	1,000	(2,193)	(2,377)	(676)

Notes: 2006 and 2007 \$U.S., 2008 – 2010, Q1 2011 \$Cdn.

FY 2010 A and Q2011 are unaudited

VII. Financial Information

Balance Sheet December 31, 2010 (unaudited)

ASSETS - \$Cdn. 000's		LIABILITIES AND SHAREHOLDERS' EQUITY - \$Cdn. 000's	
Current Assets		Current Liabilities	
Accounts receivable	504	Accounts payable and accruals	1,666
Cash	1,001	Short term debt	170
Other current assets	414	Current liabilities	1,836
Current assets	1,919	Long-term debt	0
Long-term assets		Total liabilities	1,836
Property, plant & equipment	91	Shareholders' equity	358
Other long-term assets	184		
Total assets	2,194	Liabilities and shareholders' equity	2,194

APPENDIX A. 2009 ANNUAL INFORMATION FORM

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PARLAY ENTERTAINMENT INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED

DECEMBER 31, 2009

April 19, 2010

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INTRODUCTION

Glossary of Terms

Whenever used in this Annual Information Form, the following terms shall have the meanings set forth below:

"AGCC" means the Alderney Gambling Control Commission

"Common Shares" means the common shares in the capital of the Company.

"EBITDA" means earnings before interest, taxes and amortization.

"FLASH" is a bandwidth friendly and browser independent vector-graphic animation technology. As long as different browsers are equipped with the necessary plug-ins, Flash animations will look the same. With Flash, users can draw their own animations or import other vector-based images.

"HTML" means Hyper Text Markup Language which is the authoring language used to create documents on the World Wide Web. HTML defines the structure and layout of a Web document by using a variety of tags and attributes. There are hundreds of tags used to format and layout the information on a Website and on individual Web pages.

"iDTV" means interactive digital television whereby an interactive function is provided through an Internet link embedded in the television functionality and which facilitates through two-way communication entertainment services to the television viewer.

"Internet" is a global network connecting millions of computers.

"Intranet" is a network based on transmission control and Internet protocols (an Internet) belonging to an organization, accessible only by such an organization's members, employees or others with authorization.

"ISP" means Internet Service Provider.

"JAVA" is a high level programming language developed by Sun Microsystems. Compiled Java code can be run on most computers because Java interpreters and runtime environments, known as Java Virtual Machines (VMs), exist for most operating systems, including UNIX, the Macintosh OS, and Windows. Bytecode can also be converted directly into machine language instructions by a just-in-time compiler (JIT). Java is a general purpose programming language with a number of features that make the language well suited for use on the World Wide Web. Small Java applications are called Java applets and can be downloaded from a Web server and run on a computer by a Java-compatible web browser, such as Netscape Navigator or Microsoft Internet Explorer.

"OBCA" means the *Business Corporations Act* (Ontario), as amended from time to time together with all regulations promulgated pursuant thereto.

"Online Bingo" means traditional bingo, commonly found in land-based bingo halls, which is offered over the Internet using Parlay's software.

"Online Casino" means traditional table games, slots and video poker games, commonly found in land-based casinos, which are offered over the Internet using Parlay's software.

"Online Games" means Online Casino, Online Bingo and Soft Games.

"Parlay" or the **"Company"** means Parlay Entertainment Inc., an OBCA corporation.

"PEL" means Parlay Entertainment Limited, a wholly-owned subsidiary of the Company.

"PGL or Parlay Games" means Parlay Games Limited, a wholly-owned subsidiary of the Company.

"PMHL" means Parlay Malta (Holding) Limited, a wholly-owned subsidiary of the Company.

"PML" means Parlay Malta Limited, a wholly-owned subsidiary of PMHL.

"Server" means a computer or device on a network that manages network resources.

"Soft Games" means (i) fixed odds games that are dependent upon chance as opposed to skill; and (ii) those other games that do not form part of Parlay's Online Casino or Bingo Hall.

"TSXV" or the **"Exchange"** means the TSX Venture Exchange.

"Website" is a location on the World Wide Web containing a home page as well as additional documents and files.

"World Wide Web" or **"Web"** refers to a system of Internet servers that support specially formatted documents. The documents are formatted in a language called HTML that supports links to other documents as well as graphics, audio and video files.

Currency

In this Annual Information Form, unless otherwise noted, all dollar amounts are expressed in Canadian dollars. On October 1, 2008, following the changed circumstances of the Company, the Company's functional currency changed to the Canadian dollar and the Company adopted the Canadian dollar as its reporting currency.

Caution Regarding Third Party Source Information and Forward-Looking Statements

Certain information contained in this Annual Information Form concerning the industry in which the Company operates has been obtained from publicly available information from third party sources. The Company has not verified the accuracy or completeness of any information contained in such publicly available information. In addition, the Company has not determined if there has been any omission by any such third party to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any such information contained in such publicly available information has been furnished or which may affect the significance or accuracy of any information contained in any such information and summarized herein.

Certain statements contained in this Annual Information Form constitute forward-looking statements. These statements relate to future events or the Company's future performance and include the size of the online gaming industry. The online gaming industry, like the land-based gaming industry, is fragmented and is difficult to capture. As a result, the Company itself has made little effort to quantify either the on-line gaming market, or the bingo vertical subset thereof. While third parties have estimated the on-line gaming marketplace, their own estimates are subject to measurement risk and are subject to many of the risks identified by the Company. However, the third party sources all indicate that the market is significant and growing which is the important point to note in assessing the future performance of the Company. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form. The Company does not intend, and does not assume any obligation, to update these forward-looking statements. No assurance can be given that actual results, performance or achievement expressed in, or implied by these forward-looking statements will occur, or if they do, that any benefits may be derived from them.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth elsewhere in this Annual Information Form. The material assumptions and information contained within those forward-looking statements are based on past results and third party sources.

CORPORATE STRUCTURE

Name, Address and Incorporation

On December 11, 1981, Affiliated Adjusters, Inc. ("**Affiliated**"), a predecessor corporation of Parlay, was incorporated pursuant to the laws of the State of Florida. On January 27, 1999, Affiliated acquired 100% of the common shares of Precyse Corporation, an Ontario corporation ("**Precyse**"). Prior to the acquisition of Precyse, Affiliated conducted no business and had only nominal assets and liabilities. On February 2, 1999, Affiliated changed its name to dot com Entertainment Group, Inc. ("**DCEG**").

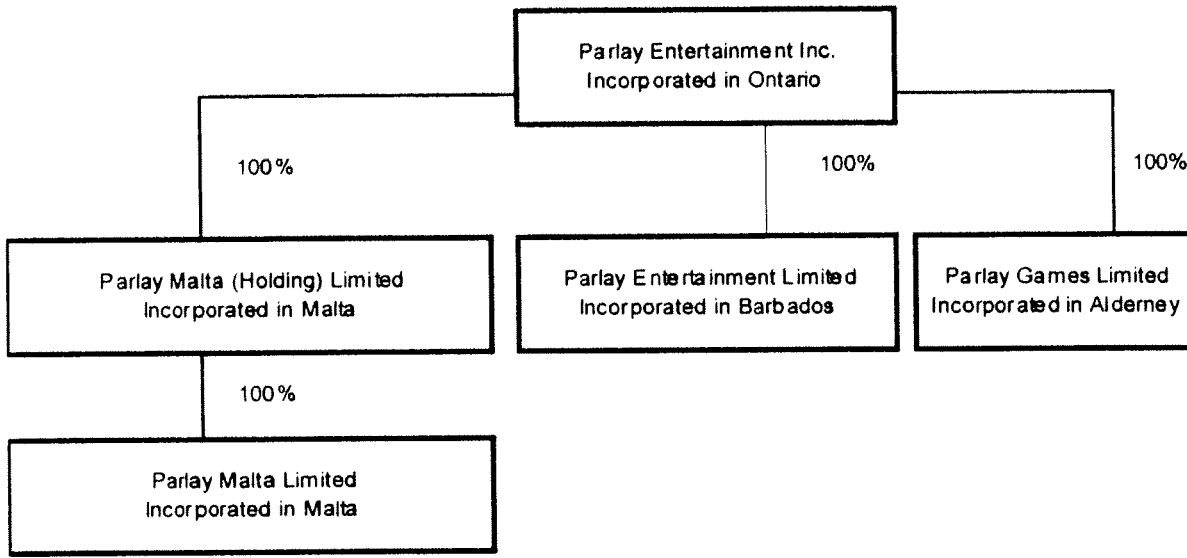
On October 6, 2004, DCEG was merged into dot com Entertainment Group, Inc., a Nevada corporation which had been incorporated to effect a merger, pursuant to the laws of the State of Nevada. The surviving Nevada corporation, dot com Entertainment Group, Inc. was then continued under the OBCA on October 18, 2004 since a Florida corporation could not be directly continued into Ontario.

On November 30, 2004, dot com Entertainment Group, Inc. amalgamated with its Canadian subsidiaries, dot com Management Ltd., DCEG Inc., Parlay Entertainment Inc. and Precyse Corporation (the "**Amalgamation**"). The name of the amalgamated corporation was Parlay Entertainment Inc.

The principal and registered office of Parlay is located at 2305 Wyecroft Rd., 2nd Floor, Oakville, Ontario, L6L 6R2.

Corporate Structure

The material subsidiaries of Parlay, all of which are 100% owned (directly or indirectly) by Parlay, together with their respective jurisdictions of incorporation, are as follows:



GENERAL DEVELOPMENT OF THE BUSINESS

General State of the Internet Gaming Industry

Given the uncertainty surrounding Internet gaming and the different jurisdictional issues impacting on all aspects of it, current and future legislation and court decisions will have a material impact on our operations and financial results (Please see Government Regulation - below)

Parlay's managed solution operates under a full eGambling license in Alderney. Parlay also maintains gaming/platform/supplier licenses in Malta and the U.K. Some of our customers hold similar licenses and all are regulated by the laws of the country where they are located or where their gaming servers are located.

All countries in which Parlay conducts its business have numerous laws which govern gambling and advertising that relate to gambling. Many countries have now introduced regulations attempting to restrict or prohibit Internet gaming. Others have chosen a more moderate position and have attempted regulate Internet gambling, or are in the process of considering legislation to enable that regulation. The U.K. and other European jurisdictions such as Alderney, the Isle of Man, Malta and Gibraltar have passed legislation permitting its members to accept wagers from any jurisdiction. Other countries, such as Italy and France have, or are in the process of, implementing laws which will permit domestic players to wager on websites located within those markets and where local taxes are accounted for. In some European territories, laws continue to protect monopoly providers and therefore such laws attempt to prohibit all other supplies.

Some would argue that these restrictive approaches may conflict with the laws and treaties of the E.U. (and that such laws are contrary to the free movement of trade in services within the E.U.) and case law rendered by the European Court of Justice (the "ECJ"). Further, the European

Commission (the "E.C.") has attempted to prompt the introduction of directives that would harmonize online gaming within the E.U., which is in line with the EC's stated goal of encouraging a free and open cross-border market. These initiatives have been controversial and there is no indication that any such harmonization will be achieved. As gaming operators and players are located in numerous countries around the globe, there is substantial uncertainty with respect to which government has authority to regulate and what component of the Internet gaming transaction cycle that government should regulate.

The Unlawful Internet Gaming Enforcement Act ("UIGEA"), was enacted on October 13, 2006 in the U.S. Similar legislation could be adopted in other jurisdictions. There is a risk that governmental authorities may view us or our licensees as having violated their local laws, despite the Company's contractual requirement that each of its licensees is licensed to operate an Internet gaming business by the governmental authority it is governed by. Therefore, there is a risk that civil and criminal proceedings, including class actions brought by or on behalf of prosecutors or public entities, or private individuals, could be initiated against the Company, its licensees, Internet service providers, credit card processors, advertisers and others involved in the Internet gaming industry. Such potential proceedings could involve substantial litigation expense, penalties, fines, seizure of assets, injunctions or other restrictions being imposed upon us or our licensees or other business partners, while diverting the attention of key executives. Such proceedings could have a material adverse effect on our business, revenues, operating results and financial condition. There can be no assurance that legally enforceable prohibiting legislation will not be proposed and passed in jurisdictions relevant or potentially relevant to our business to legislate or regulate various aspects of the Internet or the Internet gaming industry (or that existing laws in those jurisdictions will not be interpreted negatively). Compliance with any such legislation may have a material adverse effect on our business, financial condition and results of operations, either as a result of our determining that a jurisdiction should be blocked, or because a local license may be costly for us or our licensees to obtain.

General Business Description

The Company is a software development and managed solutions company which develops and licenses the use of its software products and other intellectual property to customers throughout the world.

We are a pioneer and a global leading software developer and services provider in the field of Internet bingo and related products. We are one of the industry's longest-established publicly traded online gaming software companies. Through our subsidiaries in Malta, Alderney and Barbados, we provide software hosting and licensing, e-cash solutions, customer support and marketing support services to third-party gaming operators and networked partners to Parlay Games. In addition to the products we develop, we have integrated or are in the process of integrating third party software development firms such as Wagerworks, Orbis, Odds Matrix, Income Access and Entraction who will manage the development of additional products that are not in our core competency but that our customers have requested.

The Company licenses its software products and provides services to an international client base while retaining ownership and control of the software. Parlay Games provides access to a

complete online gaming solution, which includes a turn-key Internet-based game suite providing an online bingo platform and related games.

Our game suite features:

- A variety of bingo, casino, table and slot games;
- Full multi-language capability;
- Full multi-currency capability;
- First line and chat support and moderation; and
- Electronic commerce systems and support for player deposits and withdrawals.

The Company derives its revenues from several sources, including its assessment of installation and implementation fees, software licensing fees, fees for managed services and royalties from the use of its software. Additionally, the Company generates revenue on a fee for service basis by providing licensees with support services (such services include web site design and integration, custom products, corporate branding, systems consulting services and technical support, maintenance and software upgrades).

On May 22, 2008, Parlay announced that it had entered into a series of transactions with third parties resulting in the divestiture of certain non-core assets, including several licensing agreements, and the license of certain of Parlay's older software technologies in perpetuity for proceeds of approximately \$2.8 million U.S. (the "Divestiture"). As a consequence of the Divestiture, Parlay no longer generates royalty revenue from the customer relationships included in the non-core assets.

Following the Divestiture, the Company has expended its service offering to include a full managed solution which operates under a new subsidiary, PGL. PGL was incorporated under the laws of Alderney on April 24, 2009 and was granted a Full eGambling License by the AGCC effective June 4, 2009.

General Market Conditions

Parlay's twelve-month period ended December 31, 2009, continues to coincide with a continuing period of significant global economic volatility, generally referred to as the Credit Crunch. The Credit Crunch is visible in the recent levels of global securities and credit markets volatility as the worldwide economy has entered a recessionary period. Decreased wagering levels and increased competition at the licensee level in Europe and in the U.K., have adversely impacted revenue in 2009. The gaming industry is a volatile industry, which is sensitive to economic conditions. When economic conditions are unfavourable, gaming industry revenues decline. Any significant decline in general corporate conditions or the economy that affect consumer spending could have a material adverse affect on the Company's business, financial condition and results of operations.

For the twelve-month period ended December 31, 2009, Parlay noted that the combination of decreased wagering levels and increased competition, at the licensee level, in its principal markets being Europe, and particularly the U.K., has adversely impacted revenue. In addition, the fall in the value of each of the pound sterling and the euro against the Canadian dollar has

exacerbated the impact on Parlay's revenue from the underlying decrease in gross wagering activity. It is premature to assess whether there will be any further changes in wagering behaviour by the Company's licensees' customers or changes in behaviour by the Company's licensees as a result of the Credit Crunch. In addition, it has traditionally been the case that the summer seasonal downturn in wagering activity would start to reverse in September. Other participants in the on-line gaming vertical supply chain noted that the expected September recovery in activity levels did not occur this year to the same extent as prior years. Therefore, adverse and continuing seasonal impacts may also be contributing to weak wagering levels. A worldwide, large scale recession may further impact Parlay's business in many ways.

The following list of consequences includes matters that Parlay has long identified as risks to its business but the Credit Crunch has exacerbated certain of these risks. These risks and consequences (see Risk Factors) include, but may not be limited to: stock price and volume volatility, a potential lack of availability for future funding of the Company, if required, a lack of available credit for licensees' players to continue to gamble online, increased risk around collections from licensees, an increased likelihood of licensees defaulting on their contractual obligations and the potential for fewer players being willing to gamble online or to gamble at past levels of activity.

It is not feasible to predict all of the various possible ways in which the Credit Crunch could adversely impact Parlay's business or attempt to quantify any impact. However, the Credit Crunch could have a material adverse effect on the Company's revenue, results of operations and financial condition. Parlay's strategy to respond to the Credit Crunch on its revenues is to continue to focus on the development, marketing, licensing and support of Internet gaming technologies into regulated jurisdictions.

From the cost of conducting business perspective, the Credit Crunch has resulted in unprecedented recent levels of volatility in foreign currency exchange markets, especially between the major currencies in which the Company conducts its business. During the twelve-month period ended December 31, 2009, the impact of continuing currency fluctuations on the Company has been comparable to the prior year but continuing volatility in foreign currency exchange markets leads to the possibility of further foreign exchange losses into fiscal 2010. Between January 1, 2010 and March 31, 2010, the pound sterling and the euro fell in value against the Canadian dollar by a further 8% and 9%, respectively. Parlay's strategy to respond to the increased volatility in foreign currency exchange markets is to place greater emphasis on treasury matters. In addition, Parlay is continuing to focus on cost control in response to these challenging economic times.

As a result of the impact from the Divestiture and other market conditions described throughout this document, revenue decreased to \$3,354,197 for the twelve-month period ended December 31, 2009, compared to \$8,537,669 for the comparable period in 2008.

BUSINESS DESCRIPTION AND STRATEGY

Summary

Parlay's headquarters are located in Oakville, Ontario. The Company's Common Shares trade on the TSXV under the symbol "PEI".

Parlay develops and licenses software and provides support services to customers who operate internationally. As noted above, in 2009, Parlay Games was launched in Alderney following the granting of a Full eGambling License to Parlay Games Limited by the AGCC. This delivery channel offers a platform for a number remote gaming services open to all operators. Parlay Games offers Parlay's latest software platform Parlay5. 2009 was a difficult year for Parlay, as well as many other companies in the Internet gaming arena. Subsequent to the Divestiture the Company embarked on the creation of its Parlay Games solution, which was an evolution from its entrenched software licensing model where Parlay generated its reputation as the pioneer and leading innovator in the online bingo marketplace.

Parlay Games now allows the Company to evolve from being a pure developer and licensor of bingo software to an operator which develops and manages its own bingo network on behalf of its network partners. Parlay Games opens up new markets and revenue streams for the Company as it is now able to compete with all service providers in its sector – not simply software providers.

Parlay owns and licenses its integrated technology systems. The Company earns installation and implementation fees by providing and integrating its software; service fees generated from customization and support services; monthly managed service fees generated from network partner access to the Parlay Games platforms and royalty fees which are calculated as an annual fee or as a continuing percentage of the licensee's gaming revenue (the "Royalty"). License agreements vary in length from one to three years. The Royalty will vary depending on the technology licensed, the performance of the licensee, the licensee's growth and the scope of the technology and support services licensed. After the initial installation or implementation of the software, the Company also provides technical support and professional services to licensees on terms agreed to by the parties.

Following the Divestiture transaction, the number of licensee relationships fell to 21 at December 31, 2008 and is 22 at December 31, 2009. Most of Parlay's software license agreements and intellectual property are owned by PEL. In addition to the license owned by PGL in Alderney, Parlay also operates pursuant to a Class IV gaming license issued by the Malta Lotteries and Gaming Authority and it has a Remote Operating License for the supply of software by the U.K. Gambling Commission.

Business Plan

Parlay's business plan is to focus on the continued development and marketing of our Online Games and the delivery of managed services to customers who do not want to manage their gaming operations. With the formulation stage of Parlay Games now complete, it is a matter of adding network partners, liquidity and critical mass to the network in order to generate a return

on investment. To this end, the Company has now completed a number of managed services agreements and expects to launch a number of new customer relationships in 2010.

Products

Our software and e-commerce products are licensed for use by our customers to create virtual bingo halls. Our software is browser-based and it transfers the “front-end” information (i.e., bingo cards, slot wheels, gaming cards, numbers, etc.) between players and either our customer’s remote servers or, in the case of Parlay Games, our servers located in Alderney. The software package uses player computers to generate graphics for the Internet bingo hall and/or games. Through the use of a random number generator, the gaming servers perform all of the bingo hall or dealer functions which fill the cards, slots, etc. located on the player’s computer.

As part of our commitment to safe and responsible gaming, our gaming solution provides personal options and security features including deposit and bet limits, temporary and permanent account locks, personal identification verification, and online tracking of a player’s gaming activity and financial transactions. We are also able to restrict registration and game play from residents who are located in prohibited jurisdictions.

Our gaming solution is complemented by e-cash systems and support. We provide Internet-based electronic commerce support and technology to our licensees and their respective players and maintain electronic commerce accounts.

For network partners who are part of Parlay Games, we report and remit to them the net gaming revenues less certain costs and charges (as set out in each managed services agreement). For our customers to which we have deployed technology, they have control over the registration, verification and banking systems and support to enable an integrated single player account for all their online offerings. In such cases, these customers either report and remit licensing fees to us or alternatively we report and invoice licensing costs to them.

As part of our Parlay Games solution, we also provide 7/24, multi-language customer support and chat moderation in the languages and currencies supported by our software and customers for the convenience of a global player base. Our customer support is available to help players with technical questions or assist with the gaming software and e-cash accounts. Our chat moderation services are available to help players interact in our various bingo communities.

Using our e-commerce software, players can use a wide range of payment options, including credit and debit card and various electronic wallets.

Our product suite includes the following:

Online Bingo

Parlay’s Online Bingo is available in 75, 80 and 90-number formats. All formats feature graphics and a host of features that a player would find in a land-based bingo hall.

Online Casino

Parlay's Online Casino features table games including Blackjack, Craps and Roulette as well a variant of Slots and Video Poker games. Parlay's Online Casino features rich graphics and sound, providing the user with a true to life land-based casino experience.

Soft Games

Parlay's Soft Games include Lotto, Keno as well as a collection of Pull Tab fixed-odds games. The Lotto system also includes a 6/49 style lottery game supporting a number of scheduling and format options.

House Edge™

Parlay's House Edge™ management system offers comprehensive game management and reporting features, allowing operators to manage their business in real-time to maximize profitability.

BingoBets™

BingoBets™ is a bingo overlay game that allows players to make fixed-odds bets on the results of upcoming bingo games. BingoBets™ is embedded in the Parlay bingo interface allowing players to view the progress of both their purchased bingo cards and BingoBets™ at the same time.

Technology

All of the Company's end user game interfaces are built with FLASH for most of the current web browsers and desktop systems including Microsoft Windows™, Apple Macintosh™ and the Linux/Unix systems. Parlay packages its Online Games into a downloadable format to allow for local installation on end user desktops.

Parlay's game engine technologies and systems management applications such as House Edge™ are built with the industry standard Sun J2EE framework. Parlay has been an active member of the JAVA development community since 1996 and its backend technologies are 100% J2EE compliant. Parlay's backend software systems are compatible with most of today's popular server hardware platforms and operating systems including Microsoft Windows™, Sun Solaris and Linux/Unix.

Intellectual Property

The Company seeks patent protection for gaming innovations where proprietary rights will improve our competitive position. We hold a series of patents including the following:

Parlay was issued a United States patent (no. 6,585,590) protecting the method used to provide game cards for purchase by game participants when at least one of the game cards is a winning card. The advantage of this method is the ability to determine the correct game winner even in the event that a network connection is lost during the game.

Parlay was issued a Canadian patent (no. 2,340,152) also protecting the method used to provide game cards for purchase by game participants when at least one of the game cards is a winning card. The advantage of this method is the ability to determine the correct game winner even in the event that a network connection is lost during the game.

The Canadian and US patent claims, as described above, would be infringed if a third party implements a system that has all of the elements of either the system or the method. This may be true even if the third party includes additional elements to their system or method. However, before a decision could be made with regard to infringement, a detailed analysis of the third party's technology would have to be made in comparison to the claims.

Parlay has applied for a United States patent (application no. 60/885,965) protecting systems and methods used for playing Bingo overlay games on a data processing system, comprising: providing at least one Bingo overlay game configured to be playable on top of an underlying Bingo game; and linking the outcome of at least one Bingo overlay game to numbers called in the underlying Bingo game. On January 28, 2008, Parlay also filed a PCT international Patent Application based on the United States provisional patent application no. 60/885,965. A serial number has not yet been awarded.

Parlay is exploring additional intellectual property which will add to the rights we presently enjoy. It will be the Company's intention to enforce the above patent rights.

Trademarks

Parlay has a number of Canadian and United States trademarks that are set out in the table below.

Trademark	Number	Registration Date
WHERE THE WORLD PLAYS BINGO Canada United States	TMA 572,407 2,537,308	December 17, 2002 February 5, 2002
ARROW & GLOBE Design ("e") Canada United States	TMA 577,569 2,813,397	March 19, 2003 February 10, 2004
HOUSE EDGE Canada	TMA 618,069	August 30, 2004

PARLAY ENTERTAINMENT (& Design) ("P" Version) Canada	TMA 615,078	July 19, 2004
PARLAY ENTERTAINMENT (& Design) (Button Version) Canada	TMA 629,169	December 31, 2004
AFFILIATE CENTRE Canada	TMA 654,247	December 2, 2005
E2E Canada	TMA 659,452	February 21, 2006

Competition

We compete with a number of public and private companies, who provide electronic commerce and/or Internet gaming software and/or managed solutions. Given the stage of development of the industry and the number of private organizations operating in the industry, information about the nature of our competitors, their operations and their resources is difficult to compile. In addition to current known competitors, traditional land-based gaming operators and other entities, many of which have significant financial resources and name-brand recognition, may provide Internet gaming services in the future, and thus become our competitors. Increased competition from current and future competitors has and could continue to result in the reduction of our margins, or could result in the loss of our market share.

Licenseses of our software and managed solutions compete with existing and more established recreational services and products, in addition to other forms of entertainment. Our success will depend, in part, upon our ability to enhance our products and services, expand our system infrastructure and resiliency, keep pace with technological developments, respond to evolving customer requirements and achieve continued market acceptance.

The global nature of the Internet makes most Internet markets, including the online gaming industry, relatively accessible to a wide number of entities and individuals. The Company believes that the principal competitive factors in our industry that create certain barriers to entry include reputation, technology, financial stability and resources, proven track record of successful operations, critical mass, regulatory compliance, independent oversight and transparency of business practices. While these barriers will limit those able to enter or compete effectively in the market, it is likely that new competitors will be established in the future, in addition to known current competitors.

Market Position

There are a variety of factors which will influence an Internet gaming software provider's ability to acquire and/or maintain market share. Some of these factors include the significant capital costs relating to software development, credit concentration, e-commerce risk, government regulation, lead time relating to software development and scarcity of qualified software programmers. These factors must be overcome to establish and maintain a successful position.

We cannot guarantee that we will be able to overcome these factors. See also, "Risk Factors - The Company Faces Significant Increased Competition".

Costs of Software Development

The costs of developing new software products and enhancing existing software products can be significant. The Company incurred approximately \$1,500,000 of research and software development costs during the year ended December 31, 2009 (approximately \$2,100,000 for the year ended December 31, 2008). The Company will have to at least maintain, and may be required to increase, such expenditures in 2010 and future years to maintain the competitiveness of its software products in the marketplace.

Credit Concentration

At December 31, 2009, the Company had five customers which represented in excess of 10% of net trade accounts receivable of Parlay as at that date or which represented in excess of 10% of revenue of Parlay for the fiscal year ended on that date. See also "Risk Factors – Parlay's Licensees May Withhold Payment Or Become Insolvent Without Legal Recourse".

e-Commerce Risk

The Company's customers transact with e-commerce service providers. Certain of these e-commerce providers have ceased accepting deposits from U.S. residents as a direct result of the UIGEA. The Company has limited, and in some cases no, information on the transactions between its customers and their e-commerce service providers. Further the Company has no direct access to the information of any e-commerce service providers and has no privity of contract to obtain such information. Because the Company's accounts receivable may depend on e-commerce service providers honouring their obligations to the Company's customers, should there be delays in these e-commerce service providers remitting funds to the Company's customers, the Company itself will experience delays in cash collection. In addition, in 2009 the Company itself commenced transacting with e-commerce providers. While the Company does have access to certain information of these e-commerce service providers and has privity of contract to obtain such information the Company depends on these e-commerce service providers honoring their obligations to the Company. While management does not anticipate non-performance by these e-commerce service providers, there is limited information on which to base this assessment.

As noted, in 2009 the Company commenced transacting directly with a number of ecommerce providers. At December 31, 2009, approximately 14% (December 31, 2008 – Nil) of the Company's net trade accounts receivable related to amounts owed by three ecommerce providers, including amounts retained by the ecommerce providers as reserves.

Government Regulation

See discussion under the heading "Government Regulation" below and above.

Software Development Lead Time

The development of new software products, and enhancements to existing software products, including the appropriate quality control testing thereof, can be a time consuming process. The ability of the Company to develop and introduce new software products, and enhancements to existing software products, in conformity with its product development timetable, and in advance of its competitors, will have an influence on both the present marketplace acceptance of Parlay software and on the future market share that Parlay software is able to achieve.

Scarcity of Qualified Software Developers

The development of software products requires the application of specific software development skills. To maintain, or accelerate, the development lead times for specific software development projects, the Company may have to either recruit new staff, or engage short-term consultants, to assist with the respective software development projects. If the Company is unable to either hire new staff, or engage short-term consultants, the marketplace positioning of the Company may be adversely impacted.

Cash Deposits

The Company's cash and security deposit is on deposit with six financial institutions. Only certain of the Company's cash and security deposit amounts would be covered by deposit insurance and the Company's cash and security deposit amounts are substantially in excess of the amounts that would be covered by deposit insurance should such insurance coverage become required. Although cash and security amounts exceed insured deposit amounts, management does not anticipate non-performance by the financial institutions.

Foreign Operations

As was noted as an expectation in 2008, in 2009 essentially of the Company's revenue was derived from licensing and support fees in countries outside North America. The Company and its licensees are subject to local laws and regulations in those jurisdictions in which we operate. There are burdens associated with operating in these jurisdictions including complying with multiple and sometimes conflicting regulatory requirements, foreign currency risks, potential restrictions on gaming activities and potentially adverse tax risks. See also "Government Regulation" below.

Government Regulation

Parlay's Connection to Online Gaming Industry

Parlay has various connections with the online gaming industry. In Canada, Parlay develops software under contract with PEL. PEL, PML and PGL in turn, license online gaming systems to their customers. These customers are generally licensed to operate interactive bingo halls and casinos in the country where their gaming equipment is physically located or in the case of PGL, they have received approval from the AGCC that they are an acceptable network partner to PGL.

Regulatory Jurisdiction of Parlay's Licensees

As we have noted previously in this document, significant debate exists whether the laws of any country other than the country where the computer gaming servers are physically located have jurisdiction over the operations of Parlay's licensees. In addition, a significant debate exists whether the laws of any country other than the country where the computer gaming servers are physically located have jurisdiction over the operations of Parlay's affiliate, PML, which performs services for some of Parlay's licensees.

Many of Parlay's licensees hold a gaming license in the country of their operation. PML has a Class IV license issued by the Malta Lotteries and Gaming Authority and a Remote Gambling Software Type F License granted by the Gambling Commission of the U.K. PGL holds a Full eGambling License granted by the AGCC. Each of Parlay's licensees each has the responsibility to determine from which countries they will accept gaming transactions and ensure that their own gaming license is maintained. All of Parlay's licensees' gaming transactions are accepted on servers located outside of North America and are governed by the conditions of those countries and the respective gaming licenses.

Government Regulation

There have been a number of legal developments associated with gaming, and online gaming, in the U.K., Continental Europe and the U.S. These developments are both positive and negative. In this regard a brief summary of the regulatory situation in the U.K., Continental Europe, and the U.S. is as follows:

U.K.

In September 2007, the U.K. Gambling Act came into force, which regulated online gaming for the first time in that jurisdiction. Most of the underlying legislative initiatives for businesses established in the U.K., or marketing into the U.K., have now been enacted. This notwithstanding, there is no assurance that the U.K. regulatory regime as interpreted by the Gambling Commission, the Gambling Act's independent regulator, will provide a commercially-viable market and may create restrictions that would have a material adverse effect on Parlay's customers, business, revenues, operating results and/or financial condition. Recently, the Department of Culture Media and Sport (the "DCMS") (the government body with responsibility for overseeing gambling), has recently announced that it may reconsider one of the main tenets of the Gambling Act, namely that if an online gaming operator was regulated either in Europe or in a jurisdiction approved by the DCMS (the so called "white listed" jurisdictions) such an operator could fully target the U.K. gambling market. It seems likely that the DCMS will recommend (in a report soon to be published) that it will require entities not licensed in the U.K. to acquire some form of additional accreditation to access the U.K. market and/or pay taxes in the U.K.

Continental Europe

France

France has decided to license the Internet gambling sector in 2010 but currently only in relation to poker games and sportsbook. It is, therefore, anticipated that the previously aggressive enforcement stance adopted by the French authorities is likely to resume when this regime is in force against those operators that fail to obtain any local license. Moreover, the licenses look likely to be subject to undesirable commercial terms, such as limits on maximum payouts and high levels of tax. Moreover, all poker play can only be amongst French customers, which will severely impede liquidity.

Germany

Online gambling was expressly prohibited in Germany by the State Gambling Treaty of 2008, under which an operator is liable to civil or administrative sanctions. Article 284 of the German Criminal Code, which applies criminal sanctions to operators who provide online gambling services into Germany without a form of authorization, has been the subject of legal debate over the purported breadth of its application. Conflicting domestic court decisions on the legality of domestic law relating to online gambling (in light of the uncertainty of the application of Article 284 of the Criminal Code to online gambling businesses licensed outside of Germany, in particular by other E.U. member states, and the legality of the State Gambling Treaty under E.U. law) has led to uncoordinated enforcement action. Moreover, the State Gambling Treaty expires on December 31, 2011, requiring Germany to address the issue of online gambling prior to this date. It may elect to adopt a similar regime to that implemented in France.

Italy

Recent willingness by the Italian government to regulate certain forms of Internet gaming could be perceived as indicative of a liberalization of the Internet gaming industry as a whole in that country. However, at present, the form of regulation put forward has failed to create attractive market conditions for many operators. As such, notwithstanding the fact that this market may appear to be liberalizing, in practice, Italy has not liberalized in a manner, or to a degree, that is helpful to the Company or its licensees. The Company and its licensees remain at risk that Italy may take aggressive action against parties whose operations are not licensed pursuant to the regulatory regimes established by this country and, furthermore, the fact that some Internet gaming activity is permitted under license may be sufficient for Italy to resist any residual criticisms or enforcement initiatives by the E.C.

Spain

Madrid's regional government has recently implemented new legislation to regulate Internet gaming but it only permits services to be supplied by the licensed entity to Madrid residents. Therefore, obtaining a license may be of little commercial value to any operator. Other regions may follow suit.

Holland

The Dutch government has consistently taken steps to support and protect its state-sponsored casino operator's (Holland Casino) monopoly, including taking legal action against Internet gaming operators. In addition, an announcement in 2009 by the Dutch Minister of Justice to the effect that payment support by Dutch banks of online gaming was unlawful (and precluded by existing law) caused a number of operators to block from the territory, and this cautious approach has been further exacerbated by the negative (recently published) opinion of Advocate General Bot in the case referred to the ECJ by Betfair and Ladbrokes which sought in effect to challenge the Dutch monopoly (the court normally follows the Advocate General's opinion). In the event that the Dutch government seeks to take further steps to protect the online business of Holland Casino by discouraging other operators from operating in the Dutch marketplace, either through changes in legislation or enforcement measures, the Company's licensees could be adversely impacted.

Scandinavia

Governments in most Scandinavian countries have attempted to discourage their citizens from gambling with online operators by taxing their citizens' winnings. Generally speaking, winnings realized through a state sponsored operator are not taxable, but winnings from other sources can be subject to inconsistent application of taxation law in relation to domestic and non-domestic products in the E.U. Until such time as the tax authorities in the various countries make an official pronouncement on the manner in which these tax laws will be applied, it is unclear as to what impact these tax policies will have on the business of the Company's licensees. In Norway, the government has specifically banned payment support of online gambling which came into force in 2010. The ban, means only payment support of state owned gambling services will remain legal. In Denmark, the state monopoly on online gambling is being reconsidered by Danish government in light of EC criticism.

U.S.

As a result of the enactment of UIGEA in October 2006 and the subsequent Divestiture transaction, the Company has prohibited its licensees from taking any wagers from U.S. residents. The UIGEA sought to clarify the illegality of processing or transferring any funds connected with unlawful Internet gaming, although some U.S. enforcement agencies claimed that previous existing legislation similarly outlawed these activities. Given that the Company had previously derived licensing revenue on behalf of some licensees who took wagers from the U.S., there is no guarantee that the U.S. Department of Justice will not seek to prosecute the Company, its officers or directors for alleged historic transgressions or similarly prosecute its licensees or their directors or shareholders. Such proceedings could result in criminal penalties, substantial fines, damages and sequestration of assets. They also could damage the reputation of the Company, divert the attention of the Company's key executives and have a material adverse effect on the business,

The uncertainty surrounding regulation of Internet gaming could have a material adverse effect on Parlay's business, revenues, operating results and financial condition. Several countries and governmental authorities, most notably certain law enforcement agencies in the United States,

believe that the laws of their country restrict, and in some instances prohibit, interactive gaming operators from doing business with residents of their countries and, in some instances, prohibit or restrict residents of their respective countries from doing business with interactive gaming operators located in a foreign country.

Distribution Methods

The Company currently markets its technology and services through a sales and marketing strategy whereby it identifies key potential customers that meet its licensee profile, and then contacts such prospects directly. The Company also actively assists licensees in their sales and marketing efforts to add quality network partners. The Company also attends industry trade shows around the world to generate new prospects and responds to referrals from existing customers and other industry participants.

Parlay's focus is to attract licensees or network partners who are trusted brand names, and who have an established base of potential gamers to cross-market new products and who have the financial resources and commitment to market their site in a global and competitive environment.

Parlay does not limit its sales efforts to a particular jurisdiction; however, the Company focuses on key markets, which include the U.K., Europe and Latin America.

Revenue

Parlay's revenue is primarily of a recurring nature in that PEL and PGL's customers pay ongoing fees for the managed solution and licensing and support of our software, calculated as a percentage of each licensee's level of sales or wagering activity. Additional revenues are derived from other sources including the provision of software customization and support services. In fiscal 2009, revenue was \$3.4 million (2008: \$8.5 million), with 76% (2008: 55%) of this amount represented by recurring software licensing fees. Other revenue sources accounted for 24% of revenue in 2009 (2008: 45%).

Employees and Consultants

As at December 31, 2009, Parlay had 26 employees. PML has one part-time employee. PGL has 19 full time consultants. None of the employees of the Company or any of its subsidiaries are covered by a collective bargaining agreement.

RISK FACTORS

The following discussion pertains to the outlook and conditions currently known to management which could have a material impact on the financial condition and results of the operations of the Company. This discussion, by its nature, is not all-inclusive. It is not a guarantee that other factors will or will not affect the Company in the future. This discussion should be read in conjunction with material contained in other sections of this Annual Information Form.

The Company is subject to many risks and uncertainties in the conduct of its business which can be categorized as either government regulation or other risk factors. Government regulation matters are discussed under the heading "Government Regulation". Other risk factors are

discussed further below. In almost all cases, these risks and uncertainties are factors which are completely beyond the control of the Company. The risk factors described below, the "Government Regulation" matters discussed above and other matters discussed elsewhere in this document generally, could have a material adverse effect on Parlay's business, financial condition and results of operation. The following highlights these risks and uncertainties.

Government Regulation

See disclosure under the heading "Government Regulation" above.

Present Economic Conditions

At present a period of significant global economic volatility, generally referred to as the Credit Crunch, is being experienced. The Credit Crunch is visible in the recent levels of global securities and credit markets volatility as the worldwide economy has trended towards recession very rapidly. While Parlay's management did not believe that the Credit Crunch had any direct impact on revenue generated from licensees through December 31, 2008 management does believe that the Credit Crunch has adversely impacted on revenue for the year ended December 31, 2009. The Company has previously noted, most recently in its Annual Information Form dated April 1, 2009, that the gaming industry is a volatile industry, which is sensitive to economic conditions. When economic conditions are unfavourable, gaming industry revenues decline. Any significant decline in general corporate conditions or the economy that affect consumer spending could have a material adverse affect on the Company's business, financial condition and results of operations. Management believes that there has been a reduction in wagering behaviour by the Company's licensees customers as a result of the Credit Crunch. These customers are predominantly resident in the U.K. and continental Europe. In addition, Parlay's licensees have improved the game configurations to make the wagering experience more attractive to wagerers. In addition, as previously noted, a worldwide, large scale recession may impact Parlay's business in many ways. The following list of consequences includes matters that Parlay has long identified as risks to its business but the Credit Crunch may exacerbate these risks. These consequences include, but may not be limited to: stock price and volume volatility, a potential lack of availability for future funding of the Company if required, a lack of available credit for licensees' players to continue to gamble online, increased risk around collections from licensees, an increased likelihood of licensees defaulting on their contractual obligations and the potential for fewer players being willing to gamble online or to gamble at past levels of activity. It is not feasible to predict all of the various possible ways in which the Credit Crunch could adversely impact Parlay's business or attempt to quantify any impact. However, the Credit Crunch could have a material adverse effect on the Company's revenue, results of operations and financial condition. Parlay's strategy to respond to the Credit Crunch on its revenues is to continue to focus on the development, marketing, licensing and support of Internet gaming technologies into regulated jurisdictions. From the cost of conducting business perspective, the Credit Crunch has resulted in unprecedented recent levels of volatility in foreign currency exchange markets, especially between the major currencies in which the Company conducts its business. Parlay's strategy to respond to the increased volatility in foreign currency exchange markets is to place greater emphasis on treasury matters. In addition, Parlay is continuing to focus on cost control in response to these challenging economic times.

The Company Could Require Financing Which May Not Be Available

In the event that the Company desires to expand quickly, it would be required to use a substantial amount of its assets to fund operations. There can be no assurance that the Company possesses sufficient assets for these purposes and, therefore, as is true for other companies contemplating significant growth, Parlay may require debt or equity financing. Such additional financing may not be available, may not be available on terms acceptable to the Company and, if available, may result in substantial dilution of the equity interests of existing shareholders.

If additional financing is not available, the Company would reduce its expansion plans to the point where it has, and will likely continue to have, sufficient cash flow and expense flexibility to fund the expanded operations.

The Company Faces Significant Increased Competition

The Internet gaming industry involves rapid technological change and is characterized by intense and substantial competition. Many of the companies, both domestic and foreign, with which the Company competes are well established, substantially larger and have substantially greater resources. As new competitors emerge, the Company will have to compete with other companies that may have greater market recognition, greater resources and/or broader distribution capabilities. Further the Company's focus on the general European marketplace and, in particular, on the U.K. will be faced with increased competition, as the Company believes that other software vendors may also adopt this strategy. Increased competition by existing and future competitors could materially and adversely affect the Company's business, financial condition and results of operations.

Failure to Manage Growth Successfully

The scope of the Company's overall business has fluctuated over the last five years. These fluctuations place a strain on managerial and financial resources. Growth in the scope of our technical infrastructure, the increased geographical area of our operations and responding to the requirements of regulated jurisdictions has resulted in increased responsibilities for existing and new management personnel. Our ability to successfully manage these fluctuations depends, in large part, upon our ability to: retain and attract qualified management, retain and attract skilled technical personnel to continue to develop reliable solutions that respond to the evolving needs of our customers and retain and attract sales and marketing personnel.

Operating in Regulated Jurisdictions

Regulated jurisdictions place certain minimum operating and financial requirements on the Company. Failure to meet these requirements could have cascading consequences to the Company ranging from censure to financial penalties and, ultimately, the possibility that the regulated jurisdiction could revoke the license. The Company is dependent on the support of the regulated jurisdiction to operate.

Industry Consolidation

The on-line gaming industry has experienced consolidation and more consolidation may be anticipated. To the extent that such consolidation reduces the number of potential customers for the Company's products, it may have an adverse impact on the Company's ability to grow. In addition, should consolidation involve an existing customer of the Company and Parlay not be considered an approved software vendor for the new entity, there is a risk that Parlay could lose customers. Such industry consolidation could have a material adverse effect on the Company's business, revenues, operating results and financial condition.

Increasing Sales Cycles

As a consequence of increase competition, the maturation of parties entering the vertical and issues around e-commerce and other funding aspects of conducting an on-line gaming business, the Company is noting an increase in the length of the sales process defined as the time period between the expression of potential licensee interest to commercial launch of the new site. Such timelines can be between six to 12 months. Any continuing increase in the timelines around new licensee arrangements could continue to restrict the Company's ability to forecast revenue and could have a material adverse effect on the Company's business, revenues, operating results and financial condition.

The Company Has A Limited Operating History, Therefore There Is A Degree Of Uncertainty Whether Its Business Plans Will Be Successful

Parlay has only a limited history of operations. To the extent that the Company implements its business plan, its business will be subject to all of the problems, expenses, delays and risks inherent in a young business enterprise, including, without limitation, limited capital, delays in program development, possible cost overruns, uncertain market acceptance and a limited operating history. Notwithstanding the above, the Company notes the recent market acceptance of on-line bingo and accordingly the success of its new product offerings, consistent with its business plan, particularly in the U.K. and European marketplaces.

The Gaming Industry Is A Volatile Industry

The gaming industry is a volatile industry, which is sensitive to economic conditions. When economic conditions are prosperous, gaming industry revenues increase. Conversely, when economic conditions are unfavourable, gaming industry revenues decline. Any significant decline in general corporate conditions or the economy that affect consumer spending could have a material adverse affect on the Company's business, financial condition and results of operations.

The Company Depends On Key Personnel

The loss of key personnel could have a material adverse effect on the business of the Company, including its financial condition and results of operations.

In addition, the Company's future operating results depend in part upon its ability to attract and retain other qualified key personnel for its operations. Competition for such personnel is intense,

and there can be no assurance that the Company will be successful in attracting these personnel. The failure to attract or retain such persons could materially adversely affect Parlay's business, financial condition and results of operations.

Parlay's Software and/or Computer Network Infrastructure May Fail

The performance of the Company's software is critical to its reputation and to achieving market acceptance. Any system failure, including network, software or hardware failure, that causes interruption or an increase in response time of its services, will reduce the attractiveness of the Company's services to its clients. An increase in the volume of usage of online services could also strain the capacity of the software or the hardware employed, which could lead to system failures, thereby adversely affecting the Company's revenues.

The occurrence of technical failure, whether caused by Parlay's software or not, could result in interruptions, delays or cessation in service to users, which could have a material adverse affect on the Company's business, financial condition and results of operations.

Parlay's computer network infrastructure is located at a leased facility in Oakville, Ontario and at a third party facility in Guernsey. The Company's systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, Internet breakdowns, break-ins and similar events. While Parlay does have redundant facilities through a secondary system employed by its telecommunication provider in Canada, in the event of an emergency, these systems could also fail. Services based on sophisticated software and computer systems often encounter development delays and the underlying software may contain undetected errors that could cause system failures when introduced.

Parlay's licensees are also dependent upon search engines, web browsers, Internet service providers and other online service providers to provide Internet users access to their websites. Players may experience difficulties accessing or using licensee websites due to system failures or delays unrelated to the Company's systems. It is unlikely that any of Parlay's licensees carry business interruption insurance to compensate them, or Parlay, for lost royalties in the event of these types of losses.

Parlay's Future Growth Depends On Continued Growth In The Use Of The Internet

The Company's future success is substantially dependent upon continued growth in the use of the Internet and, as it relates to the Company's business, in the acceptance and volume of commercial transactions on the Internet. There can be no assurance that the number of Internet users will continue to grow, or that commerce over the Internet will become more widespread.

The Internet may not prove to be a viable commercial marketplace for a number of reasons, including: lack of acceptable security technologies; lack of access and ease of use; congestion of traffic; inconsistent quality of service and lack of availability of cost-effective, high-speed service; potentially inadequate development of the necessary infrastructure; excessive governmental regulation; uncertainty regarding intellectual property ownership; and timely development and commercialization of performance improvements, including high-speed modems.

Parlay's success also depends upon, among other things, the continued development and maintenance of a viable Internet infrastructure to support the continued growth in the use of the Internet. The maintenance and improvement of this infrastructure will require timely development of products, such as high-speed modems and communications equipment, to continue to provide reliable Internet access and improved content. The current Internet infrastructure may not be able to support an increased number of users or the increased bandwidth requirements of users and, as such, the performance or reliability of the Internet may be adversely affected.

Furthermore, the Internet has experienced certain outages and delays as a result of damage to portions of its infrastructure. Similar outages and delays in the future could adversely affect the level of traffic on licensee websites. The effectiveness of the Internet may decline due to delays in the development or adoption of new standards and next-generation Internet protocols designed to support increased levels of activity. There can be no assurance that the infrastructure and products or services necessary to ensure the continued expansion of the Internet will be developed, or that the Internet will become a viable commercial medium. If the necessary infrastructure, standards, protocols, products, services or facilities are not developed, or if the Internet does not become a viable commercial medium, the Company's results of operations and financial condition could be materially and adversely affected.

Even if such infrastructure, standards or protocols or complementary products, services or facilities are developed, there can be no assurance that Parlay will not be required to incur substantial expenditures in order to adapt its services to changing or emerging technologies, which could have a material adverse effect on the Company's business, results of operations and financial condition. Moreover, it is anticipated that additional domain levels may be created (such as ".zip") and, to the extent additional domain levels are added, their existence may greatly increase the level of competition for the Company's licensees.

The Market For Internet Services Is In A State Of Rapid Technological Change And The Company May Not Be Able To Keep Up

The market for Internet services is characterized by rapid technological developments, frequent new product introductions and evolving industry standards. The emerging character of these products and services and their rapid evolution will require the Company to effectively use leading technologies, continue to develop its technological expertise, enhance its current services and continue to improve the performance, features and reliability of its software.

Changes in network infrastructure, transmission and content delivery methods, underlying software platforms and the emergence of new broadband technologies, such as DSL and cable modems, could dramatically change the structure and competitive dynamic of the market. In particular, technological developments or strategic partnerships that accelerate the adoption of broadband access technologies may require the Company to expend resources to address these developments.

There can be no assurance that Parlay will be successful in responding quickly, cost effectively and sufficiently to these or other such developments. In addition, the widespread adoption of new Internet technologies or standards could require substantial expenditures to modify or adapt