



GREAT CANADIAN GAMING CORPORATION

ANNUAL INFORMATION FORM

for the

FISCAL PERIOD ENDED DECEMBER 31, 2011

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(Expressed in millions of Canadian dollars, except for per share information)

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DEFINITIONS AND INTERPRETATION

Definitions

In this Annual Information Form (“AIF”):

“AGCO” means Alcohol and Gaming Commission of Ontario;

“Annual Financial Statements” means the Company’s audited consolidated financial statements for the year ended December 31, 2011;

“AROC” means Amended and Restated Casino Operating Contract among Great Canadian Gaming Corporation, Nova Scotia Gaming Corporation, and 6364942 Canada Inc. and 6364951 Canada Inc. as partners of Metropolitan Entertainment Group;

“BC” means the Province of British Columbia;

“BCHRIMC” means the BC Horse Racing Industry Management Committee;

“BCLC” means the British Columbia Lottery Corporation;

“BCSA” means the British Columbia Standardbred Association;

“BCTOBA” means the British Columbia Thoroughbred Owners & Breeders Association;

“BOSA” means a Bingo Operational Services Agreement;

“Boulevard” means the Boulevard Casino in Coquitlam, British Columbia, operated by GCCI;

“Canada Line” means the automated rail-based rapid transit service connecting Vancouver with Richmond and the Vancouver International Airport, in British Columbia;

“Casino Nanaimo” means the casino in Nanaimo, British Columbia, operated by GCCI;

“Casino Nova Scotia Halifax” means the casino in Halifax, Nova Scotia, operated by MEG;

“Casino Nova Scotia Sydney” means the casino in Sydney, Nova Scotia, operated by MEG;

“CGC” means a Community Gaming Centre;

“CGL” means Chilliwack Gaming Ltd., a wholly-owned subsidiary of the Company;

“CGCOSA” means a Community Gaming Centre Operational Services Agreement;

“Chances Dawson Creek” means Chances Gaming Entertainment in Dawson Creek, the CGC in Dawson Creek, British Columbia, operated by GCEC;

“Chilliwack Bingo” means the bingo hall in Chilliwack, British Columbia, operated by CGL;

“Company”, “us”, “we” or “our” means Great Canadian Gaming Corporation and/or its subsidiaries as the context requires;

“COPE” means the Canadian Office and Professional Employees Union;

“COSA” means a Casino Operational Services Agreement;

“CPMA” means the Canadian Pari-Mutuel Agency;

“CRA” means the designated Capital Reserve Accounts used in Nova Scotia of which a portion of revenues are deposited for the purpose of undertaking capital expenditures, refurbishments, maintenance, upgrades and enhancements of the Casino Nova Scotia Halifax and Casino Nova Scotia Sydney;

“Credit and Guarantee Agreement” means the agreement dated February 14, 2007 and as amended July 21, 2011 among the Company, certain of its subsidiaries as guarantors, and various Canadian and US lenders, which provide the Company’s Term Loan B and Revolving Credit Facility;

“CTHS” means the Canadian Thoroughbred Horse Society, BC;

“FDC” means the Facility Development Commission, a compensation component available to the Company by BCLC pursuant to the COSAs, CGCOSAs and BOSA;

“FDL” means Flamboro Downs Limited, an indirect wholly-owned subsidiary of the Company;

“FDL Site Holder Agreement” means Prescribed Lottery Scheme Site Holder Facilities Agreement for FDL;

“Flamboro Downs” means the standardbred racetrack and gaming facility in Flamborough, Ontario, operated by FDL;

“Fraser Downs” means Fraser Downs standardbred racetrack and casino in Surrey, British Columbia, operated by Orangeville;

“GCCl” means Great Canadian Casinos Inc., a wholly-owned subsidiary of the Company;

“GCEC” means Great Canadian Entertainment Centres Ltd., a wholly-owned subsidiary of the Company;

“GDL” means Georgian Downs Limited, an indirect wholly-owned subsidiary of the Company;

“GDL Site Holder Agreement” means Prescribed Lottery Scheme Site Holder Facilities Agreement and Supplemental Agreement for GDL;

“GPEB” means Gaming Policy and Enforcement Branch, a gaming regulatory division of the Ministry of Public Safety and Solicitor General (previously a division of the Ministry of Housing and Social Development) of British Columbia;

“Georgian Downs” means the standardbred racetrack and gaming facility in Innisfil, Ontario, operated by GDL;

“Hastings Racecourse” means the thoroughbred racetrack and slot facility in Vancouver, British Columbia, operated by HEI;

“HBPA” means Horsemen’s Benevolent and Protective Association of British Columbia;

“HEI” means Hastings Entertainment Inc., an indirect wholly-owned subsidiary of the Company;

“HKSE” means the Hong Kong Stock Exchange;

“HRBC” means the Harness Racing BC Society which replaced both the BCSA and the BC Standardbred Breeders Society effective February 1, 2010;

“Horse Racing Agreement” means the Memorandum of Agreement and Addendum dated April 2010, between CTHS, HBPA, HRBC, BCTOBA, TBC, the Interior Horse Racing Association, and, the Company’s wholly-owned racetrack operators located in British Columbia, Orangeville and HEI;

“IFRS” means International Financial Reporting Standards, as applicable to publicly accountable enterprises in Canada;

“Indenture” means the agreement governing the Company’s Subordinated Notes;

“LIBOR” means London Interbank Offered Rate;

“Maple Ridge Community Gaming Centre” means a community gaming centre located in Maple Ridge, British Columbia, operated by GCEC. Formerly known as Haney Bingo Plex;

“MD&A” means Management’s Discussion and Analysis for the year ended December 31, 2011;

“MEG” means Metropolitan Entertainment Group, a Nova Scotia limited partnership, an indirect wholly-owned subsidiary of the Company;

“Ministry” means the British Columbia Ministry of Housing and Social Development, who announced on November 17, 2009 the establishment of the BCHRIMC. The Ministry of Public Safety and Solicitor General subsequently governed horse racing in British Columbia. During February 2012, it was announced that the Ministry of Energy and Mines will govern horse racing in British Columbia;

“Moody’s” means Moody’s Investors Service;

“NASDAQ” means National Association of Securities Dealers Automated Quotation;

“NSGC” means Nova Scotia Gaming Corporation;

“NYSE” means New York Stock Exchange;

“OHHA” means Ontario Harness Horse Association;

“OLG” means Ontario Lottery and Gaming Corporation, a provincial agency operating and managing province-wide lotteries, casinos and slot machines at horse racetracks;

“Operating Expenses” means Human resources and Property, marketing and administration expenses as itemized in the consolidated financial statements;

“Operational Services Agreements” means collectively, the BOSA, CGCOSAs, COSAs, AROC and Site Holder Agreements;

“Orangeville” means Orangeville Raceway Limited, a wholly-owned subsidiary of the Company;

“ORC” means the Ontario Racing Commission, a Crown agency in Ontario responsible for regulating the horse racing industry in Ontario;

“OTCBB” means Over the Counter Bulletin Board, which is an electronic quotation system in the United States;

“Poker rake” means the revenue earned from operating a poker game and other poker tournament fees earned;

“PSAC” means Public Service Alliance of Canada;

“Racebook” means a Teletheatre operated by the Company or TBC;

“Racino” means a combined horse racetrack and casino, featuring slot machines and, in some cases, table games;

“River Rock” means the River Rock Casino Resort in Richmond, British Columbia, operated by GCCI;

“Revolving Credit Facility” means the \$350.0 million Senior Secured Revolving Credit Facility forming part of a debt re-financing by the Company completed on February 14, 2007, and as amended by the Company on July 21, 2011;

“SEDAR” means the System for Electronic Document Analysis and Retrieval, which is used for electronically filing securities related information with the Canadian securities regulatory authorities.

“SEIU” means Service Employees International Union;

“Site Holder Agreements” means the FDL Site Holder Agreement and the GDL Site Holder Agreement;

“Subordinated Notes” means the US\$170.0 million Senior Subordinated Notes forming part of a debt re-financing completed by the Company on February 14, 2007;

“Supplemental Agreement” means the Capital Supplemental Agreement, Slot Machine Supplemental Agreement and the Term Supplemental Agreement entered into between the Company, GDL and OLG;

“TBC” means TBC Teletheatre B.C., a partnership between HEI, Orangeville, HRBC and HBPA that operates Racebooks in the province of BC;

“Teletheatre” means an off-track betting facility for pari-mutuel wagering on live horse races displayed by television broadcasts;

“Term Loan B” means the US\$170.0 million Senior Secured Term Loan B forming part of a debt re-financing completed on February 14, 2007;

“The Hotel at River Rock” means the third hotel tower at River Rock that opened on October 17, 2011;

“TSX” means the Toronto Stock Exchange;

“TSX-V” means the TSX Venture Exchange;

“UNITE HERE!” means the union organization, formerly known as the Hotel, Restaurant & Culinary Employees & Bartenders Union;

“US\$” means the lawful currency of the United States of America;

“View Royal Casino” means the casino located in View Royal, British Columbia, operated by GCCI;

“VLT” means a video lottery terminal;

“Win” means the amount wagered on gaming activities, less the payout or prizes to winning customers; and

“WSGC” means the Washington State Gambling Commission.

Currency and Presentation

All references to currency are in millions of Canadian dollars, except for per share or per option information, unless otherwise indicated.

All references to “Company”, “us”, “we” or “our” means Great Canadian Gaming Corporation and/or its subsidiaries.

All information in this AIF is presented as at and for the year ended December 31, 2011, unless otherwise indicated.

Forward-Looking Information

This AIF contains certain “forward-looking information” or statements within the meaning of applicable securities legislation. Forward-looking information is based on the Company’s current expectations, estimates, projections and assumptions that were made by the Company in light of its historical trends and other factors. All information or statements, other than statements of historical fact, are forward-looking information including statements that address expectations, estimates or projections about the future, the Company’s strategy for growth, expected future expenditures, costs, operating and financial results and expected impact of future commitments. Such forward-looking information is not a guarantee of future performance and may involve a number of risks and uncertainties. Although forward-looking information is based on information and assumptions that the Company believes are current, reasonable and complete, they are subject to a number of factors that could cause actual results to vary materially from those expressed or implied by such forward-looking information.

Such factors may include, but are not limited to: terms of Operational Services Agreements with lottery corporations; changes to gaming laws that may impact our Operational Services Agreements; pending, proposed or unanticipated regulatory or policy changes; unanticipated fines, sanctions and suspensions imposed on the Company by its regulators; impact of global liquidity and credit availability; adverse tourism trends and further decreases in levels of travel, leisure and consumer spending; competition from established competitors and new entrants in the gaming business; dependence on key personnel; the risk that systems, procedures and controls may not be adequate to meet regulatory requirements or to support current and expanding operations; potential undisclosed liabilities and capital expenditures associated with acquisitions; negative connotations linked to the gaming industry; First Nations claims with respect to some Crown land on which we conduct our operations; future or current legal proceedings; construction disruptions; financial covenants associated with credit facilities and long-term debt; credit, liquidity and market risks associated with our financial instruments; interest and exchange rate fluctuations; non-realization of cost reductions and synergies; demand for new products and services; fluctuations in operating results; and economic uncertainty and financial market volatility.

The Company cautions that this list of factors is not exhaustive. These factors and other risks and uncertainties are discussed in the “Risk Factors” section of this AIF and in the Company’s continuous disclosure documents filed with the Canadian securities regulatory authorities from time to time and on SEDAR at www.sedar.com.

The forward-looking information in documents incorporated by reference speak only as of the date of those documents. Readers are cautioned not to place undue reliance on the forward-looking information, as there can be no assurance that the plans, intentions, or expectations upon which they are based will occur. The Company undertakes no obligation to revise forward-looking information to reflect subsequent events or circumstances except as required by law. The forward-looking information contained herein is made as of the date hereof and is expressly qualified in its entirety by cautionary statements in this AIF.

Non-IFRS Measures

The following non-IFRS definitions are used in this AIF because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to revenues and net earnings determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities and accordingly, our measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions.

EBITDA as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, stock-based compensation, restructuring and other costs, impairment of long-lived assets, impairment of goodwill, foreign exchange loss and other, and non-controlling interests. EBITDA is derived from the consolidated statements of earnings (loss), and can be computed as revenues less human resources expenses and property, marketing and administration expenses. We believe EBITDA is a useful financial measure because it provides information to both management and investors with respect to the operating and financial performance of the Company.

Gross revenues as defined by the Company means revenues on the consolidated statements of earnings (loss) plus the portion of the Win and other revenues retained by BCLC and NSGC, gaming taxes paid to Washington State; accruals for payouts of progressive games; payments to horse racing pools; and promotional allowances. Gross revenues include slot commissions in Ontario, which represent 10% of the Win from slot machines operated by OLG. We believe gross revenues is a useful financial measure because it provides information to both management and investors with respect to the operating and financial performance of the Company.

The following non-IFRS measures have common definitions in the gaming industry. Table drop means the collective amount of money customers deposit to purchase casino chips to wager on table games, and is commonly computed as the aggregate amount of money counted in the table games' drop boxes. Generally, the table drop is an indicator of our gaming business, however over the short-term, the table drop is subject to shifts in customer behaviour around buying, retaining and cashing-in of casino chips. Table hold is calculated as the table drop plus or minus the net change in casino chip inventory. Table hold percentage is the ratio of table hold divided by table drop. Table hold percentage fluctuates with the statistical variations or volatility inherent in casino games, as well as with changes in customer behaviour around buying, retaining and cashing-in of casino chips. Poker rake is the commission we earn from poker games at our casinos, and is calculated as a fixed percentage of the amount wagered by customers on every hand of poker played. Slot coin-in is the aggregate amount of money customers have wagered on slot machines and other electronic gaming machines. Slot win is the slot coin-in less amounts cashed out and prizes won by customers. Slot win per machine per day ("Slot Win/Slot/Day") is the average daily slot win earned per slot machine, and is calculated as the slot win divided by the number of days in the period, divided by the average number of slot machines that operated during the period. Slot win percentage is the ratio of slot win divided by slot coin-in.

CORPORATE STRUCTURE

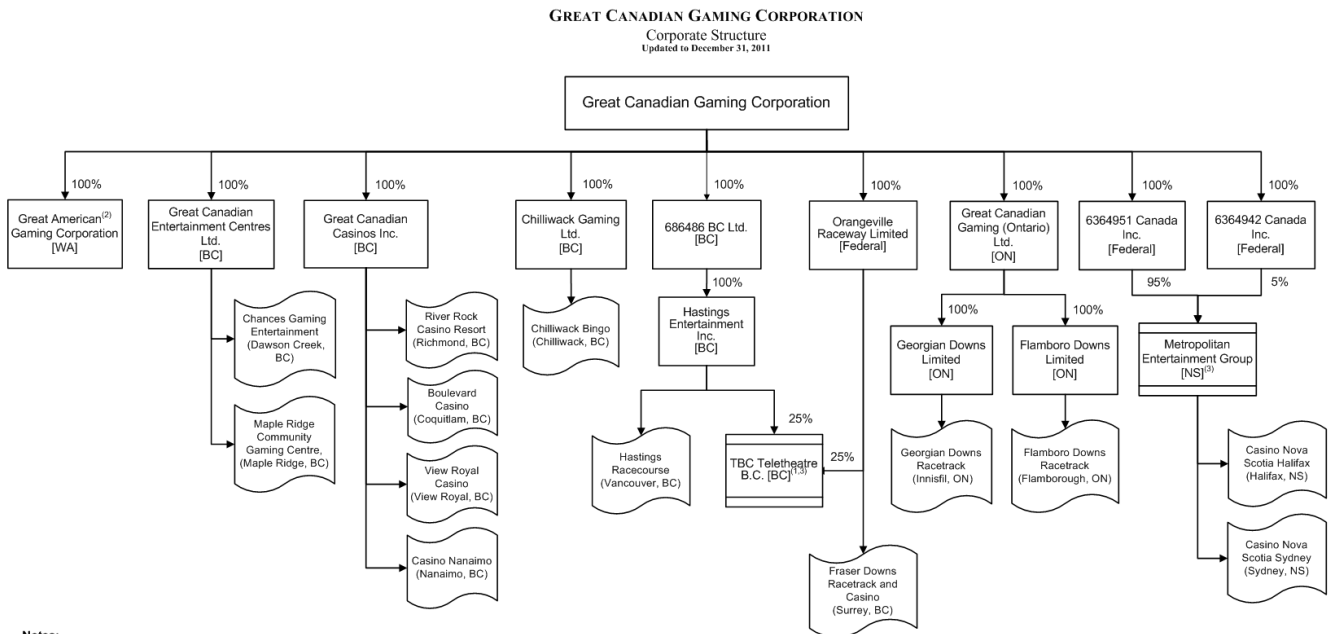
Name, Address and Incorporation

The Company's registered and records office is located at 1500 - 1055 West Georgia Street, Vancouver, BC, V6E 4N7. The Company is governed by the *British Columbia Business Corporations Act*.

The Company's common shares are listed on the TSX under TSX symbol: "GC." A description of the Company's capital structure is included in the "Description of Capital Structure" section of this AIF.

Intercorporate Relationships

The following two charts set out the Company's material subsidiaries and operations as of December 31, 2011.



Notes:

[] = Jurisdiction of incorporation/partnership.

- - - Non-operating (bare-trustee)

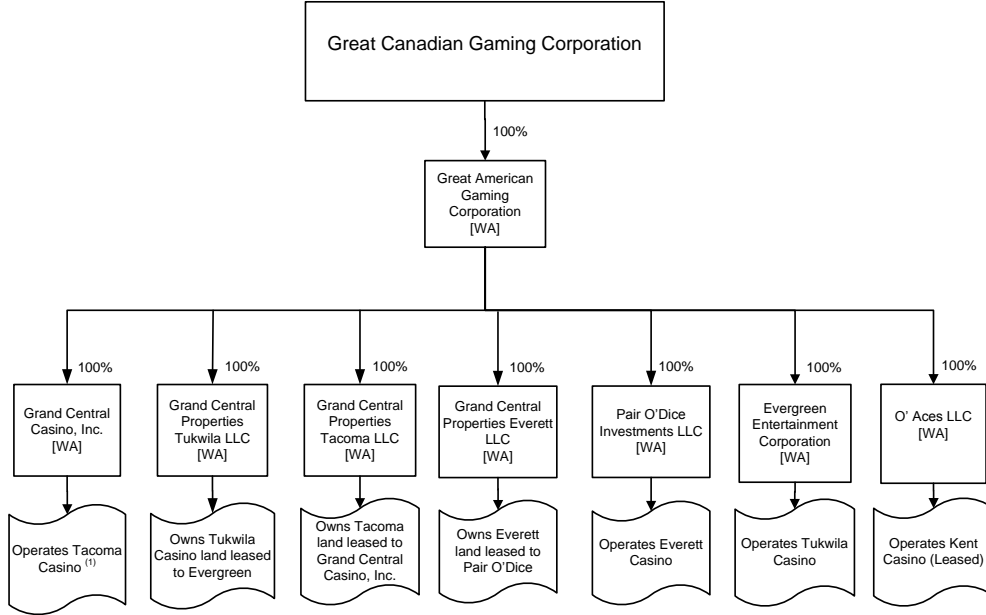
(1) The remaining 50% is held by two Horseman's Associations, the Harness Racing BC and the Horsemen's Benevolent and Protection Association.

(2) Please see separate page for further breakdown of US interests.

(3) A partnership.



GREAT CANADIAN GAMING CORPORATION
Corporate Structure
US Interests



Notes:

[] = Jurisdiction of Incorporation

⁽¹⁾ Tacoma Casino is also known as Lakewood Casino

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Set out below are certain significant events in the development of our business over the last three financial years.

2009:

- Over the course of 2009, the Company implemented various expense reduction initiatives across its property portfolio, including an adjustment of operating hours at several facilities. These expense reduction initiatives combined to reduce Operating Expenses by \$40.4 million for the twelve months of 2009, when compared to the twelve months of 2008;
- On May 8, 2009, Standard & Poor's lowered the credit rating on our Subordinated Notes from BB to BB-;
- In August 2009, the Company completed construction of the 1,520 stall parking garage adjacent to River Rock to accommodate the Canada Line Bridgeport station and provide additional hotel and casino parking spaces;
- On August 17, 2009, the Canada Line Bridgeport station adjacent to River Rock commenced operation;
- On August 18, 2009, the Company completed the View Royal expansion adding an additional 120 new slot machines;
- On August 26, 2009, the Company completed the Georgian Downs expansion and following which OLG added 350 slot machines at Georgian Downs; and
- On November 19, 2009, the Company completed upgrades to River Rock, including upgraded amenities, space for additional gaming capacity, and an elevated indoor walkway connecting the resort to the Canada Line Bridgeport station.

2010:

- In January 2010, the Company completed the River Rock's gaming floor refresh including opening a high limit table games area and relocation of the Poker room;
- In stages in 2010, the number of slot machines at Georgian Downs increased from 800 to approximately 1,000;
- On July 9, 2010, Standard & Poor's upgraded their ratings on the Company's corporate credit rating from BB stable to BB+ stable, the secured Term Loan B and Revolving Credit Facility from BBB- to BBB and the Subordinated Notes from BB- to BB; and
- On October 15, 2010, the Company commenced operating 100 slot machines at Maple Ridge Community Gaming Centre (formerly Haney Bingo Plex).

2011:

- On February 22, 2011, a city council vote in Tukwila, Washington resulted in a prohibition of the operation of card rooms in that city effective January 1, 2016. The city council subsequently repealed this decision on December 5, 2011;

- On May 31, 2011, the Company acquired the assets and undertaking of Chilliwack Bingo Association for upfront cash consideration of \$10.2 on closing and contingent trailing payments to be paid over 20 years depending on the level of future slot win generated by a future community gaming centre. The Chilliwack Bingo Association operated Chilliwack Bingo and owned an approximately five-acre site in Chilliwack, which the Company intends to use for the development of a future community gaming centre;
- During the second quarter of 2011, the Company commenced site preparation for the permanent location of Maple Ridge Community Gaming Centre in Maple Ridge, BC.
- On July 21, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement which covers the terms of its Revolving Credit Facility and Term Loan B. Consequently, the Company's previous \$200.0 Revolving Credit Facility that was to expire on February 14, 2012 was increased to a maximum limit of \$350.0 and extended to July 21, 2016. The amount and maturity of the Company's Term Loan B remain unchanged by this amendment;
- On July 22, 2011, Moody's assigned a Ba2 rating to the Company's amended Credit Agreement covering its Term Loan B and Revolving Credit Facility, and reaffirmed its ratings of Ba3 on the Company's Corporate Family Rating and Probability of Default Rating and B2 on the Company's Subordinated Notes;
- On August 4, 2011, the Company transferred 40 percent of its cross-currency interest rate and principal swaps from one lender to another lender in connection with the amendment of its Credit and Guarantee Agreement;
- On September 5, 2011, Mr. Ross J. McLeod, the Company's founder, Chairman and Chief Executive Officer passed away. On September 6, 2011, the Board of Directors appointed Mr. Rod N. Baker, the Company's President, as Interim Chief Executive Officer and on October 11, 2011, the Board of Directors appointed him as the Company's President and Chief Executive Officer;
- On September 29, 2011, Mr. Brian Egli resigned from the Board of Directors due to personal and family reasons;
- On October 17, 2011, the Company opened its third hotel tower at River Rock, "The Hotel at River Rock";
- On November 10, 2011, Mr. Adrian Thomas resigned from the Board of Directors due to health considerations, and three new Directors from Ontario were appointed to the Board of Directors: Mr. Patrick Keenan, Mr. Neil Baker and Mr. William Dimma;
- On November 10, 2011, the Company announced the development of a hotel with approximately 181 rooms, conference facilities and additional dining options at Boulevard in order to attract a greater number of guests to this facility, take advantage of proximity to a major transit route, and better integrate the property's amenities. In addition, the Company announced its consideration of concurrent gaming floor renovations and a property rebranding to revitalize the casino area of the property, for a combined total estimated cost of \$60.0; and
- During the fourth quarter of 2011, the Company commenced site preparation at its property purchased for a future CGC in Chilliwack, BC.

BUSINESS OF THE COMPANY

Overview

Great Canadian Gaming Corporation is a multi-jurisdictional gaming and entertainment operator with operations in British Columbia, Ontario and Nova Scotia, Canada and Washington State, United States of America. The Company operates 10 casinos, a thoroughbred racetrack that offers slot machines, three standardbred racetracks (two offer slot machines and one offers both slot machines and table games), two community gaming centres, a bingo hall, a resort with two hotels, a conference centre and a marina, two show theatres and various associated food and beverage and entertainment facilities. In Canada, we operate our casinos in managed markets with significant barriers to entry and under long-term agreements as partners with provincial lottery corporations. Under our Operational Services Agreements in British Columbia and Nova Scotia, we are reimbursed for the majority of our capital projects. As of December 31, 2011, the Company had approximately 4,600 employees.

Social Responsibility

The Company believes fundamentally in the concept of social responsibility in gaming. As such we monitor developments in socially responsible gaming practices in the industry and facilitate such practices at our facilities. Our front line management and employees participate in responsible gaming training. From a corporate perspective, social responsibility translates to corporate ethics and corporate responsibility. Accordingly, the Company has established a corporate ethics and conduct policy that governs its directors, officers and employees with respect to a range of social, corporate ethics and responsibility issues.

Property Operations Summary

The following chart summarizes the key attributes of each of our facilities, and in respect of our Canadian facilities, the expiry date of the operating agreements that we have entered into with the respective Provincial Crown Corporations responsible for the conduct and management of gaming activities in those provinces:

Facility and Location	Year Built/ Renovated	Additional Facilities and Activities	Slot Machines	Table Games	Operational Services Agreements
					Initial / Renewal Term Expiry Dates ⁽¹⁾
British Columbia					
River Rock Casino Resort, Richmond, B.C.	2011	3 hotel towers with 395 rooms, approximately 1,000 seat show theatre, 7 dining options, conference facilities, pool/spa, Racebook ⁽²⁾ , 28 touch bet terminals, marina	1,006	112	June 23, 2014/ June 23, 2024
Boulevard Casino, Coquitlam, B.C.	2005	Approximately 1,100 seat show theatre, 4 dining options, Racebook ⁽²⁾ , 30 touch bet terminals	1,000	64	November 16, 2015/ November 16, 2025
View Royal Casino, Victoria, B.C.	2009	2 dining options	602	14	February 28, 2021
Casino Nanaimo, Nanaimo, B.C.	2011	1 dining option, Racebook ⁽²⁾	406	6	February 28, 2021
Chances Gaming Entertainment, Dawson Creek, B.C.	2006	Bingo, 1 dining option, 3 electronic gaming devices	147	-	June 30, 2016/ June 30, 2026
Maple Ridge Community Gaming Centre (formerly Haney Bingo Plex), Maple Ridge, B.C.	2010	Bingo, concession, Racebook ⁽²⁾	100	-	October 31, 2013/ October 31, 2033
Chilliwack Bingo, Chilliwack B.C.	1996 ⁽³⁾	Bingo, concession	-	-	May 31, 2016
Hastings Racecourse (Thoroughbred Racing), Vancouver, B.C.	2008	3 dining options, concession, Racebook ⁽²⁾	596	-	October 28, 2012/ October 28, 2027
Fraser Downs Racetrack and Casino (Standardbred Racing), Surrey, B.C.	2005	4 dining options, 6 touch bet terminals, Racebook ⁽²⁾	469	10	March 31, 2014/ March 31, 2024
TBC Teletheatre B.C. ⁽²⁾	various	20 Racebooks ⁽²⁾	-	-	-
Ontario					
Georgian Downs (Standardbred Racing), Innisfil, Ontario	2009	4 dining options, concession, meeting facilities, Racebook	1,000 ⁽⁴⁾	-	November 30, 2021/ November 30, 2026
Flamboro Downs (Standardbred Racing), Flamborough, Ontario	2001	4 dining options, meeting facility, Racebook	800 ⁽⁴⁾	-	April 9, 2016
Nova Scotia					
Casino Nova Scotia Halifax ⁽⁵⁾ , Halifax, Nova Scotia	2006	2 dining options, entertainment lounge, meeting facilities	575	32	July 1, 2015/ July 1, 2025
Casino Nova Scotia Sydney ⁽⁵⁾ , Sydney, Nova Scotia	2006	1 dining option, lounge	299	11	July 1, 2015/ July 1, 2025
Washington State					
Washington State Operations ⁽⁶⁾	1997-2008	4 restaurants, show lounge, banquet facilities	-	59	N/A
			7,000	308	

⁽¹⁾ Renewal terms at the option of Company in B.C. and Nova Scotia. Renewal terms at the option of OLG in Ontario.

⁽²⁾ We own or hold an interest in 22 Racebooks in B.C. We own and operate two Racebooks; one at each of Hastings Racecourse, and Fraser Downs Racetrack and Casino. The remaining 20 Racebooks, including those at River Rock Casino Resort, Boulevard Casino, and Chances Gaming Entertainment are operated by TBC Teletheatre B.C. We own a 50% interest in TBC Teletheatre B.C. and the remaining 50% interest is held by two horsemen's associations, the British Columbia Standardbred Association and the Horsemen's Benevolent and Protective Association.

⁽³⁾ The Company acquired Chilliwack Bingo during May 2011. It has operated out of a leased facility since 1996.

⁽⁴⁾ Slot machines at Georgian Downs and Flamboro Downs are owned and operated by OLG.

⁽⁵⁾ The Casino Nova Scotia Halifax and Casino Nova Scotia Sydney operate under a single operating agreement.

⁽⁶⁾ The Company operates card rooms (maximum 15 tables per room) at each of our four Washington State locations in Tukwila, Lakewood (Tacoma), Kent and Everett.

British Columbia

We were founded in, and a significant portion of our operations are located in, British Columbia, Canada. In British Columbia, we operate four casinos, one thoroughbred racetrack that offers slot machines, and a standardbred racetrack that offers both table games and slot machines, two community gaming centres, a bingo hall, two multi-purpose show theatres, several licensed restaurants, a resort with two hotels, a conference centre and a marina. We also own or hold an interest in 22 Racebooks in addition to internet and phone racetrack wagering. We operate casinos primarily catering to regional customers and offer multiple entertainment venues for different customer demographics. Our British Columbia properties generated revenues of \$289.2 for the year ended December 31, 2011, representing 74% of our consolidated revenues for that period. For the year ended December 31, 2010, our British Columbia properties generated revenues of \$284.6, representing 74% of our consolidated revenues for that period.

Description of Gaming Properties in British Columbia

River Rock Casino Resort. River Rock comprises a 90,000 square foot casino (which includes separate high limit and poker rooms), two hotels with a total of 395 rooms and a multi-purpose show theatre with approximately 1,000-seats. As at December 31, 2011, the casino housed 1,006 slot machines, 28 touch bet terminals and 112 gaming tables (including 16 poker tables). This property also features a variety of food and beverage venues, a Racebook, a pool, a spa, a conference centre, marina and is licensed to serve liquor throughout the casino. Parking is provided through approximately 2,700 stalls in multi-level parking garages plus 300 surface parking stalls. There is approximately 15,000 square feet of commercial space adjacent to the property. The casino operates 24 hours per day.

River Rock is centrally located in the vicinity of the Vancouver International Airport, the residential communities of South Vancouver and Richmond, and is adjacent to the Canada Line Bridgeport station.

In 2011, we completed construction of a third hotel tower at River Rock. Branded as “The Hotel at River Rock”, this tower with 193 rooms adds five storeys above the multi-level parking garage located between the Canada Line Bridgeport station and the casino.

During 2009 and in the first quarter of 2010, we completed several enhancements to the property. These enhancements were designed to capitalize on the increased traffic generated by the Canada Line, an extension of Vancouver’s mass transit system, which commenced operation on August 17, 2009. The enhancements included space for additional gaming capacity, relocation of the poker room, a renovation of the property’s grand atrium, the installation of an elevated walkway between the resort and the Canada Line station, and upgrades to both the property’s amenities and VIP offerings.

During 2009, we also developed a multi-level parking garage and approximately 21,000 square feet of space, of which approximately 6,000 square feet is used as additional gaming space and approximately 15,000 square feet is used as office and leased commercial space, which reached completion in August of 2009.

In 2008, we entered into definitive agreements with the South Coast British Columbia Transportation Authority (“TransLink”) and Canada Line to build and operate a 1,200 stall multi-level parking garage adjacent to the Canada Line Bridgeport station, across from River Rock in Richmond, British Columbia. The first 600 stalls of this parking garage were completed in September of 2008. The remaining 600 stalls were completed in August of 2009, and the agreed parking services for Canada Line passengers commenced on August 17, 2009. The parking garage adjacent to the Canada Line addressed River Rock’s previous weekend and evening parking shortage, and now provides additional capacity for existing patron demand. BCLC approved \$20.1 of this parking facility’s incurred capital expenditures for accelerated FDC reimbursement.

Boulevard Casino. Boulevard comprises an 85,000 square foot casino (which includes separate high limit and poker rooms) and a multi-purpose show theatre with approximately 1,100 seats. As at December 31, 2011, the casino housed 1,000 slot machines, 30 touch bet terminals and 64 gaming tables (including 12 poker tables). This facility also features a variety of food and beverage venues, a Racebook, and is licensed to serve liquor throughout the casino. Parking is provided through both a 1,600 stall, multi-level parking garage and an additional 400 stall surface parking. The casino operates 24 hours per day.

The Boulevard Casino is situated in Coquitlam, British Columbia, near a major east/west highway running through Metro Vancouver, which is undergoing construction until 2013.

View Royal Casino. View Royal Casino comprises a 37,000 square foot facility. As at December 31, 2011, the casino housed 602 slot machines and 14 gaming tables, including 10 touch bet roulette terminals and one lightning poker table. This property offers a food and beverage outlet and a licensed area for serving liquor. Parking is provided through both a 530 stall, multi-level parking garage and approximately 130 surface stalls. The casino operates from 16 to 18 hours per day.

View Royal Casino is located on Vancouver Island in a suburb of Victoria, British Columbia. In August 2009, we completed enhancements to the property, increasing its capacity by 120 slot machines. These enhancements represented the second part of a redevelopment that also included construction of a parking garage.

Casino Nanaimo. Casino Nanaimo comprises a 24,000 square foot facility. As at December 31, 2011, the casino housed 406 slot machines and six gaming tables, including three electronic roulette terminals. This property features a food and beverage venue and is licensed to serve liquor. Surface parking is available adjacent to the property. The casino operates from 14 to 16 hours per day.

Casino Nanaimo is adjacent to both a shopping mall and a convention centre in downtown Nanaimo, British Columbia. During 2010, the Company completed enhancements to the property's interior and during 2012, we will complete enhancements to the property's exterior.

Chances Gaming Entertainment in Dawson Creek. Chances Dawson Creek is a 16,000 square foot CGC located in Dawson Creek, British Columbia. As at December 31, 2011, the centre housed 147 slot machines, including electronic blackjack, lightning poker, and both conventional and electronic bingo operations. This property also features licensed food and beverage venues. Surface parking is available adjacent to the property. The CGC operates from 13 to 15 hours per day.

Maple Ridge Community Gaming Centre. Maple Ridge Community Gaming Centre is a 33,000 square foot facility located in downtown Maple Ridge, 20 kilometres east of Coquitlam, British Columbia. As at December 31, 2011, the centre housed 100 slot machines and conventional and electronic bingo operations. The property also features a food and beverage outlet. Surface parking is available adjacent to the property. The facility operates from 15 to 16 hours per day.

On October 15, 2010, we completed renovations to the property and commenced operating 100 slot machines at the Maple Ridge Community Gaming Centre.

Chilliwack Bingo. Chilliwack Bingo operates in a 11,500 square foot leased facility located in Chilliwack, British Columbia. As at December 31, 2011, the facility had conventional and electronic bingo operations. The property also features a food and beverage outlet. Surface parking is available adjacent to the property. The facility operates from 14 to 15 hours per day.

In the fourth quarter of 2011, the Company commenced site preparation for a CGC in Chilliwack, British Columbia. We anticipate that construction will be completed by the first quarter of 2013.

On May 31, 2011, the Company purchased the assets and undertaking of Chilliwack Bingo Association for upfront cash consideration of \$10.2. The agreement also provides for additional future consideration depending on the level of future slot win generated by a future CGC.

A collective agreement between Chilliwack Gaming Ltd. and National Automobile, Aerospace, Transportation and General Workers Union of Canada, (CAW-Canada), Local 3000, with a term covering January 1, 2010 to December 31, 2011, governs wages and working conditions of bingo employees, except management and those excluded by the Labour Relations Code of BC. Collective bargaining commenced on December 14, 2011 and is ongoing.

Fraser Downs Racetrack and Casino. Fraser Downs offers live standardbred racing eight months of the year (74 live race days in 2011, 2010 - 87) on a 5/8 mile track. As at December 31, 2011, the property housed 469 slot machines, 10 gaming tables and six touch bet roulette terminals. The property has an 80,000 square foot grandstand facility and an approximately 25,000 square foot casino, and is located on a 55 acre site leased from the City of Surrey, BC. On March 2, 2012, the property opened its first poker room. The racetrack also features on-site stabling, a variety of licensed food and beverage venues, and an on-site Racebook. Surface parking is available at the facility. The casino operates from 19 to 24 hours per day.

Hastings Racecourse and Slot Facility. Hastings Racecourse features live thoroughbred racing seven months of the year (69 live race days in 2011, 2010 - 71) on a 5/8 mile track. As at December 31, 2011, the property housed 596 slot machines within a 34,000 square foot casino facility that is located on a 48 acre site leased from the City of Vancouver, BC. The racecourse also features on-site stabling, a variety of licensed food and beverage venues, and year round simulcast of national and international horse racing at an on-site Racebook. Surface parking is available on the adjacent grounds of the Pacific National Exhibition. The casino operates from 16 to 18 hours per day.

Hastings Racecourse is located adjacent to the grounds of the Pacific National Exhibition on the boundary of Vancouver and the neighbouring city of Burnaby. It is in proximity to a number of major thoroughfares connecting Vancouver, Burnaby, North Vancouver and West Vancouver.

On November 10, 2007, the Company commenced operation of 150 temporary slot machines at the property. On August 14, 2008, the Company completed the installation of 600 slot machines at the property, and thus the gaming component of its redevelopment. The complete redevelopment included an estimated \$40.0 in capital improvements during the initial five-year term of Hastings Racecourse's operating agreement with the City of Vancouver, of which \$39.9 had been spent to the end of December 31, 2011. The Company had an option to renew this operating agreement with the City of Vancouver in November 2012 for a 15-year term, which was dependent upon the Company committing to perform several upgrades related to the property's parking and backstretch areas. The Company has decided not to renew on these existing terms and is in discussions with the City of Vancouver around the renewal of this agreement. During this period, Hastings Racecourse continues to operate as usual.

A collective agreement between HEI and UNITE HERE!, Local 40, with a term covering April 1, 2008 through December 31, 2010, governs wages and working conditions of "employees engaged in the food and beverage dispensing at the Hastings Park Racecourse". Collective bargaining for a renewal collective agreement commenced on January 20, 2011, and is ongoing. A collective agreement between HEI and Canadian Office and Professional Employees Union ("COPE"), Local 378, with a term covering August 1, 2008 through July 31, 2011, and subsequently extended by mutual agreement to July 31, 2012, governs wages and working conditions of "Employees of Hastings Entertainment Inc., Hastings Park Racecourse employed at Exhibition Park, except those excluded by the Code employed by Hastings Entertainment Inc."

TBC. The Company owns a 50% interest in TBC, which operates 20 Racebooks across British Columbia, including the Racebooks at River Rock, Boulevard, Casino Nanaimo and Maple Ridge Community Gaming Centre. TBC also operates internet and phone horse racing wagering. TBC does not have an

interest in the Racebook at Hastings Racecourse, which is owned and operated by HEI, or the Racebook at Fraser Downs, which is owned and operated by Orangeville.

Operating Agreements with BCLC. Our British Columbia-based gaming operations are conducted pursuant to separate COSAs, CGCOSAs or BOSAs entered into with BCLC for each of our facilities. Under these agreements, and depending on the nature of the operation, we provide premises to host casino and bingo operations managed and conducted by BCLC and provide certain gaming equipment and supplies and other operational services such as supplying security and surveillance and gaming personnel to operate the casinos. We own all gaming tables at our facilities, other than roulette equipment, which is owned by BCLC. BCLC is responsible for the selection, with our input, of all games and types of slot machines played at our facilities, and the purchase, operation, and maintenance of these machines.

The following table sets out for each of our British Columbia facilities the percentage of commission payments we receive for providing gaming services to BCLC as at December 31, 2011:

Facility	% of Slot Machine Win	% of Poker Rake	Craps Table Win	% of Bingo Win	% of Other Gaming Table Win
River Rock Casino Resort	25 ⁽¹⁾	75	75/40 ⁽²⁾	-	40 ⁽³⁾
Boulevard Casino	25 ⁽¹⁾	75	75/40 ⁽²⁾	-	40 ⁽³⁾
View Royal Casino	25 ⁽¹⁾	-	-	-	40 ⁽³⁾
Casino Nanaimo	25 ⁽¹⁾	-	-	-	40 ⁽³⁾
Chances Gaming Entertainment in Dawson Creek	25 ⁽¹⁾	-	-	yes ⁽⁴⁾	-
Maple Ridge Community Gaming Centre	25 ⁽¹⁾	-	-	yes ⁽⁴⁾	-
Chilliwack Bingo	-	-	-	yes ⁽⁴⁾	-
Fraser Downs Racetrack and Casino	25 ⁽¹⁾	-	-	-	40 ⁽³⁾
Hastings Racecourse and Slot Facility	25 ⁽¹⁾	-	-	-	-

⁽¹⁾ 25% of slot machine win, less 25% of BCLC's cost to lease slot machines and electronic gaming tables.

⁽²⁾ 75% of the quarterly win up to \$0.3 and 40% thereafter.

⁽³⁾ 40% of other gaming table win, less 1% to reimburse BCLC for gaming equipment and related supplies.

⁽⁴⁾ CGC's and Bingo Halls earn a percentage of the bingo win in the amount of (in dollars): 60% of the first \$20,000 of weekly bingo win, 40% of the next \$60,000 of weekly bingo win and 25% of the weekly bingo win thereafter.

FDC is earned by the Company as a fixed percentage of the Win, subject to the Company incurring sufficient Approved Amounts (a defined term in the COSAs, CGCOSAs and BOSA, which generally consists of BCLC approved capital or operating expenditures related to the development or improvement of gaming properties), and is paid weekly to the Company. Approved Amounts are reduced by the FDC receipts.

FDC is recorded as revenue on the consolidated statements of earnings (loss) when earned, limited to the extent that sufficient Approved Amounts exist. The FDC is 3% of the Win from gaming activities.

In July 2006, BCLC established an additional accelerated FDC amount equal to 2% of the Win from redeveloped casino property projects approved by BCLC. The accelerated FDC is payable weekly beginning on the later of April 1, 2007 and the opening of a redeveloped property. The accelerated FDC is a one-time initiative that is limited to the initial redevelopment of a property and continues to be received until the approved eligible costs of the redevelopment are recovered.

Competitive Conditions in British Columbia

Over the past few years, there have been a number of changes in the gaming environment and competitive marketplace in British Columbia. BCLC has encouraged the consolidation and development

of modern facilities through various initiatives. There are 15 casinos in the province, six of which are located in the Metro Vancouver area. There are also two racetracks located in Metro Vancouver, one which contains tables and slot machines and one which contains slot machines only. Within Metro Vancouver, the Company owns and operates two casinos and the two racetracks.

In addition to competition from land based casinos, in July 2010, BCLC expanded its existing gaming website to provide British Columbia residents with the ability to wager on casino-style games online. BCLC's web-based casino offers a variety of online games, including slot machines, roulette, poker, and blackjack, which closely resemble those available within our properties. Although this form of gaming does represent a competitive entertainment option within the British Columbia market, BCLC has stated that its online offerings will seek to encourage patrons to visit the province's physical gaming properties. To date, online gaming has created no discernible impact upon the Company's business.

Our direct competitors in the Metro Vancouver area are currently Gateway Casinos and Entertainment Limited ("Gateway") and Paragon Gaming LLC ("Paragon").

Gateway operates the following casinos in the Metro Vancouver region⁽¹⁾:

- the Cascades Casino in Langley hosts over 800 slot machines and 27 gaming tables. The Cascades Casino is a 50,000 square foot facility that features various related food and beverage venues on its property and offers an adjoining hotel and convention centre.
- the Starlight Casino in New Westminster hosts over 850 slot machines and 49 table games. The Starlight Casino is a 100,000 square foot facility that features various related food and beverage venues on its property.
- the Grand Villa Casino in Burnaby hosts 1,000 slot machines and 50 table games. The Grand Villa Casino in Burnaby is a 100,000 square foot facility that features various food and beverage venues on its property and offers adjoining hotel and conference facilities.

Paragon, a U.S. based gaming company, operates the Edgewater Casino ("Edgewater") in downtown Vancouver. This facility hosts over 500 slot machines and 55 table games (including 15 poker tables)⁽¹⁾. Edgewater features various related food and beverage venues on its property. Paragon is currently seeking the necessary approvals to commence a redevelopment at Edgewater. This redevelopment would relocate the facility to a new location within the same area of Downtown Vancouver by 2014. Edgewater's redevelopment plan previously included increased gaming capacity to a maximum of 1,500 slot machines and 150 table games; however, the expanded gaming capacity was not approved by the municipality. Rezoning to permit the move was enacted. As of the date of this AIF, no application for development of the new location has been submitted.

⁽¹⁾ Information obtained from public sources, including BCLC's Annual Service Plan Report for the fiscal year ended March 31, 2011.

The following table includes a list of competitors' CGCs which are operating in the Metro Vancouver and Vancouver Island areas of BC:

Location	# of slots ⁽¹⁾	Distance to nearest Great Canadian location
Abbotsford	125	38 kilometres from Chilliwack Bingo and 42 kilometres from Maple Ridge Community Gaming Centre
Campbell River	125	157 kilometres from Casino Nanaimo
Courtenay	100	112 kilometres from Casino Nanaimo
Duncan	135	52 kilometres from Casino Nanaimo and View Royal Casino
Fort St. John	150	72 kilometres from Chances Gaming Entertainment in Dawson Creek
Langley	50	7 kilometres from Fraser Downs Racetrack and Casino
Mission	125	27 kilometres from Maple Ridge Community Gaming Centre and 42 kilometres from Chilliwack Bingo
Port Alberni	100	81 kilometres from Casino Nanaimo
Squamish	100	66 kilometres from Hastings Racecourse and Slot Facility

⁽¹⁾ Information obtained from BCLC's Annual Service Plan Report for the fiscal year ended March 31, 2011.

Ontario

In Ontario, the Company owns two racetracks, Flamboro Downs and Georgian Downs, each of which hosts slot machines owned and operated by OLG, the provincial Crown corporation responsible for the management and conduct of gaming in Ontario. Our Ontario properties generated revenues of \$34.4 for the year ended December 31, 2011, representing 9% of our consolidated revenues for that period. For the year ended December 31, 2010, our Ontario properties generated revenues of \$34.4, representing 9% of our consolidated revenues for that period.

Description of Gaming Facilities in Ontario

Flamboro Downs. Flamboro Downs features live standardbred racing 11 months of the year (195 live race days in 2011, 2010 - 225) on a 1/2 mile track. The slot facility at the racetrack housed 800 slot machines as at December 31, 2011 and operates 24 hours per day. The racetrack also features a variety of licensed food and beverage venues and year round simulcast of national and international horse racing at an on-site Racebook and three remote Racebook locations located in local bars and restaurants. Surface parking is available adjacent to the property.

Flamboro Downs has a 70,000 square foot grandstand and a 30,000 square foot slot facility which is located on a 230 acre site. Flamboro Downs is in the community of Flamborough, which is located approximately 82 kilometres west of Toronto and 16 kilometres west of Hamilton.

Flamboro's Site Holder Agreement with OLG expires April 9, 2016.

A collective agreement between Flamboro Downs and SEIU, Local 2 governs the wages and working conditions of employees in Flamboro Downs' Mutuels, Maintenance & Janitorial, Security, Food & Beverage and Administrative departments. A new collective agreement with a three-year term covering January 1, 2011 through December 31, 2013 was ratified by both parties on November 3, 2011.

Georgian Downs. Georgian Downs features live standardbred racing 10 months of the year (103 live race days in 2011, 2010 - 106) on a 5/8 mile track. The slot facility at the racetrack houses 1,000 slot machines as of December 31, 2011 and operates 24 hours per day. The racetrack also features a variety of licensed food and beverage venues and year round simulcast of national and international horse racing at an on-site Racebook. Surface parking is available adjacent to the property.

Georgian Downs has an approximately 35,000 square foot grandstand facility and a 65,000 square foot slot facility located on a 76 acre site. In addition, the Company owns 70 acres of vacant adjacent land. Georgian Downs is in the township of Innisfil, which is located approximately 80 kilometres north of Toronto near an off-ramp off a major highway.

The Company expanded Georgian Downs from 2009 to 2010 to allow OLG to increase the slot capacity. On August 26, 2009, OLG increased Georgian Downs' capacity to 800 slot machines. On April 1, 2010, OLG increased Georgian Downs' capacity to a total of 939 slot machines. On May 26, 2010, OLG increased Georgian Downs' capacity to a total of 1,000 machines.

As at December 31, 2011, the Company has spent approximately \$33.1 of an estimated \$33.6 on this expansion. The remaining costs for the project are associated with service agreements with the municipality that include onsite parking and traffic lights. OLG was responsible for costs associated with upgrades to the slot floor, food and beverage offerings, and various back-of-house operations.

In addition, through the Supplemental Agreements, OLG has extended the term and agreed to the Company's 10% slot machine revenue share at Georgian Downs through to November 30, 2021. The Supplemental Agreements include a provision for extension until November 30, 2026, at OLG's discretion.

A collective agreement between Georgian Downs and PSAC, Local 00500, with a term covering September 18, 2010 through September 17, 2013, governs the wages and working conditions of employees in Georgian Downs' Mutuels, Maintenance, Food & Beverage, and Gift Shop departments.

Site Holder Agreements with OLG. Our Ontario-based gaming operations are conducted pursuant to Site Holder Agreements (and a Supplemental Agreement for Georgian Downs) entered into with OLG for each of our racetrack/slot facilities. Under these agreements, OLG conducts and manages gaming operations at our facilities. The Company earns a commission based on a percentage of slot revenues.

We are also responsible for conducting our horse racing operations so as to provide an entertaining recreational product to maximize interest in horse racing and to enhance the success of the gaming activities carried out by OLG. To that end, under the terms of the Site Holder Agreements, the Company receives 20% of the slot win from OLG and has contracted with OHHA to share 50% of that with OHHA for purse prizes and industry programs, for a net payment to the Company of 10% of the slot win.

As a result, both of our Ontario facilities effectively receive 10% of the slot machine win for hosting OLG slots operations at the racetracks. A description of our expiry terms for each Site Holder Agreement is in the "Property Operations Summary" section of this AIF.

There is no program in Ontario similar to FDC as in British Columbia or CRA in Nova Scotia. In Ontario, Flamboro Downs is required to set aside 5% and Georgian Downs is required to set aside 0.5% of each property's share net slot revenues for common area maintenance capital expenditures. See the "Operating Agreements with Provincial Crown Corporations" section of this AIF for additional information.

Competitive Conditions in Ontario

The gaming industry in Ontario is highly regulated and controlled, effectively creating a barrier to entry. Gaming in Ontario exists principally in three forms:

1. Resort Casinos, such as Casino Niagara, Casino Rama, Caesars Windsor and Fallsview Casino Resort. These casinos offer gaming and a wide range of amenities such as hotels, entertainment venues and meeting/convention areas. OLG owns and maintains authority over these casinos, but their operations are contracted out to approved gaming suppliers;
2. OLG Casinos, such as OLG Casino Thousand Islands and OLG Casino Thunderbay. These casinos offer gaming, food and beverage services, and entertainment. OLG owns and operates these casinos; and

3. OLG Slots at racetracks, such as Georgian Downs, Flamboro Downs and Woodbine Racetrack. OLG conducts and manages slot operations that are within horse racetracks owned by the private sector or non profit organizations.

There are four Resort Casinos, five OLG Casinos, 17 racetracks with OLG Slots, one slots facility at a charity casino, and one racetrack possessing an inactive slot license in Ontario. The Company's direct competitors within a two-hour drive of the Greater Toronto Area are Casino Niagara (slot machines and table games), Fallsview Casino Resort (slot machines and table games), Casino Rama (slot machines and table games), Woodbine Racetrack (horse racing, Teletheatres and slot machines), OLG Casino Brantford (slot machines and table games), Great Blue Heron Casino (slot machines and table games), Mohawk Racetrack (horse racing, Teletheatres and slot machines), Grand River Raceway (horse racing, Teletheatres and slot machines) and Ajax Downs (horse racing, Teletheatres, and slot machines).

In early 2005, the Ontario government announced that no new casino sites would be approved, and that there would be an increased focus on responsible gaming, in addition to a commitment ensuring the competitiveness of Ontario's gaming industry.

During the first quarter of 2011, OLG announced that it had initiated a strategic business review of its two core offerings, land-based gaming and its lottery business. This review will examine all of OLG's business lines in order to determine a strategic direction for the future of gaming in the province. The goals of this process are to survey stakeholder perceptions regarding the future of lottery and gaming in Ontario, examine best practices within domestic and international markets, and identify opportunities to work in new ways with the private sector or other stakeholders. It is expected that OLG and the Government of Ontario will conclude this process during 2012.

In late 2011, the Government of Ontario commissioned an independent financial review. In February 2012, the Commission on the Reform of Ontario's Public Services, chaired by Mr. Don Drummond, released a report (the "Drummond Report") with recommendations aimed at improving the Government of Ontario's economic and fiscal challenges. The recommendations in the Drummond Report are directed across a wide-range of government activities and include some recommendations that may affect horse racing and gaming in Ontario. The report recommends re-evaluating, on a value-for-money basis, the government's practice of providing a portion of net slot revenues to the horse racing and breeding industry and municipalities in order to substantially reduce and better target that support. Any material changes to this program could have significant impact on both the operations and financial performance of the Company's two racetracks in Ontario. The Drummond Report also recommends that the government allow slot machines at sites that are not co-located with horse racing venues, as well as consider directing OLG to expand its existing business lines, develop new gaming opportunities and make effective use of private-sector involvement. Changes in locations of slot machines and expansion of business lines could increase the competition faced by the Company's two racetracks in Ontario. It is not certain at this time which, if any, of the recommendations will be implemented and the impact they may have on the Company. These changes to the structuring of gaming activity in Ontario may have a negative impact on the Company. Also the pace of such changes, if implemented, may be affected by the willingness and ability of OLG to make changes to the existing agreements it has with the Company before the current expiry dates of the agreements. Therefore, while Georgian Downs' and Flamboro Downs' Site Holder Agreements with the OLG are scheduled to expire in November 2026 and April 2016, respectively, there is a risk the OLG may terminate these Site Holder Agreements early by providing the Company with 270 days advance written notice in order to effect these recommendations. If these recommendations are implemented, they would have a negative impact on revenues generated by Georgian Downs and Flamboro Downs and may result in the need for goodwill and long-lived asset impairments at these properties.

Nova Scotia

We operate the only two full service casinos in the Province of Nova Scotia. Our Nova Scotia properties generated revenues of \$41.9 for the year ended December 31, 2011, representing 11% of the Company's

consolidated revenues for that period. For the year ended December 31, 2010, our Nova Scotia properties generated revenues of \$42.4, representing 11% of our consolidated revenues for that period.

Description of Gaming Facilities in Nova Scotia

Casino Nova Scotia Halifax. Casino Nova Scotia Halifax houses a 110,000 square foot casino and meeting facility, which includes separate high limit and poker rooms. As at December 31, 2011, the casino housed 575 slot machines and 32 gaming tables (including eight poker tables). The property also features a variety of licensed food and beverage venues, a 700 seat show room and meeting facilities. Parking is provided through a 550 stall multi-level parking garage. The casino operates between 18 to 24 hours per day, seven days per week. Casino Nova Scotia Halifax is located on the waterfront in downtown Halifax, near both major hotels and tourist attractions.

A collective agreement between Casino Nova Scotia Halifax and SEIU, Local 902, with a term covering February 1, 2008 through January 31, 2012, governs the wages and working conditions of employees in the "main unit" consisting of all full-time and regular part-time employees of Casino Nova Scotia Halifax. Collective bargaining commenced on January 30, 2012, and is ongoing. A collective agreement between Casino Nova Scotia Halifax and SEIU, Local 902, with a term covering January 9, 2009 through January 31, 2012, governs the wages and working conditions of a second bargaining unit consisting of all full-time and regular part-time security employees of Casino Nova Scotia Halifax. Notice to commence collective bargaining was served on November 30, 2011, and collective bargaining is expected to commence in March 2012.

Casino Nova Scotia Sydney. Casino Nova Scotia Sydney houses a 30,000 square foot casino. As at December 31, 2011, the casino housed 299 slot machines and 11 gaming tables (including four poker tables). This property also features a variety of licensed food and beverage venues. Surface parking is available adjacent to the property. The casino operates from 16 to 24 hours per day seven days per week.

Casino Nova Scotia Sydney is located in downtown Sydney and is connected to a multi-purpose arena.

Operational Services Agreement with NSGC. Our Nova Scotia-based gaming operations are conducted pursuant to an AROC with NSGC that covers both of our facilities. Under the AROC, we have been appointed to operate the casinos in Halifax and Sydney, Nova Scotia, and to supply certain services to NSGC. In fulfilling our duties under the agreement, we supply gaming equipment and supplies, provide security and surveillance for the facilities and supply gaming personnel. NSGC has the right to review our Nova Scotia operations, approve annual budgets and, on termination of the AROC, to repurchase all equipment, land and buildings purchased by us and used in these operations.

Each of our Nova Scotia facilities earn approximately 52.7% of their respective Total Revenues, which is defined as all gaming revenues (less player winnings) and non-gaming revenues. This percentage may be reviewed if certain changes to operations prescribed or directed by NSGC adversely affect revenues or increase expenses incurred by us. We have an agreement to pay to NSGC \$1.0 annually, adjusted for inflation, as a contribution toward the prevention and treatment of problem gambling in Nova Scotia. The current term of the AROC expiry is July 1, 2015 with a renewal term until July 1, 2025.

After payment of our operating fee, the balance of revenues earned by Casino Nova Scotia Halifax and Casino Nova Scotia Sydney are paid to NSGC, except 5% of Total Revenues which is deposited into a CRA. The funds deposited into the CRA are to be utilized to undertake capital expenditures, refurbishing, maintaining, upgrading and enhancing the casino facilities. From April 1, 2009, at least \$5.0 (adjusted for inflation) must be set aside annually for these purposes. We are required under the AROC to annually consult with NSGC and prepare a detailed capital replacement and maintenance plan for maintenance, refurbishment, upgrading, enhancing and replacing of the casinos and casino assets. The expenditures we incur in implementing the plan are reimbursed to us from NSGC's CRA.

In 2011, the Province of Nova Scotia released a Responsible Gaming Strategy. One of the measures was to migrate the conduct-and-manage function for gambling from the NSGC to a division within the Department of Communities, Culture and Heritage.

Competitive Conditions in Nova Scotia

While table games and slot machines are permitted only at Casino Nova Scotia Halifax and Casino Nova Scotia Sydney, there is competition from VLTs, which are permitted in licensed liquor establishments, curling clubs, and on First Nations' reserves.

Our competition in Atlantic Canada includes the Membertou Entertainment Complex, VLT facilities throughout Nova Scotia, Casino New Brunswick and the Charlottetown Driving Park Entertainment Centre. The Membertou Entertainment Complex is a 33,000 square foot facility that features classic and electronic bingo and VLTs and a hotel, and is located three kilometres south of Casino Nova Scotia Sydney.

Casino New Brunswick, which opened in May 2010 with 500 slot machines, 20 table games (including five poker tables), a hotel, and a multi-purpose entertainment and convention centre, is located in Moncton, New Brunswick, approximately 267km north of Halifax, Nova Scotia.

The Charlottetown Driving Park Entertainment Centre is a standardbred racetrack with 225 slot machines and six poker tables, located in Charlottetown, Prince Edward Island, approximately 326 kms north of Halifax, Nova Scotia and 356 kms west of Sydney, Nova Scotia.

Washington State

Description of Gaming Facilities in Washington State

We operate four card rooms in Washington State located in Tukwila, Lakewood (Tacoma), Kent and Everett. Our Washington State operations generated revenues of \$22.7 for the year ended December 31, 2011, representing 6% of our consolidated revenues. For the year ended December 31, 2010, our Washington properties generated revenues of \$22.1, representing 6% of our consolidated revenues for that period. The four Washington State facilities contain a total of 59 gaming tables and ancillary food and beverage offerings such as night clubs and banquet facilities. Surface parking is available at each facility. Our card rooms generally operate between 18 to 24 hours per day.

Our Washington State subsidiaries are issued annual gaming licenses by the WSGC. The gaming licenses permit us to operate a maximum of 15 card tables at each of our facilities in Washington State. The established practice in Washington State is that, in the absence of violations or wrongdoings by the licensee, gaming licenses are renewed automatically by the WSGC. Revenues from our gaming operations in Washington State are net of city or county gaming taxes at various rates ranging from 10% to 11% for card games, 5% on pull-tabs and 2% on amusement games.

Competitive Conditions in Washington State

The gaming industry in Washington State is highly competitive and does not feature the same significant barriers to entry for commercial casinos as British Columbia, Ontario, and Nova Scotia.

Card rooms, such as those operated by the Company, face significant competition from tribal operated commercial casinos in Washington State, which are numerous and widely spread among mostly single and several multi-location operators. Tribal casinos, with their ability to offer electronic gaming devices such as slot machines, and their exemption from a state-wide smoking ban, enjoy a significant advantage over card room operators.

Additionally, tribal casinos are not subject to the same taxation level as non-tribal casinos, which place us at a competitive disadvantage in supporting marketing and overhead expenses.

The Washington State gaming market has experienced a shift from the lottery, charitable bingo, and commercial house-banked card room segments to tribal gaming facilities because such facilities can offer a broader array of games, such as slot machines, electronic gaming devices and table games with higher betting limits. The Company believes its house-banked card rooms in Washington State appeal to local customers that are not regularly attracted to the tribal gaming facilities.

Property Ownership Summary

The following table summarizes ownership information regarding each of our principal facilities:

Facility and Location	Approximate Square Footage of Facility ⁽¹⁾	Ownership Interest	Expiry Date of Lease
Head Office Richmond, BC	53,900 ⁽²⁾	Leased	2014
River Rock Casino Resort Richmond, BC	600,000 (90,000 gaming)	Leased (portion of land is owned)	2041
Boulevard Casino Coquitlam, BC	184,000 (85,000 gaming)	Owned	n/a
View Royal Casino View Royal, BC	37,000	Owned	n/a
Casino Nanaimo Nanaimo, BC	24,000	Owned	n/a
Chances Gaming Entertainment Dawson Creek, BC	16,000	Owned	n/a
Maple Ridge Community Gaming Centre Maple Ridge, BC	33,000	Leased	2013
Chilliwack Bingo Chilliwack, BC	11,500	Leased	2013
Fraser Downs Racetrack and Casino Surrey, BC	80,000 (racing) 25,000 (gaming)	Leased	2024 ⁽³⁾
Hastings Racecourse and Slot Facility Vancouver, BC	141,000 (racing) 34,000 (gaming)	Leased	2012 ⁽⁴⁾
Georgian Downs Innisfil, Ontario	35,000 (racing) 65,000 (gaming)	Owned	n/a
Flamboro Downs Flamborough, Ontario	70,000 (racing) 30,000 (gaming)	Owned	n/a
Casino Nova Scotia Halifax Halifax, Nova Scotia	110,000	Owned	n/a
Casino Nova Scotia Sydney Sydney, Nova Scotia	30,000	Leased	2016
Great American Casino (Tukwila) Tukwila, Washington	16,000	Owned	n/a

Facility and Location	Approximate Square Footage of Facility ⁽¹⁾	Ownership Interest	Expiry Date of Lease
Great American Casino (Lakewood) Lakewood, Washington	30,000	Owned	n/a
Great American Casino (Everett) Everett, Washington	11,000	Owned	n/a
Great American Casino (Kent) Kent, Washington	6,000	Leased	2016

⁽¹⁾ Excludes any parking garage square footage.

⁽²⁾ The Company occupies approximately 20,000 square feet of the leased head office space and subleases the remainder.

⁽³⁾ Lease provides for an additional 10-year renewal at our option until 2034.

⁽⁴⁾ Lease provides for a 15-year renewal at our option with certain conditions until 2027.

Specialized Skills & Knowledge

Success in the gaming industry requires a high level of specialized skills and gaming knowledge obtained from experience. The officers and directors of the Company include business professionals who possess extensive gaming, horse racing, entertainment, and property development backgrounds.

Major Developments

River Rock

On October 17, 2011, the Company opened the third hotel tower at River Rock. The construction of this five-storey, 193-room hotel tower commenced in the fourth quarter of 2010 and was completed during the fourth quarter of 2011. As at December 31, 2011, the Company has incurred \$21.6 of an estimated \$24.0 in construction and equipment costs for this project. The Company also commenced upgrades to River Rock's first two hotel towers in the second quarter of 2011. As at December 31, 2011, the Company has spent \$0.9 of an estimated total cost of \$3.2. The Company anticipates that these upgrades will reach completion during the first quarter of 2012.

During the first quarter of 2010, the Company completed several enhancements at River Rock. These enhancements, which had a total cost of \$2.8, optimized the property's ability to accommodate the increased traffic generated by the Canada Line mass transit system that commenced operating in August 2009. Enhancements included a relocation of River Rock's poker room, significant improvements to the property's VIP offerings, and space for the installation of additional gaming capacity.

Chilliwack

On May 31, 2011, as part of the purchase of the assets and undertaking of Chilliwack Bingo Association, the Company acquired an approximately five-acre site in Chilliwack, which the Company intends to utilize for the development of a community gaming centre. The Company estimates it will spend approximately \$15.0 to build the community gaming centre, which should reach completion by the first quarter of 2013. As at December 31, 2011, the Company has spent approximately \$3.4 of an estimated \$15.0 to develop the CGC and acquire adjacent land.

Maple Ridge Community Gaming Centre

On October 15, 2010, 100 slot machines commenced operation at the Company's Maple Ridge Community Gaming Centre. In order to facilitate the operation of slots at this temporary facility, the Company committed \$4.2 on both property enhancements and off-site servicing commitments. As at December 31, 2011, the Company has spent \$1.7 on the temporary facility and incurred \$1.4 toward fulfilling its servicing commitments at the site of the permanent facility.

In addition to the \$1.0 already paid to the Ridge Meadows Bingo Association in connection with the original purchase of this facility, the operation of slots has initiated a total of \$1.3 in trailing purchase payments, to

be paid in equal annual instalments starting in 2010 and ending in 2019. The Company has also invested \$4.7 towards the purchase of land required for a permanent facility in Maple Ridge and \$0.9 of pre-development costs at this site. The Company anticipates that this permanent facility will reach completion prior to October 2013.

Ontario

During 2009 and 2010, the Company expanded Georgian Downs in order to accommodate an increase in that property's gaming capacity to 1,000 slot machines, as described in the "Business of the Company" section of this AIF.

Washington State

On February 22, 2011, a city council vote in Tukwila, Washington resulted in a prohibition of the operation of card rooms in that city effective January 1, 2016. On December 5, 2011, city council repealed this prohibition.

Regulation and Licensing

Overview

Gaming activities are strictly regulated in Canada by the Criminal Code of Canada (the "Criminal Code") and provincial gaming legislation. The Criminal Code prohibits most gaming activity unless it falls within certain prescribed exemptions. These exemptions include "lottery schemes" conducted by the government of a province in accordance with laws established by the province and pari-mutuel wagering. "Lottery schemes" include games of chance or mixed skill and chance. Pursuant to the Criminal Code, only provincial governments can conduct and manage slot machines, computerized games or dice games.

Gaming

Each province in which we operate has gaming control legislation in force under which that province regulates gaming activities. The gaming control legislation, regulations promulgated thereunder, and rules adopted by gaming regulators take into account a number of public policy concerns, including: the integrity of gaming; the prevention of unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity; the establishment and maintenance of responsible accounting practices and procedures; the maintenance of effective controls over the financial practices of registrants; and the prevention of cheating and fraudulent practices in gaming.

Provincial gaming legislation permits the registration of private entities to provide gaming-related services or to act as agents, service providers or service suppliers to provincial Crown Corporations to conduct and manage gaming in the province. Pursuant to certain long-term agreements we have entered into with provincial Crown Corporations in British Columbia, Ontario and Nova Scotia, we provide facilities and other services to those agencies for the conduct and management of gaming. The Company shares in the revenues earned by each of those Crown Corporations from services we provide at our properties.

While the provincial Crown Corporations may determine the form and proposed location of gaming activities offered in a province, the co-operation of local government is needed for these facilities to operate. All new gaming facilities licenses and all facility expansions or relocations must be approved by the local host government, which in making their development decisions typically consider the concerns and comments of local residents and businesses and affected adjacent communities. The sale of alcoholic beverages at the Company's facilities is also subject to the obtaining of appropriate licenses.

In Washington State, regulated gambling is permitted and controlled by the WSGC. Unlike Canada, our gambling operations in Washington State do not involve the participation of a governmental body in the operation of the facilities. Gambling laws and regulations in Washington State, like those in Canada, are

generally concerned with the integrity, reputation, responsibility, financial stability and character of the owners, managers, employees and persons with financial interests in the gambling operations.

Horse Racing

Pari-mutuel wagering on horse racing in Canada falls under federal jurisdiction pursuant to the Criminal Code. Through the CPMA, a division of Agriculture and Agri-Food Canada, the Federal Government regulates the horse racing industry and licenses industry participants.

The CPMA is financed through a federal levy of 0.8% collected from each pari-mutuel bet placed on horse races across Canada. The Pari-Mutuel Betting Supervision Regulations, authorized under the Criminal Code, prescribe the mandate and the activities of the CPMA. The CPMA supervises the pari-mutuel betting systems; conduct of race meets and the fixing of dates and places for races; photo finishing, video patrol and drug control and testing of horses, trainers and jockeys; calculation of payables on bets; and provision, equipment and maintenance of accommodation, services and other facilities for the supervision and operation of the pari-mutuel systems.

Every racetrack association must apply for and obtain an annual pari-mutuel betting permit to hold horse races at its facilities. In granting a permit, the CPMA may impose terms and conditions on permits such as the types of bets which may be offered at the horse racetrack; the method of calculating each type of bet; necessary improvements to the horse racetrack; and any other restrictions on pari-mutuel wagering. The CPMA also issues annual pari-mutuel licenses for Teletheatre facilities.

Horse racing activities in Ontario are also regulated by the ORC which grants licenses to race and prescribes terms and conditions for registration of Flamboro Downs and Georgian Downs in Ontario.

Registration and Reporting Requirements

The Company is subject to both general and specific reporting and disclosure requirements with its respective gaming regulators including the obligation to provide information pertaining to the Company's financing arrangements and issuances of securities. Gaming regulators may conduct investigations or inquire as to the nature and source of financing, including the identity of persons who acquire the Company's securities or lend us money. These inquiries are made pursuant to the regulator's general powers of investigation and general authority to conduct investigation or inquiry with respect to any participant in the gaming industry at any level of monetary or shareholder interest. The gaming regulations also prescribe specific obligations for the Company to report and disclose certain financing arrangements and issuances of securities. Normally these specific obligations arise where certain threshold tests of "interest" are met.

Notwithstanding there being specific reporting thresholds, a regulator at any time may exercise its discretion to require reporting by any person who has an interest in the Company, regardless of the type of interest. If the Company is unable to comply with any reporting or registration requirement, our registrations as a gaming service provider may be suspended or revoked which would adversely affect our business.

Gaming regulatory bodies may from time to time require changes to the Company's practice in complying with the various disclosures and reporting requirements. If the Company fails to comply with any existing or future disclosure requirements, the regulators may take action against the Company which could ultimately include cancellation of a gaming registration.

British Columbia, Ontario and Nova Scotia

Gaming Laws. In British Columbia, Ontario and Nova Scotia, gaming activity is subject to the Criminal Code, the provincial gaming control legislation and regulations promulgated thereunder. Gaming

regulators oversee the implementation and enforcement of the gaming control legislation and the Company's gaming operations.

Gaming Registration. The Company and its subsidiaries that own or operate gaming facilities in British Columbia, Ontario and Nova Scotia are approved and registered by gaming regulators. This registration authorizes our subsidiaries to provide certain gaming services such as providing facilities, gaming employees, and security and surveillance services. The gaming regulator issues registration certificates to us that are renewable but not transferable or assignable.

Corporate Registration Requirements. The terms and conditions of registration require, among other things, that we submit to, and co-operate in background investigations, obey standard operating rules of play, identify the Company's creditors and submit detailed financial and operating reports to the gaming regulators. We are required to deliver advance notice to, and obtain the approval from, the gaming regulator of a change in our directors, officers, associates or interest holders. An "associate or interest holder" may include security holders, beneficial interest holders, contingent interest holders, interested parties and suppliers of credit, and goods or services above a certain threshold. The Company is also required to deliver advance notice to, and obtain the approval from, the gaming regulators of the direct or indirect acquisition or disposition by a person or group of persons, acting in concert, in one or more transactions, of a certain threshold level of our voting shares; or one or more securities issued by us (other than voting shares), if the amount paid up under the securities is equal to or greater than a certain threshold level of our aggregate paid up capital. An applicant seeking registration must submit detailed personal and financial information to the gaming regulators, may be subject to an investigation by them and must pay or cause to be paid all the costs of any investigation. A gaming regulator may deny registration to any applicant and may deny the acquisition or disposition of the Company's shares or securities above a certain threshold. All of the Company's directors, officers, associates and key employees have been or may be required to be found suitable and require registration by a gaming regulator. A gaming regulator may deny an application for registration for any reason which they deem appropriate.

Substantially all of the Company's material loans, leases, sales of securities and similar financing transactions must be reported to, or approved by, gaming regulators.

Individual Registration Requirements. As noted above, under the terms and conditions of its registration, the Company is required to deliver advance notice to, and obtain the approval from, gaming regulators for the acquisition or disposition of the Company's voting shares or securities above a certain threshold and for changes to our directors, officers or "associates or interest holders." Persons acquiring or disposing of the Company's shares or securities above the threshold may be required to submit detailed financial and personal information and undergo an investigation by the gaming regulators to ensure their suitability for involvement in the gaming industry, and may be required to be registered. Our proposed officers or directors are required to be registered and persons wanting to become associates of ours may be required to be registered. An applicant seeking registration must submit detailed personal and financial information to the gaming regulators, may be subject to an investigation by the gaming regulators and must pay or cause to be paid all the costs of any investigation. A gaming regulator may deny registration to any applicant and may deny the acquisition or disposition of the Company's shares or securities above a certain threshold. A gaming regulator may deny an application for registration for any reason which they deem appropriate. At any time, one or more of the gaming regulators may conduct inspections to monitor compliance of registrants with the gaming control legislation, the regulations, the rules and the conditions of registration.

Horse Racing Licenses. Some of the Company's operating subsidiaries have been issued licenses by GPEB in British Columbia and the ORC in Ontario for the operation of horse racing tracks. These licenses are issued every three years by GPEB and annually by the ORC. These licenses are subject to several conditions including legislative compliance, financial reporting, adherence to facilities and equipment standards and security. In addition to requiring a license, horse racing regulators require that racetrack operators apply for race dates each year. The Company's horse racing licenses may not be

transferred or assigned. If there is a material violation of one of our horse racing licenses, one or more of our horse racing licenses may be suspended and our gaming operations may be materially affected.

Consequences of Violating Gaming Laws. Gaming regulators may refuse to issue or renew, or may suspend or terminate, the Company's registration if we, or one of our directors, officers, employees or associates (i) is considered to be a detriment to the integrity or lawful conduct or management of gaming; (ii) no longer meets a registration requirement; (iii) has breached or is in breach of a condition of registration or an operational agreement with a lottery corporation; (iv) has made a material misrepresentation, omission or misstatement in an application for registration or in reply to an enquiry by a person conducting an audit, investigation or inspection under the gaming control legislation; (v) has been refused a similar registration in another jurisdiction; (vi) has held a similar registration, or license in that province or another jurisdiction which has been suspended or cancelled; or (vii) has been convicted of an offence, inside or outside of Canada, that calls into question our honesty or integrity or the honesty or integrity of one of our directors, officers, employees or associates.

If a gaming regulator limits, suspends, revokes or refuses to renew the Company's registration and/or any of our horse racing licenses, it would have a material negative effect on our gaming operations. A suspension of one of the Company's registrations could result in a suspension of gaming registrations in any other jurisdictions, or the suspension of our racing licenses.

Consequences of Being Found Unsuitable. A person who fails or refuses to apply for registration after being ordered to do so by a gaming regulator, or who refuses or fails to pay the investigative costs incurred by a gaming regulator in connection with the investigation of its application, may be found unsuitable. The Company and its subsidiaries may be subject to disciplinary action, including suspension of our registration, if, after we receive notice that a person is unsuitable to hold our securities or to have any other relationship with us, we fail to pursue all lawful efforts to require the person to comply with the requirements of the gaming control legislation.

Gaming Laws and Securities Ownership. The gaming control legislation imposes certain restrictions, as described above, upon the issuance, ownership, and transfer of our voting shares and securities. These restrictions require that we provide advance notice and obtain approval for certain acquisitions and dispositions above a certain threshold. If the Company fails to obtain approval for changes in our voting shares or securities from a gaming regulator, we may be sanctioned and our registrations may be suspended.

Washington State

Gambling Laws. In Washington State, gaming is subject to the Revised Code of Washington and the Washington Administrative Code ("the Code") and the rules promulgated thereunder, as well as various local ordinances and state laws. The Company's gaming operations are subject to the regulatory control of the WSGC.

Our Licenses. The Company's Washington State subsidiaries are licensed by the WSGC to operate house-banked public card rooms and to provide other commercial amusement games. One of our Washington subsidiaries is also licensed by the WSGC as a service supplier. These licenses are for terms of one year and are not transferable or assignable.

Our License Requirements. The terms and conditions of the Company's licenses require that we submit detailed financial and operating reports to the WSGC and provide any other information that the WSGC may require. Substantially all of our material loans, leases, sales of securities and similar financing transactions must be reported to, or approved by, the WSGC.

Individual Licensing Requirements. No person may own 10% or more of any class of shares of our Washington subsidiaries licensed by the WSGC or own 5% or more of our shares without first obtaining approval from the WSGC. The WSGC may investigate any individual who has a material relationship to

or material involvement with us to determine whether the individual is suitable or should be licensed as a substantial interest holder of ours. Certain of our directors, officers and key employees have been or may be required to be licensed or found suitable by the WSGC. The WSGC may require additional applications and may also deny an application for license for any reason which they deem appropriate. An application for licensing requires submission of detailed personal and financial information and may be followed by a thorough investigation. An applicant for registration or an applicant for a finding of suitability must pay or must cause to be paid all the costs of the investigation. Changes in licensing positions must be reported to the WSGC and, in addition to their authority to deny an application for license, the WSGC has the jurisdiction to disapprove a change in a corporate position.

Consequences of Violating Gaming Laws. The WSGC may deny an application, or suspend or revoke any license or permit issued by it including where it deems it to be in the public interest, or where the licensee, or any person with any interest in the licensee, has violated, failed or refused to comply with the provisions, requirements, conditions, limitations or duties imposed by the Code, or any rules adopted by the WSGC, or when a violation of any provision of the Code, or any WSGC rule, has occurred upon any premises occupied or operated by any such person or over which he or she has substantial control; knowingly causes, aids, abets, or conspires with another to cause, any person to violate any of the laws of the state or the rules of the WSGC; has obtained a license or permit by fraud, misrepresentation, concealment, or through inadvertence or mistake; has been convicted of, or forfeited bond upon a charge of, or pleaded guilty to, forgery, larceny, extortion, conspiracy to defraud, willful failure to make required payments or reports to a governmental agency at any level, or filing false reports therewith, or of any similar offence or offences, or of bribing or otherwise unlawfully influencing a public official or employee of any state of the United States, or of any crime, whether a felony or misdemeanour involving any gambling activity or physical harm to individuals or involving moral turpitude; makes a misrepresentation of, or fails to disclose, a material fact to the WSGC; is subject to current prosecution or pending charges, or a conviction which is under appeal, for certain offences; has pursued or is pursuing economic gain in an occupational manner or context which is in violation of the criminal or civil public policy of the state if such pursuit creates probable cause to believe that the participation of such person in gambling or related activities would be inimical to the proper operation of an authorized gambling or related activity in the state; or is a career offender or a member or associate of a career offender cartel in such a manner which creates probable cause to believe that the association is inimical to the policy of the Code or to the proper operation of the authorized gambling. Limitation, conditioning or suspension of any of our gaming licenses in Washington State could, and revocation would, have a material negative effect on our gaming operations in Washington State.

Consequences of Being Found Unsuitable. Any person who fails or refuses to apply for a finding of suitability or licensing after being ordered to do so by the WSGC, or who refuses or fails to pay the investigative costs incurred by the WSGC in connection with the investigation of its application, may be found unsuitable. Our subsidiaries will be subject to disciplinary action if, after they receive notice that a person is unsuitable to hold our securities or to have any other relationship with us, we fail to pursue all lawful efforts to require the unsuitable person to relinquish such person's securities including, if necessary, the immediate purchase of the securities.

Gaming Laws Relating to Securities Ownership. The WSGC may, in its discretion, require the holder of any of our debt or similar securities to file applications, be investigated and be found suitable to own our debt or other securities if the WSGC has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the Washington State. If the WSGC decides that a person is unsuitable to own the security, then under the Code, we can be sanctioned, including the loss of our license if we fail to pursue all lawful efforts to require the unsuitable person to relinquish such person's securities including, if necessary, the immediate purchase of the securities.

Operating Agreements

Operating Agreements with Provincial Crown Corporations

The Company has entered into agreements with the provincial Crown Corporations that conduct and manage gaming operations in each of British Columbia, Ontario and Nova Scotia. The following is a description of the Company's agreements with provincial Crown Corporations:

British Columbia

Each of our gaming facilities has an Operational Services Agreement with BCLC. The expiry dates of the Company's Operational Services Agreements are listed in the "Business of the Company" section of this AIF. The Company's ability to renew an Operational Services Agreement is conditional upon the agreement being in good standing, appropriate notice of renewal being given, a business plan for the renewal term being submitted to and approved by BCLC, and the absence of changes to government gaming policy that materially adversely impact the gaming model reflected in the Operational Services Agreement. It is our practice when we expand a gaming facility or develop a new gaming facility, to negotiate with BCLC to extend the Operational Services Agreement for the respective gaming facility.

Each Operational Services Agreement may be terminated by BCLC without notice to us in a number of circumstances, including but not limited to, if:

- we are unable to provide the use, occupation and possession of the casinos to BCLC for the purpose of conducting and managing gaming at the casinos;
- we discontinue operations of the casinos;
- the Company or one of the Company's directors or officers is convicted of a criminal offence which, in the opinion of BCLC, prejudices the integrity or reputation of the casinos or BCLC's authority to conduct or manage lottery schemes;
- one of the Company's officers or directors intentionally makes a material misrepresentation on any document submitted on our behalf to BCLC;
- we become bankrupt or insolvent;
- we commit a material breach of the agreement;
- we fail to carry out a written directive of BCLC; or
- a law is passed that renders the performance of the agreement illegal.

Ontario

The GDL Site Holder Agreement expires in November 2021. There is a further renewal option at the option of OLG for an additional five years to November 2026.

The FDL Site Holder Agreement had an initial term of five years, and a first renewal term which was extended until April 2011. The second renewal term has been extended for a term expiring in April 2016. There are no further renewal terms for this agreement.

Each Site Holder Agreement may be terminated by OLG upon notice to us in a number of circumstances, including if:

- we commit a material breach of the agreement; or
- following the occurrence of a specified event where such event is not remedied by us within 30 days or such longer period as may be agreed between the parties.

Included in the definition of “material breach” is any activity which OLG, in its discretion, determines is harmful to the integrity of OLG or the slots activity carried on at the facilities operated by Georgian Downs or Flamboro Downs.

Each Site Holder Agreement may also be terminated early by OLG by written notice to us, which notice will be effective on the day which is 270 days following the date such notice is given.

From the commission paid to us by OLG, we are required to deposit a certain percentage of the Site Holder Payment to a separate fund for capital renewals (which are defined to include, among other things, additions or improvements to the licensed premises during the term for the purposes of maintaining the licensed premises as a first class facility) to be used for the sole purpose of paying for capital renewals agreed upon between OLG and us, or otherwise settled pursuant to the agreement. The percentage to be deposited to the capital renewals account is negotiated each year. If no capital renewals are to be paid during the year or a balance remains in the capital renewals fund at the end of an operating year, such amount is paid out to us as previously-earned commission. If the capital renewals in any operating year are greater than the amount in the capital renewals fund, we are required to immediately fund the deficiency.

Nova Scotia

The AROC has an initial 10-year term and is renewable by us for a 10-year period, provided that NSGC has not given us notice of a breach that we have not cured within the permitted time period. We have a right of first opportunity to negotiate with NSGC with respect to any proposal to pursue the development and operation of a racino (slot machines operated by NSGC in connection with a presently existing racetrack) during the initial 10 year term or a “New Casino” as defined in the agreement during the initial term or any renewal term. NSGC has the right to terminate the AROC in a number of circumstances, including if:

- we are unable to provide the use, occupation and possession of the assets of the casinos to NSGC for the purpose of conducting and managing gaming at the casinos;
- we discontinue operations of the casinos for more than 21 days;
- one of the Company’s officers or directors is convicted of a criminal offence which, in the opinion of NSGC, prejudices the integrity or reputation of the casinos, gaming at the casinos or NSGC’s authority to conduct or manage lottery schemes;
- one of the Company’s officers or directors intentionally makes a material misrepresentation on any document submitted on our behalf to NSGC;
- we become bankrupt or insolvent;
- we undergo a change of control that is not consented to by NSGC;
- we commit a material breach of the agreement;
- we fail to carry out a written directive of NSGC; or
- a law is passed that renders the performance of the agreement illegal.

On termination of the AROC, NSGC will purchase all of the Company’s “Casino Assets” (including the property, plant and equipment that comprise the two Nova Scotia Casinos). The purchase price will be equal to the sum of (a) approved capital expenditures as defined in the agreement (“Approved Capital Expenditures”) made by us which have not been reimbursed from the CRA and, if, and only if, we terminate the AROC, additional payments equal to (b) any unpaid Operators Fee and (c) the unamortized balance of “Operator’s Additional Acquisition Costs.” If we terminate the AROC pursuant to a breach of the agreement by NSGC, we are also entitled to the “Compensation Fee” as described below. NSGC has the additional right to terminate the AROC at any time on six months’ notice and to acquire, or designate a third party to acquire, the Casino Assets on payment of an amount equal to (a) any unpaid Approved

Capital Expenditures, (b) any unpaid balance of the Operating Fee, (c) the unamortized balance of the Operator's Additional Acquisition Costs, and (d) the Compensation Fee.

If NSGC has not exercised its rights to acquire the Casino Assets by the end of the term of the AROC, NSGC or a person designated by it, may acquire the Casino Assets for an amount equal to the sum of any un-reimbursed Approved Capital Expenditures, and one dollar (not in millions).

The Operator's Additional Acquisition Cost is the amount agreed upon with NSGC and the difference between the amount paid by us in May 2005 to acquire the partnership that operates the casinos in Halifax and Sydney and the amount of the Operator's Capital Investment and the Mandatory Deferral at that time. The Operator's Additional Acquisition Cost is being notionally amortized on a straight-line basis over the first 10 years of the term of the AROC. As at December 31, 2011, the unamortized balance of the Operator's Additional Acquisition Cost was approximately \$15.4 (2010 - \$19.9).

The Compensation Fee is equal to:

- during the initial 10 year term of the AROC, the present value of the greater of (a) 10% of the Operator's Fee and (b) the actual EBITDA of the partnership operating the casinos, in each case for the 12 month period ended immediately before termination of the Contract, such amounts to be indexed over the remainder of the term by the average growth in the consumer price index over the two years before the termination and present valued using a discount rate of 8%, and
- during the renewal term of the AROC, the greater of (a) 10% of the Operator's Fee and (b) the EBITDA of the partnership operating the casinos, in each case for the 12 month period ended immediately before termination of the AROC.

Agreements Related to Horse Racing

Several of the Company's operating subsidiaries have entered into agreements related to horse racing in Ontario and British Columbia that deal with the distribution of purses and Racebook operations.

British Columbia

On November 17, 2009, the Ministry announced the formation of the BCHRIMC. The premise for the BCHRIMC was to provide strategic direction and business leadership to the local horse racing industry and provide a forum for industry participants to cooperate collectively in the development of the industry. In its initial disclosure, the Ministry stated that the BCHRIMC's immediate areas of focus would include:

- Reviewing and approving all industry finances;
- Managing all revenue generated from horse racing and government grants through a consolidated industry revenue fund;
- Providing financial allocations from the revenue fund to industry sectors and participants who will be accountable to the BCHRIMC for the use, recording, reconciling and reporting of those allocations;
- Using industry reports to form the basis for annual audits and an annual industry financial report;
- Evaluating and improving the effectiveness of existing business activities; and
- Developing and managing marketing strategies for the industry.

In April 2010, the Company entered into the Horse Racing Agreement, which establishes the authority of the BCHRIMC and its mandate, consistent with the Ministry's stated areas of focus.

The current BCHRIMC members include representatives from both the thoroughbred and standardbred horse associations, the President and Chief Executive Officer of BCLC, representatives from the government of British Columbia, including GPEB, and the Vice-President of Business Development for the Company. The Horse Racing Agreement provides for mandatory representation on the BCHRIMC of a representative of the major racetracks in British Columbia.

The Horse Racing Agreement also provides that the BCHRIMC's powers shall in no way usurp the corporate authority and responsibilities of each of the industry organizations which are party to the Horse Racing Agreement; including HEI and Orangeville, which will, continue to make operational decisions consistent with their fiduciary responsibilities; however, they will do so within the broad business and fiscal framework established by the BCHRIMC from time to time. Consequently, the Horse Racing Agreement provides each BCHRIMC member a right to exercise a veto over BCHRIMC decisions if such BCHRIMC member can reasonably demonstrate that any proposed decision of the BCHRIMC could have an actual or perceived negative impact on the business or financial affairs of the industry organization, or that such BCHRIMC decision would supplant actual or legal control over, or fetter the discretionary authority of management of the industry organization for which the BCHRIMC member is a representative. In keeping with the spirit and mandate of the Horse Racing Agreement, the Company is co-operating with the BCHRIMC's efforts to implement improvements to British Columbia's existing framework for horse racing.

Under the current financial allocations for 2012, HEI and Orangeville share approximately 42% (2011 - approximately 50%) of net revenue generated from horse racing and wagering on horse racing in British Columbia through the above-mentioned consolidated industry revenue fund which has been established and maintained for the purpose of facilitating financial allocations among industry organizations. The financial allocations may be changed by the BCHRIMC by resolution.

In order to obtain a license from the CPMA to conduct pari-mutuel betting at a Racebook facility in British Columbia, we are required to have entered into Teletheatre wagering agreements with each Racebook operator. Through our TBC partnership we offer pari-mutuel wagering at each Racebook facility in British Columbia.

Ontario

In Ontario, GDL and FDL each have purse agreements with OHHA, which is the agent for all the standardbred owners and trainers in the province. Under the terms of each purse agreement, we contribute certain percentages of racing and slot revenue to purses at Flamboro Downs and Georgian Downs in each racing season.

Under the purse agreement with FDL, if the slot program at Flamboro Downs is changed such that we are provided with additional revenue from the slot machine program, the additional revenue will be shared equally between us and OHHA. Under the purse agreement, we may not participate in any form of inter-track, Internet, telephone account, simulcast, satellite or Racebook pari-mutuel wagering during the term of the agreement without consultation with, and consent from, OHHA. We must advise the OHHA of any applications or amendments for racing dates in advance. We must have a horsemen's agreement in place to conduct simulcast and inter-track wagering; however, live horse racing is allowed without a horsemen agreement with OHHA. This agreement is in effect until December 31, 2012. If this agreement is not renewed, our permits from the CPMA and our horse racing license would not allow us to participate in any form of inter-track, Internet, telephone account, simulcast, satellite or Racebook pari-mutuel wagering; however, live horse racing would be permitted. A failure to renew this agreement may cause OLG to suspend or terminate the FDL Site Holder Agreement.

In respect of Georgian Downs, on March 1, 2007, OHHA and the Company entered into an agreement to conduct live horse racing for a term ending on December 31, 2009, and subsequently renewed the agreement until December 31, 2012. During the period of the agreement we agreed to share equally the net OLG commission payout with OHHA, for the benefit of the Horsemen's Purse Pool.

In order to obtain a license from the CPMA to conduct Teletheatre pari-mutuel wagering, we are required to have entered into Teletheatre wagering agreements with each Teletheatre operator. Under the off-track agreements in Ontario, we offer pari-mutuel wagering at each of our Racebooks in the province. We install and maintain the wagering equipment and provide the pari-mutuel staff to operate the equipment on the premises. We retain 100% of the proceeds derived from any wagering that occurs at

the Racebooks. We provide Teletheatre operations with racing programs and they are entitled to keep any revenues from the sale of such programs. The Teletheatre may charge an admission fee to patrons and may keep all revenues from any admission fees. These agreements are for terms of one year and may be renewed subject to the CPMA renewing our licenses to conduct pari-mutuel betting at a Racebook for each location.

RISK FACTORS

In addition to those risks described elsewhere within this document, the occurrence of any of the events described in this section could have a material adverse effect on the Company's business, financial position, results of operations and cash flows. Readers should consider carefully the risks described below.

Competition

The gaming industry is highly competitive. The Company competes with numerous gaming establishments of varying quality and size in market areas where our properties are located. We also compete with other non-gaming resorts and tourist destinations, and other entertainment businesses and could compete with any new forms of gaming that may be legalized in the future. The casino, entertainment and horse racing businesses are characterized by competitors that vary considerably in size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, level of amenities, management talent and geographic diversity. In most markets, we compete directly with other casino facilities operating in the immediate and surrounding market areas and in some markets we face competition from nearby markets.

In recent years, with fewer new gaming markets opening in Canada for development, competition in existing markets has intensified. As a result, we and many other casino operators have invested in expanding our existing facilities. The expansion and the aggressive marketing strategies of many of our competitors have increased competition in many markets in which we compete, and this intense competition can be expected to continue.

If our competitors operate more successfully, if competitors' properties are enhanced or expanded, or if additional hotels and casinos are established in and around the locations in which we conduct business, we may lose market share. In particular, the expansion of casino gaming in or near any geographic area from which we attract or expect to attract a significant number of our customers could have a significant adverse effect on our business, financial condition and results of operations.

The Company's card rooms face significant competition in Washington from other gaming establishments, including tribal casinos, which have certain competitive advantages such as their ability to offer electronic gaming devices such as slot machines and their exemption from a state-wide smoking ban and certain state taxes.

The Company's racing and pari-mutuel operations face significant competition for wagering dollars from other racetracks and off-track wagering facilities, some of which also offer other forms of gambling, as well as other gaming venues such as casinos. We also may face competition in the future from new off-track wagering facilities, new racetracks or providers of telephone account or Internet wagering. If additional gambling opportunities become available near our racing and pari-mutuel operations, such gaming opportunities could have a material adverse effect on our business, financial condition and results of operations.

Online Gambling

The Company faces competition from gambling conducted over the internet. Web-based casinos and certain provincial gaming corporations offer a variety of online games, including slot machines, roulette, poker, and blackjack, which closely resemble those available within our properties. Web-enabled

technologies allow individuals to gamble using credit cards and online payment services. As both the sophistication and availability of online gaming improves, it is possible that these offerings will develop into a greater form of competition. We are unable to assess the impact of Internet gambling on our current or future operations. Pursuant to the Criminal Code, only the provinces have the jurisdiction to regulate and conduct gambling over the Internet in Canada.

Management of Capital Projects

The Company's financial profitability is highly dependent upon the effective management of our various capital projects. The nature of our business, coupled with the desire of the provincial lottery corporations with whom we do business to create better and more sophisticated facilities, dictate a significant amount of expenditure on physical premises, associated amenities and related technologies. Our program of capital expenditures faces the risk that our financial and managerial resources may be insufficient to properly manage capital projects. In the event that we are unable to effectively manage our cost of construction, third party contractors, and third party consultants engaged in our capital projects, our profitability may suffer.

Availability of Financing

The management of our capital projects is also dependent upon the availability of financing. Our ability to obtain suitable financing is subject to ongoing risk. In the event that we are unable to obtain suitable financing, we may be unable to manage our capital projects in a cost-effective manner.

Construction Considerations

From time to time, our Company undertakes both major and minor capital projects designed to improve both its facilities and future guest experiences. These necessary developments may have an unquantifiable impact on attendance in the short-term, as the disruption caused by construction may impact facilities' appearances and operations.

Construction and development costs may be higher than expected and we may not have the funds required to pay the excess costs. Some of our major construction projects may entail other significant risks such as shortages of material or labour, unanticipated cost increases or work stoppages.

From time to time, third parties may undertake infrastructure or other capital projects that may disrupt traffic patterns around and accessibility to our gaming properties. Such disruptions may negatively affect our properties' revenues.

Management of Expanding Operations

As a result of acquisitions and property developments, significant demands may be placed on our managerial, operational and financial personnel and systems. In particular, there may be demands on our operational and accounting information systems and controls and other accounting systems, resulting from growth with our operations. Our systems, procedures and controls may be inadequate to support the expansion of our operations resulting from growth. While we take action to maintain internal systems and controls, future operating results could be affected by the ability of our officers and key employees to manage changing business conditions, expansion opportunities, and acquisitions, and to upgrade, implement and/or improve operational and financial controls and reporting systems.

Success of Expanding Operations

Expansion of operations involves upgrading existing facilities or introducing new offerings, such as additional gaming space, new food and beverage offerings, and hotels. The incremental revenues generated from the expanded operations may not exceed the incremental expenses and capital costs associated with the expansions.

Unionization

As of the date of this AIF, the Company employs approximately 4,600 employees in its gaming, hospitality and entertainment operations in British Columbia, Ontario, Nova Scotia and Washington State. At five of our properties, namely Georgian Downs, Flamboro Downs, Hastings Racecourse, Casino Nova Scotia Halifax, and Chilliwack Bingo, certain employees are represented by unions. Should another group of employees at our facilities become unionized, the Company may incur increased costs for human resources with a corresponding reduction in profitability and potential impact to operations.

When a collective agreement expires, both the union and the Company may conduct work stoppages as part of their respective bargaining tactics. Such stoppages may disrupt the operation of our business or may negatively affect our customers' experience or access to our properties, which could have a material adverse effect on the Company's results from operations.

Indebtedness

Risks related to the Company's indebtedness could adversely affect our operations. As at December 31, 2011, we had approximately \$400.9 of long-term debt (including both current and long-term portions and net derivative liabilities) and \$32.3 of letters of credit outstanding. Our indebtedness requires periodic payments of interest and principal.

Long-term indebtedness could increase in connection with the capital expenditures we may make as a result of acquisitions, expansion, development and renovation projects. The Company's substantial level of indebtedness could have important consequences. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, which would reduce the availability of our cash flow to fund working capital, capital expenditures, expansion efforts and other general corporate purposes;
- require additional cash flows in the event of increases in interest rates and financing fees upon refinancing at maturity;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds.

Changes to the Company's business and the incurrence of additional indebtedness in the future could cause downgrading of our credit rating, which could have a material adverse effect on our business, financial condition and results of operations, as well as on our ability to raise additional indebtedness.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

The Company may need to refinance all or a portion of our indebtedness, at maturity, and may not be able to refinance any of our indebtedness, including our Revolving Credit Facility, the Term Loan B and the Subordinated Notes, on commercially reasonable terms, or at all. We may have to adopt one or more alternatives, such as reducing or delaying planned expenses and capital expenditures, selling assets, restructuring debt, obtaining additional equity, debt financing or joint venture partners.

Maintaining Covenants under Debt Facilities

The Company's Credit and Guarantee Agreement requires the Company to maintain certain financial covenants. If the Company breaches these financial covenants, the Company could be required to

redeem all outstanding loans under the Credit and Guarantee Agreement, together with interest.

A failure to meet these covenants will also constitute a default under the terms of the Indenture relating to the Company's issue of the Subordinated Notes due in 2015. The Subordinated Notes have a covenant which will limit indebtedness which may be incurred.

The debt agreements restrict the Company's ability to engage in certain transactions and may impair our ability to respond to changing business and economic conditions.

Future Capital Needs

The Company may need to raise funds through public or private financing in order to achieve our objectives as they exist from time to time. Additional financing may not be available when needed on terms favourable to the Company, or at all. If adequate funds are not available or are not available on acceptable terms, the Company may be unable to take advantage of market opportunities, to respond to competitive pressures, or continue to be viable. Such inability would have a material adverse effect on our business, financial condition and results of operations.

Interest Rate and Foreign Currency Risk

The Company's exposure to changes in interest rates results from investing and borrowing activities undertaken to manage our liquidity and capital requirements. The Company has incurred indebtedness that bears interest at fixed and floating rates. Interest rate changes in the future could have a material adverse effect on the Company. Our current credit facilities have exposure to foreign currency risk and interest rate risk as described below.

The Company's primary functional currency is the Canadian dollar. Our exposure to foreign currency risk is primarily from our Washington State gaming operations and our U.S. dollar denominated Subordinated Notes and Term Loan B that formed part of a debt refinancing that was completed in February 2007.

The U.S. dollar results of our Washington State gaming operations are translated to Canadian dollars when consolidated, so the Canadian dollar results may vary due to a change in the foreign exchange rate between the two currencies. Our foreign currency risk exposure related to our Washington State gaming operations is limited to our net investment in those operations.

With the refinancing of our debt in 2007, we are required to make payments on the Subordinated Notes and Term Loan B in U.S. dollars. In conjunction with the refinancing, we entered into hedging transactions in an effort to mitigate our exposure to fluctuations in foreign currency exchange rates and interest rates related to this new debt. The Company entered into a cross currency interest rate and principal swap that effectively converted the U.S. dollar floating interest rate on the Term Loan B into Canadian dollar fixed interest rate debt. In addition, in conjunction with the closing of the Company's debt refinancing, the Company entered into a cross-currency interest rate and principal swap that effectively converted the U.S. dollar fixed interest rate Subordinated Notes into Canadian dollar fixed interest rate debt. On August 4, 2011, the Company transferred one lender's portion of these swaps to another lender in connection with the amendment the Company's Credit and Guarantee Agreement.

If these hedging agreements are not held to term or cease to be considered effective, they could result in the Company recording a financial loss as a result of fluctuations in interest rates and foreign currency exchange rates.

Credit Risk

Parties to the Company's financial instruments may cause a financial loss to the Company by failing to discharge their obligations to the Company.

Operational Services Agreements

The Company's provincial gaming operations are conducted pursuant to Operational Services Agreements with BCLC, OLG and NSGC. Although the agreements are renewable, there is no guarantee that we will satisfy the conditions precedent for renewal. Additionally, when the renewal term expires, the Company may not be able to enter into new agreements that are the same as those historically, which may result in decreased revenues, increased operating costs or closure of an operation. See the "Business of the Company" section of this AIF for additional information on the terms and risks associated with the Company's Operational Services Agreements.

Under the Operational Services Agreements, BCLC, OLG and NSGC have the ability to suspend or terminate our right to provide services under the agreements for certain specified reasons. If we operate gaming in a manner inconsistent with the Criminal Code, violate provincial gaming laws or prejudice the integrity of gaming, the provincial lottery corporations may terminate one or more of our Operational Services Agreements. If one or more of our Operational Services Agreements are terminated, this will seriously impact our business.

Renewal of Horse Racing Agreements

The Company's pari-mutuel betting permits at our racetracks and Racebook facilities are issued by the CPMA and are subject to each of our racetracks having a written agreement with the respective horsemen's association (BCSA, HBPA or OHHA) for the conduct of live horse racing. Additionally, in Ontario, a written agreement is required by the ORC for our horse racing license at each of Georgian Downs and Flamboro Downs. Similarly, in British Columbia, a written agreement is required for our horse racing license from GPEB in respect of Hastings Racecourse and Fraser Downs. If any of our agreements with the horsemen's associations lapse without being renewed, our horse racing permit or permits from the CPMA and horse racing licenses from ORC and GPEB would not be renewed or would otherwise be subject to cancellation. As a result, we would be unable to conduct live races or pari-mutuel wagering at our racetracks. This would result in an adverse effect on our horse racing and gaming business.

Washington State Licenses

The Company's Washington State card room operations are conducted pursuant to house-banked card room licenses, which must be renewed annually with the WSGC. Although the Company's previous renewals have been granted automatically, there is a risk that this practice may not continue. It is possible that individual cities or counties within Washington State may choose to restrict card room operations within their jurisdiction, which could result in the closure of certain locations.

Government Restrictions

The conduct of gaming is within the authority of the provincial government, to the extent permitted by the Criminal Code. The British Columbia and Ontario governments have policies that limit the expansion of gaming sites in each of these two provinces. Relocation and improvement of existing facilities appear to be the only viable means of expansion under the Government of the day. It is uncertain how long these policies will last and whether gaming in these provinces may be reduced or expanded.

The provincial government may also pass legislation or adopt policies that have the effect of restricting gaming, or expanding it to permit the involvement of private casino operators or others therein. Possible restrictions could include the hours of operation, betting limits, the number of tables or slot machines permitted, the location of the casinos and racinos, and the amount payable to operators for providing casino or racino operational services. Expansion of gaming to permit the involvement of private casino operators or others therein could increase competition in the Company's markets. Such legislation or policies could significantly harm our business and results of operation.

Regulatory Regime

The Company's gaming operations are contingent upon maintaining all regulatory licenses, permits, approvals, registrations, and findings of suitability. Any change in laws, regulations, or licenses applicable to our business, or any violation of gaming laws by us, or a failure to maintain our regulatory approvals, could require us to make substantial expenditures or could otherwise negatively affect our gaming operations.

High Level of Regulation

There is a high level of government regulation within the casino industry in Canada and in Washington State. For example, while we have influence over the mix of table games and slot machines in our Canadian casinos, it is subject to BCLC, OLG and NSGC approval. Regulation of the gaming industry could change at any time and could adversely impact our casino operations.

The Company is subject to a variety of regulations in the jurisdictions in which we operate. If additional gaming regulations are adopted in jurisdictions in which we operate, such regulation could impose restrictions or costs that could have a material adverse effect on us, including adverse effects on our business, financial condition and results of operations. If it was determined that any of the Company's directors, officers, employees, or operating subsidiaries violated any gaming legislation, the gaming registrations they hold could be limited, conditioned, suspended or revoked. In addition, the Company and the persons involved could be subject to substantial fines. Restrictions on our gaming registration in any jurisdiction could have a material adverse effect on our business, financial condition and results of operations.

Renewal of Site Operating Leases

Some of the Company's properties operate out of premises that are leased under negotiated terms. When each lease expires, there is a risk that the landlords may not renew these leases on terms that are commercially reasonable or acceptable to the Company. This may result in increased operating costs, additional relocation costs or closure of an operation.

BC Horse Racing Revenue Allocations

The Horse Racing Agreement provides the BCHRIMC with the authority to oversee and direct the flow of BC horse racing industry finances. The BCHRIMC is responsible for allocating the revenue generated from horse racing and wagering on horse racing in British Columbia between HEI, Orangeville and the other parties to the Horse Racing Agreement. Reductions in the revenues allocated to HEI and Orangeville could have a negative impact on their profitability.

Dependence on Key Personnel

The Company's success depends upon the continued services of our senior management team and our technical, marketing, finance and operations personnel. Our employees may voluntarily terminate their employment with us at any time. The loss of the services of key personnel could have a materially adverse effect upon our business, financial condition and results of operations. The Company currently does not maintain any key personnel insurance.

Access to Properties

Impeded access to a facility due to extreme weather conditions, road construction or closures of primary access routes may disrupt visitation at a property, which could result in declines in operating revenues and cash flows.

Fluctuations in Market Share Price

The Company provides cash-settled stock-based compensation, such as Deferred Share Units (“DSUs”) and Restricted Share Units (“RSUs”), which vest immediately, to non-employee directors. The DSUs are settled within the calendar year following the year that the unit holder ceases to be a director. The RSUs are settled three years after the grant date. The DSUs and RSUs are settled for a cash amount equal to the market value of an equivalent number of the Company’s common shares. Significant increases in the market value of the Company’s common shares will increase the Company’s liabilities related to outstanding DSUs and RSUs.

First Nations’ Claims

Significant portions of British Columbia are subject to unresolved claims of First Nations rights or title. The governments of Canada and British Columbia are engaged in treaty negotiations with First Nations groups throughout British Columbia. We are not in a position to assess which treaties, if any, may be made or how they might affect our operations. The treaties may result in increased First Nations involvement in management of lands on which we conduct operations. Such claims could have a material adverse effect on our operations.

Acquisitions

The Company conducts thorough due diligence before completing an acquisition. However, it is possible that the Company might make an acquisition that subsequently does not perform in line with management’s financial or strategic objectives. The ability to successfully complete an acquisition may be subject to regulatory approvals and the Company may not be able to determine when, or if, the necessary approvals will be granted. Changes in the competitive and economic environment as well as other factors may lower revenues, while higher than anticipated integration costs and failure to realize expected cost savings could also adversely affect the Company’s earnings after an acquisition. Integration costs may increase as a result of increased regulatory costs related to an acquisition, unanticipated costs that were not identified in the due diligence process or more significant demands on management time than anticipated, as well as unexpected delays in implementing certain plans that in turn lead to delays in achieving full integration. Our post-acquisition performance may also be contingent on retaining the customers and key employees of acquired companies, and there can be no assurance that the Company would succeed in doing so.

In connection with the Company’s acquisitions, there may be liabilities such as environmental liabilities that were not discovered, or we were unable to quantify in our due diligence. We may not be indemnified by the vendors of such acquired assets for some or all of these liabilities. In addition, there may be capital expenditure requirements that we failed to discover, or that we were unable to quantify in our due diligence, which amounts may be material. The discovery of any material liabilities or capital expenditure requirements could have a material adverse effect on the Company’s business, financial condition or future prospects.

Although the vendors of some past acquisitions have agreed to indemnify the Company for certain losses, vendors may not have sufficient funds available to satisfy the indemnities if called upon to do so.

Non-realization of Cost Reductions and Synergies

Acquisitions involve the integration of entities that previously operated independently. The combined operations resulting from acquisitions may not realize anticipated cost reductions and synergies. In addition, other benefits expected from the acquisitions may not be realized.

As a result of economic declines, the Company may implement cost reduction initiatives. Our systems, procedures, controls and management personnel may not be adequate to support such initiatives and they may not be as successful as planned.

Ability to Utilize or Add Slot Machines

Municipalities in British Columbia have the right to restrict or prohibit gaming facilities, including slot machines, within their boundaries. As a result, gaming operators run the risk that the host municipality could at some point pass a by-law or zoning change prohibiting or restricting gaming facilities. Such a prohibition or restriction could have an adverse effect on our operations and negatively impact our growth projections.

Negative Connotations Linked to the Gaming Industry

Historically, gambling has been considered to be an undesirable activity in Canada. Until 1969, gambling in most forms was a criminal offence, with the exception of horse racing and social card rooms. Casino management companies still face this stigma in many areas of day-to-day operations. The negative connotation toward gambling could have a negative impact on our profitability. Negative public perception of gaming within any demographic area lessens the likelihood that a new casino can be established there or that an existing casino will be financially viable, which could impact upon possible expansions, developments or acquisitions.

Sensitivity to General Economic Conditions

The gaming industry is subject to cyclical variations in the general economy and to uncertainty regarding future economic prospects. The Company's revenues are impacted by the health of the economy in Canada and Washington State, and in the regional markets in which the Company operates. As such, the Company's financial results are sensitive to consumer confidence, consumers' disposable income, levels of unemployment, real estate values, among other factors.

The Company's gaming volumes and financial results are subject to numerous uncertainties due to global economic uncertainty. Weakening global economic conditions may reduce visitation and spending at our properties by both our local and international guests. Further unforeseen events, such as an extended period of recession, high unemployment rates, further erosion of consumer confidence, adverse tourism trends, further decreases in levels of travel, leisure and consumer spending, or a combination of these or other factors, may negatively affect the Company's future operating results and cash flows.

Other Risk Factors

Other risk factors include: fluctuations in operating results; dependence on British Columbia properties for cash flow; government changes to the tax rates to one of the various levels of taxation levied against the Company; or insurance coverage that may not be adequate to cover all possible losses.

The preceding list is not exhaustive of all possible risk factors, and other factors and unforeseen events could also adversely affect the Company's results.

DESCRIPTION OF CAPITAL STRUCTURE

Credit Facilities/Lending

On February 14, 2007, the Company completed a refinancing of its then existing indebtedness. The Company's long-term debt facilities consists of (a) Term Loan B, and a Revolving Credit Facility, secured by a common Credit and Guarantee Agreement and (b) Subordinated Notes. The gross proceeds of the debt refinancing were \$401.9. The net proceeds were \$388.7 after transaction costs of \$13.2, and were used to repay and retire other debt existing at the time and provide cash for future capital expenditures and working capital purposes.

On July 21, 2011, the Company amended and extended its Revolving Credit Facility. The original five-year term that was scheduled to expire in February 2012 has been extended to July 2016 and the credit limit of \$200.0 has been increased to \$350.0. Transaction costs associated with the refinancing were \$2.8.

In February 2007, the Company entered into cross-currency interest rate and principal swaps that effectively converted both the U.S. dollar floating interest rate Term Loan B and the U.S. dollar fixed interest rate Senior Subordinated Notes into Canadian dollar fixed interest rate debt.

On August 4, 2011, the Company transferred 40 percent of the cross-currency interest rate swaps from one lender to another in connection with the amendment of its Credit and Guarantee Agreement. The prior lender's portion of the cross-currency interest rate swap position that was assumed by another lender is subject to a marginally higher effective interest rate to the Company.

As of December 31, 2011, the Company's credit facilities and associated cross-currency interest rate and principal swaps were as follows:

a) *Term Loan B and Revolving Credit Facility*

The Term Loan B is denominated in U.S. dollars (US\$170.0 initial principal) and bears interest at a floating rate (U.S. LIBOR plus 1.50%), payable quarterly. The Company hedged both the currency risk and the floating interest rate risk to effectively result in an initial principal of \$200.8 in Canadian dollars. As of December 31, 2011, the remaining principal was \$191.3 in Canadian dollars, of which \$114.8 is at a fixed interest rate of 6.1% per annum and \$76.5 is at a fixed interest rate of 6.7% per annum. The Term Loan B has a term of seven years and is repayable without premium or penalty, subject to customary costs, at any time. Principal repayments of \$0.5 in Canadian dollars are required quarterly, with the balance due at maturity on February 13, 2014.

The Revolving Credit Facility is denominated in Canadian dollars and has a five-year term that expires in July 2016. The interest rate on advanced amounts and the commitment fee on the unused facility are based on the Company's Total Debt to Adjusted EBITDA ratio as described in our Annual Financial Statements, which is calculated quarterly and reported in our quarterly financial statements.

b) *Subordinated Notes*

The Subordinated Notes are unsecured and guaranteed by the Company and substantially all of its subsidiaries. The Subordinated Notes are denominated in U.S. dollars (US\$170.0) and bear interest at a rate of 7.25%, payable semi-annually. The Company has hedged the currency risk to effectively result in principal of \$120.7 in Canadian dollars at a fixed interest rate of 6.6% per annum and principal of \$80.4 in Canadian dollars at a fixed interest rate of 7.1% per annum. The Subordinated Notes have a term of eight years with the principal amount of the notes repayable at maturity on February 15, 2015. There are provisions for early redemption of the Subordinated Notes at the Company's option during defined periods prior to maturity with payment of defined premiums.

All the debt facilities have: (i) mandatory repayments in the case of proceeds from certain asset sales or receipt of insurance proceeds that are not re-invested by the Company within certain time limits; (ii) restrictions on certain asset sales, acquisitions, and distributions; (iii) limitations on the incurrence of additional debt or indebtedness or liens; and (iv) provisions for the Company to re-purchase and re-issue portions of the Term Loan B and/or Subordinated Notes should the holder be required to register with a gaming authority having jurisdiction over the Company and either refuses or is found to be unsuitable for registration.

Credit Ratings

The Company has received credit ratings from both Moody's and Standard & Poor's with respect to its debt. These ratings reflect the general credit worthiness of an issuer or a particular debt issue. Credit ratings do not constitute a recommendation to purchase, sell or hold a particular security. For more information on each agency's rating methodology and specific ratings visit www.moodys.com and www.standardandpoors.com.

The Company is currently rated by Moody's and Standard & Poor's as follows:

	Moody's ⁽¹⁾	Standard & Poor's ⁽²⁾
Corporate	Ba3 Stable	BB+ Stable
Term Loan B and Revolving Credit Facility	Ba2	BBB
Subordinated Noes	B2	BB-

⁽¹⁾ On July 22, 2011, Moody's assigned a Ba2 rating to the Company's amended Credit and Guarantee Agreement covering its Term Loan B and Revolving Credit Facility, and reaffirmed its ratings of Ba3 on the Company's Corporate Family Rating and Probability of Default Rating and B2 on the Company's Senior Subordinated Notes.

⁽²⁾ On September 19, 2011, Standard & Poor's assigned a BBB rating to the Company's amended Credit and Guarantee Agreement covering its Term Loan B and Revolving Credit Facility, and reaffirmed its rating on the Company's Corporate rating. Standard & Poor's downgraded their rating on the Company's Senior Subordinated Notes from BB to BB-.

Common Shares

Each common share carries the right for the holder to attend and vote at all general meetings of shareholders, to receive dividends, if, as and when declared by the directors, and to participate on any liquidation, dissolution or winding up of the Company. We have not declared any dividend on our common shares to date and have no formal dividend policy.

The Company's common shares are listed on the TSX under the symbol "GC". The Company's authorized share structure consists of an unlimited number of common shares.

Normal Course Issuer Bid

On January 27, 2011, the Company commenced a normal course issuer bid permitting the repurchase of up to 2,000,000 of its common shares. On September 8, 2011, the Company received approval from the TSX to repurchase up to an additional 3,844,359 of its common shares. **The amended TSX notice authorized** the Company to purchase up to 5,844,359 common shares of the Company from January 27, 2011 to January 26, 2012. **Under this bid**, the Company purchased 1,479,600 common shares at a volume weighted average price of \$7.16 during 2011. During 2010, no common shares were purchased under the normal course issuer bid.

On January 27, 2012, the Company commenced a new normal course issuer bid permitting the repurchase of up to 5,811,197 of its common shares by January 26, 2013.

Restrictions on Ownership of Securities

Shareholders of the Company are subject to certain restrictions derived from the terms and conditions of registration or licensing and Operational Services Agreements or under the gaming statutes in the jurisdictions that we operate.

Through the Operational Services Agreements, BCLC, NSGC and OLG restrict share ownership of our common voting shares without registration or approval from such regulatory authorities. In addition consent of the ORC is required for interest holders of the Company. Any person or group of persons owning a significant interest in our shares must obtain BCLC and NSGC consent to the acquisition or disposition of that interest. A "significant interest" for purposes of BCLC and NSGC Operational Services Agreement is an interest equal to or greater than 10% of our common shares ("Significant Interest"). In respect of the Site Holder Agreements with OLG, and the ORC threshold for consent and approval is 5%.

Constraints and conditions on ownership of our common shares are imposed by the Code Title 9, Chapter 9.46 (Washington State), the Gaming Control Act (British Columbia), the Gaming Control Act, 1992 (Ontario) and the Gaming Control Act (Nova Scotia) and the terms of our licenses with ORC. Security holders must either submit to or obtain registration when certain ownership thresholds are met.

The restrictions on equity and debt securities require careful monitoring by the Company and the security holder. For instance:

- any person holding 5% or greater interest in the Company must be registered with the WSGC and must provide the WSGC with full disclosure of personal and financial information;
- approval of GPEB is required for the acquisition of a 5% or greater interest in the Company;
- prior consent of BCLC and NSGC is required for the acquisition of a Significant Interest in the Company and for the disposition of any portion of a Significant Interest;
- any person holding 5% or greater interest in the Company (on a diluted or undiluted basis) must be registered with the AGCO and approved by the ORC and the individual must provide the AGCO with full disclosure of personal and financial information for the same; and
- the Company must file a disclosure form with the Director of Registration (Nova Scotia) within 15 days of: a person acquiring a beneficial interest in the business of the operator of a casino; a person exercising control, either directly or indirectly, over the business of the operator of a casino; or a person providing financing, whether directly or indirectly, to the business of the operator of a casino.

In order to accommodate and ensure compliance with the various restrictions on ownership of the Company's securities, the Articles of the Company contain specific provisions (the "Share Constraints") restricting the ability of a shareholder to acquire, directly or indirectly, more than 10% of the outstanding common shares of the Company without first obtaining required third party or regulatory approvals. These provisions are in addition to other provisions in the Articles of the Company that require advance notice and prior approval of the Company to acquire more than 5% of the outstanding common shares of the Company.

The Share Constraints provide that a person who acquires, agrees to acquire, holds, or beneficially owns or controls 10% or more of the outstanding common shares of the Company may not acquire or dispose of any common shares of the Company until that person complies with the terms of the Share

Constraints. Under its Articles, the Company may enforce the Share Constraints by placing stop transfers on common shares or seeking injunctive or other relief to ensure compliance with the Share Constraints.

MARKET FOR SECURITIES

Trading Price and Volume

The following table sets out certain trading information for the Company's common shares on the TSX at the year ended December 31, 2011:

Year 2011 Month	High (\$)	Low (\$)	Close (\$)	Volume
January	7.40	6.89	7.31	2,795,500
February	8.20	7.30	8.19	4,614,900
March	8.45	7.62	7.71	2,845,700
April	8.20	7.68	7.83	4,464,000
May	7.91	7.41	7.70	6,592,900
June	7.84	7.35	7.67	7,376,800
July	8.02	7.60	7.79	2,725,700
August	7.96	6.97	7.79	6,148,600
September	8.15	7.07	7.66	2,655,100
October	8.58	7.31	8.20	4,830,700
November	9.11	8.00	8.93	2,593,600
December	9.06	7.87	8.38	1,021,200

DIRECTORS AND OFFICERS

Directors are elected at the annual general meetings of shareholders for one year terms, expiring at the next annual general meeting. Directors may be re-elected on expiry of their current term of office.

The names of the directors and executive officers of the Company at the year ended December 31, 2011, their place of residence, and their respective principal occupations within the five preceding years are indicated in the table below:

Name and Place of Residence	Age	Current Position with Company	Principal Occupation	Director Since
Directors				
ROD N. BAKER Ontario, Canada	46	Chief Executive Officer, President, Director and Corporate Secretary	Chief Executive Officer of the Company since October 2011; Interim Chief Executive Officer of the Company from September 2011 to October 2011; President of the Company since January 2010; President, Ridgeline Corporation (involved in merchant banking) since May 1995	June 23, 2010
EARNEST C. BEAUDIN ^(2,4) Alberta, Canada	70	Lead Director	Member of the Law Society of British Columbia, Canada since 1969; President, General Counsel and Chief Executive Officer of Decker Management Ltd. (involved in the purchase, redevelopment, construction, ownership and operation of Seniors Care Facilities in BC and commercial and residential development and construction in British Columbia and Alberta, Canada) since February 1986; Director, Uniserve Communications Corporation (listed on the TSX-V) since April 2011; Director, Avcorp Industries Inc. (listed on the TSX), from June 2004 to June 2009	May 28, 2002
NEIL W. BAKER Ontario, Canada	74	Director	Senior Partner of Gordon Investment Partners (involved in financial services and merchant banking) since November 1987; Director of Northstar Aerospace Inc. (manufacturer of components and assemblies for the global aerospace industries) (listed on TSX:NAS) since September 2009; Owner of Ridgeline Corporation (involved in merchant banking) since May 1995	November 10, 2011 ⁽⁶⁾

Name and Place of Residence	Age	Current Position with Company	Principal Occupation	Director Since
Directors				
RICHARD S. BUSKI ^(1,4) British Columbia, Canada	66	Director	Chartered Accountant since 1972; Director of Petro Basin Energy Corp. (a publicly traded Canadian company involved in the exploration and production of oil in the U.S., listed on the TSX-V) since February 2012; Director of Probe Resources Ltd. (a publicly traded Canadian company involved in the production of natural gas in the U.S. Gulf of Mexico, listed on the TSX-V) since July 2009; Director of East Energy Corp. (now Rare Earth Metals Inc.) (a publicly traded Canadian mining company involved in the development and acquisition of coal properties in China and North America, listed on the TSX-V) from June 2007 to September 2009	June 30, 2006
LARRY W. CAMPBELL ^(2,4) British Columbia, Canada	64	Director	Senator, Government of Canada since August 2005; President, Mortis Consulting Ltd., since March 1997; Board member of Asantae Holdings International Inc. (listed on the TSX-V) since January 2011; Consultant/Writer, Haddock Entertainment Inc., from February 1997 to February 2008; Served on the Board of Directors of CY Oriental Ltd. (listed on the TSX-V) from May 2006 to April 2009; served on the Board of Directors of Sino Biomed (an OTCBB traded company) from November 2007 to January 2009	June 20, 2008

Name and Place of Residence	Age	Current Position with Company	Principal Occupation	Director Since
Directors				
WILLIAM A. DIMMA Ontario, Canada	85	Director	Advisory Board Chairman & Director, TEL-E Group Corporation since 2010; Chairman Emeritus, Home Capital Group Inc. since 2008; Director and Audit Committee Chair, Magellan Aerospace Corporation since 1989; Chairman, Decision Dynamics Technology Inc. from 2002 to 2010; Director, York University Development Corporation from 1985 to 2009; Director, Brookfield Asset Management Inc. from 2005 to 2008; Chairman and Director, Home Capital Group Inc. from 1994 to 2008; Director, Home Trust Company from 1994 to 2008; Member of the Order of Ontario since 2000 and the Order of Canada since 1996; Fellow in the Institute of Corporate Directors; Professional Engineer (P.Eng.)	November 10, 2011 ⁽⁶⁾
THOMAS W. GAFFNEY ^(1,4,5) British Columbia, Canada	62	Director	President, Thomas Gaffney Architects Inc. since July 1986; Registered Member of the Architectural Institute of British Columbia; Member of the Saskatchewan Association of Architects	June 30, 2006
PATRICK J. KEENAN Ontario, Canada	79	Director	Chairman and Chief Executive Officer, Keewhit Investments Limited since 1975; Member of the Order of Canada and of the Order of Ontario and a Fellow of the Institute of Chartered Accountants of Ontario	November 10, 2011 ⁽⁶⁾
PETER G. MEREDITH ^(1,3) British Columbia, Canada	68	Director	Deputy Chairman, Ivanhoe Mines Ltd. (an international mineral exploration and development company listed on the TSX, NYSE and NASDAQ) since May 2006; Chief Financial Officer, Ivanhoe Mines Ltd. from May 2004 to May 2006; Chairman of SouthGobi Resources Ltd. (an integrated coal mining, development and exploration company listed on the TSX and HKSE) since October 2009. Chief Executive Officer of SouthGobi Resources Ltd. from June 2007 to October 2009	June 9, 2000

Name and Place of Residence	Age	Current Position with Company	Principal Occupation	Director Since
Directors				
DAVID L. PRUPAS ^(2,3,5) British Columbia, Canada	68	Director	President and Chief Operating Officer, Richards Packaging Inc. (a publicly traded income trust listed on the TSX) since 1977; past President of the National Association of Container Distributors (North America)	June 30, 2006

Name and Place of Residence	Age	Current Position with Company	Principal Occupation
Officers			
ROD N. BAKER Ontario, Canada	46	Chief Executive Officer, President, Director and Corporate Secretary	Reference details above under subheading "Directors"
KIRAN S. RAO British Columbia, Canada	39	Interim Chief Financial Officer	Interim Chief Financial Officer of the Company since August 2010; Vice President Finance and Controller of the Company from May 2006 to February 2009; Executive Director, Finance and Controller of the Company from February 2006 to May 2006; Held accounting and financial reporting-related positions with TNT N.V. (The Netherlands) from April 2002 to August 2005; Held audit and corporate finance-related positions at PricewaterhouseCoopers N.V. (The Netherlands) from September 1998 to March 2002; Chartered Accountant (British Columbia) since 1998

- (1) Member of the Audit, Risk & Finance Committee.
(2) Member of the Corporate Governance Committee.
(3) Member of the Compensation Committee.
(4) Member of the Corporate Compliance & Security Committee.
(5) Member of the Planning & Development Committee.
(6) Subject to regulatory approval.

The following sets out the principal occupation of the directors and executive officers of the Company who act as officers of a company other than Great Canadian Gaming Corporation or its subsidiaries, with the principal business of the person or company as also set forth below:

Name	Company	Official Title	Principal Business of Company
Rod N. Baker	Ridgeline Corporation	President	A financial services company involved in merchant banking

Name	Company	Official Title	Principal Business of Company
Neil W. Baker	Ridgeline Corporation	Owner	A financial services company involved in merchant banking
Earnest C. Beaudin	Decker Management Ltd.	President and CEO	An owner and operator of extended care facilities is in the business of commercial and residential real estate development
Larry W. Campbell	The Senate of Canada	Senator	As the Upper House of Parliament, the Senate is tasked with examining all legislation, as well as conducting in-depth studies of any and all issues concerning Canada and its citizens
	Mortis Consulting	President	Provides contract work to private industry and government in the area of forensics and investigation
William A. Dimma	Home Capital Group	Chairman Emeritus	A financial services company
	TEL-E Group Corporation	Chairman and Director	A telecom solutions equipment supplier
	Magellan Aerospace Corporation	Director and Audit Committee Chair	A TSX listed company involved in engineering, manufacturing and repairing components for the aerospace industry
Thomas W. Gaffney	Thomas Gaffney Architect Inc.	President	An architectural firm which provides planning, design and management services to the real estate industry
Patrick J. Keenan	Keewhit Investments Limited	Chairman and Chief Executive Officer	An investment holding company
Peter G. Meredith	Ivanhoe Mines Ltd.	Deputy Chairman	A NYSE/TSX/NASDAQ listed mining company (copper and gold) with operations focused in the Asia Pacific region and Australia
	SouthGobi Resources Ltd.	Chairman	A TSX & HKSE listed company focused on production, exploration and development of coal in Mongolia
David L. Prupas	Richards Packaging Inc.	President and COO	Richards Packaging Inc. is Canada's largest distributor of glass and plastic containers and related pharmaceutical, cosmetic and food industries and is the 3rd largest distributor in North America with offices and warehouses throughout the United States and Canada

Shareholdings of Management

To the knowledge of the Company, based on information obtained from SEDI (the System for Electronic Disclosure by Insiders database), at year ended December 31, 2011, the directors and officers of the Company as a group own, or exercise control or direction over a total of 10,462,701 common shares of the Company, representing 13% of the outstanding common shares.

Audit, Risk & Finance Committee

The Audit, Risk & Finance Committee as at December 31, 2011 comprised the following three Board members: Richard S. Buski (Chair), Peter G. Meredith and Thomas W. Gaffney, who are independent directors. This Committee is responsible for reviewing and reporting on the Company's financial information, audit process and system of corporate internal controls and risk management, as well as reviewing compliance with related applicable legal and regulatory requirements. Messrs. Buski, Gaffney and Meredith are financially literate.

The Audit, Risk & Finance Committee's policy with respect to the engagement of non-audit services is described in the Company's Audit, Risk & Finance Committee Charter, a copy of which is attached hereto as Appendix I. Any non-audit services are documented by the Company's management and presented for consideration and pre-approved by the Audit, Risk & Finance Committee.

The following table describes the education and experience of each Audit, Risk & Finance Committee member that is relevant to the performance of his responsibilities as such a committee member.

Name of Audit, Risk & Finance Committee Member	Relevant Experience and Qualifications
Richard S. Buski (Chair)	<ul style="list-style-type: none"> • Member of the Institute of Chartered Accountants of British Columbia since 2010 • Member of the Institute of Chartered Accountants of Ontario from 1972 to 2010 • Managing Partner with PricewaterhouseCoopers LLP – Russia (2001-2004) • Senior Partner with PricewaterhouseCoopers LLP – Canada (1996 to 2001) • Former director of the American Chamber of Commerce in Russia • Former member of the Advisory Council of the Russo-British Chamber of Commerce
Peter G. Meredith	<ul style="list-style-type: none"> • Member of the Institute of Chartered Accountants of Ontario since 1968 • Member of the Institute of Chartered Accountants of Quebec and British Columbia • 43 years' experience as a Chartered Accountant and Certified Management Accountant • Deloitte & Touche LLP for 20 years – Resigned in 1996 as a Senior Partner and Board Member • Deputy Chairman, Ivanhoe Mines Ltd. • Chairman, SouthGobi Energy Resources Ltd. • Chief Financial Officer of Ivanhoe Capital Corporation from June 2001 to March 2009 • Chief Financial Officer of Ivanhoe Mines Ltd. from May 2004 to May 2006, Deputy Chairman since May 2006 • Chair, Audit Committee of Entrée Gold Inc. (a mineral exploration company listed on the TSX and NYSE AMEX) since 2005

Name of Audit, Risk & Finance Committee Member	Relevant Experience and Qualifications
Thomas Gaffney	<ul style="list-style-type: none"> • President of Thomas Gaffney Architect Inc. • Member of the Architectural Institute of British Columbia since 1983 • Member of the Saskatchewan Association of Architects • Former Vice President, Development of a western Canadian development company

Pre-Approval Policies and Procedures

The Audit, Risk & Finance Committee and the Board of Directors of the Company have adopted a policy for approval of external auditor services. The policy prohibits the external auditor from providing specified services to the Company and its subsidiaries.

The engagement of the external auditor for a range of services defined in the policy has been pre-approved by the Audit, Risk & Finance Committee. If an engagement of the external auditor is contemplated for a particular service that is neither prohibited nor covered under the range of pre-approved services, such engagement must be pre-approved. The Audit, Risk & Finance Committee has delegated the authority to grant such pre-approval to the Chair of the Audit, Risk & Finance Committee, with ratification at a subsequent meeting of the Committee.

Services provided by the external auditor are subject to an engagement letter. The policy mandates that the Audit, Risk & Finance Committee receive regular reports of all new pre-approved engagements of the external auditor.

External Auditor Service Fees (in thousands of dollars)

Audit Fees

Audit fees were paid for professional services rendered by the auditors for the audit of the Company's financial statements or services provided in connection with statutory and regulatory filings or engagements and the review of the Company's interim financial statements. Deloitte & Touche LLP's audit fees billed during the Company's 2011 fiscal year were \$508 (2010: \$534), in thousands of dollars.

Audit-related Fees

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual financial statements and are not reported under the audit fee item above. These services may include accounting consultations and special attest services as required by government entities. Deloitte & Touche LLP billed an aggregate of \$81 in the Company's 2011 fiscal year (2010: \$33), for services provided to the Company not reported under "Audit Fees" above, in thousands of dollars.

All Other Fees

No other fees were paid in 2011 or 2010.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of our knowledge, having made due inquiry, the Company confirms that, as at December 31, 2011:

- (i) no director or executive officer of the Company is, or was within the last 10 years, a director or officer of a company (including the Company) that:
 - (a) was subject to an order (including a cease trade order or an order similar to a cease trade or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days), that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, except:
 - (i) Mr. Larry Campbell was a director of CY Oriental Holdings Ltd. at the time its shares were suspended from trading on the TSX Venture Exchange and were delisted due to the inability of CY Oriental Holdings Ltd. to meet continued listing requirements.
 - (iii) Mr. Richard Buski was a director of Probe Resources Ltd. ("Probe") at the time Probe was issued a cease trade order on January 7, 2011, for failure to file its annual financial statements and a Form 51-102F1 Management's Discussion and Analysis for its financial year ended August 31, 2010 in the required time. This cease trade order was lifted on February 6, 2012.

Probe announced by press release dated November 16, 2010 that Probe's US subsidiaries filed voluntary Chapter 11 petitions in the US Bankruptcy Court for the Southern District of Texas in Houston, Texas. Probe emerged from its Chapter 11 bankruptcy filing effective April 15, 2011 and Mr. Richard Buski continues as a director.
 - (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
 - (c) within a year of the person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.
- (ii) in the last 10 years, no director or executive officer of the Company has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer; and
- (iii) no director or executive officer of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Other than as disclosed in this AIF, to the knowledge of the directors and senior officers of the Company, there are no material conflicts of interest between the Company and a director or senior officer of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Material Legal Proceedings

From time to time, the Company is involved in litigation arising in the ordinary course of our business. We intend to continue to defend any lawsuits brought against us vigorously. We do not believe that such litigation, including the proceedings below, will have a material adverse effect on our financial position or results of operations. Currently the only litigation outside of the normal course of business is as follows:

Ontario Consultancy Arrangement

In 2005, as part of the acquisition of Georgian Downs, the Company entered into an agreement that provided a consultant a deemed contribution for a notional equity interest in Georgian Downs as consideration for certain consulting services for its operations in the Province of Ontario. The notional equity interest entitled the consultant to future remuneration depending on the operating results of Georgian Downs provided that certain services were performed. The consultant had an option to sell his notional equity interest in Georgian Downs to the Company for consideration calculated using a predefined formula based on Georgian Downs' operating results for the twelve month period preceding the option's exercise. The Company had a call option to purchase the consultant's notional equity interest from June 2012 for consideration calculated using the same predefined formula. On July 30, 2007, the Company terminated the agreement and tendered the sum of \$1.6 being the full amount that the Company determined to be validly due and payable to the consultant. The consultant and the Company have significantly different views as to the consultant's monetary entitlement under the agreement. The consultant filed an application in the Ontario Superior Court of Justice that disputes the validity of the termination of the agreement. The Company also filed a suit in the Ontario Superior Court of Justice seeking a declaration that the agreement has been properly terminated by the Company. Management believes that the Company has acted appropriately with respect to both the termination and the tendering of payment to the consultant and intends to vigorously defend its position. On January 9, 2009, the Ontario Superior Court of Justice (Commercial List) granted an Endorsement which ordered that the consultant's application be converted into an action and be consolidated with the Company's action. At this stage, liability or quantum with respect to this litigation cannot be reasonably determined.

The Company is involved in various other disputes, claims and litigation. Management believes the amount of the ultimate liability for these will not materially affect the financial position of the Company.

Regulatory Actions

From time to time we are involved in regulatory proceedings or are assessed administrative fines, none of which are material or significant.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

In the past three years, we had no transactions that materially affected or will materially affect the Company, in which a director, senior officer, significant shareholder or any of their associates or affiliates had a material interest, except as follows:

- On May 1, 2009, Ross J. McLeod, the Company's former Chairman and Chief Executive Officer, entered into a shareholder agreement with Ridge Capital, which owns four million common shares in Great Canadian Gaming Corporation. Through this agreement, the Company's former Chairman and Chief Executive Officer acquired the right to exercise the votes attached to these shares in return for indemnifying Ridge Capital in certain circumstances should the shares lose value. Ownership of the shares remains with Ridge Capital, subject to the terms of the shareholder agreement;

- The Company engaged the services of a company (the “consulting company”) whose shareholder was, until May 1, 2009, the sole director and officer of Ridge Capital. Human resources expenses for 2009 includes \$0.3 in fees for the consulting company’s advice on strategic and operational efficiency initiatives. On May 13, 2009, the Company issued options to the consulting company to acquire 280,000 common shares of the Company at an exercise price of \$4.40 per option; and
- A training services agreement from January 1, 2006 to March 31, 2009, with Canadian Gaming Institute Inc., a company controlled by Adrian R. Thomas, one of the Company’s directors at that time, for the training of table games dealers for the Company in its locations throughout Metro Vancouver. On March 31, 2009, the Company acquired 100% of the outstanding common shares of Canadian Gaming Institute Inc. for a total cash purchase price of \$0.6.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Company’s common shares is Computershare Investor Services Inc. with transfer facilities in the cities of Vancouver and Toronto.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, that the Company or any of its subsidiaries or their predecessors has entered into within the last financial year, has entered into before the last financial year but are still in effect, or that are proposed to be entered into:

- Credit and Guarantee Agreement dated as of February 14, 2007, and amended as of July 21, 2011, among the Company as Borrower, certain subsidiaries of the Borrower as Guarantors, the Lenders party thereto from time to time, the Bank of Nova Scotia as Administration Agent, Co-Lead Arranger and Sole Book Runner, HSBC Bank Canada as Co-Lead Arranger and Syndication Agent, and Bank of Montreal, Canadian Imperial Bank of Commerce and Royal Bank of Canada as Co-Documentation Agents;
- Indenture dated as of February 14, 2007 between the Company and each of the Guarantors to 7.250% Subordinated Notes due 2015 with the Bank of New York as Trustee;
- Cross-currency interest rate and principal swap agreements dated as of February 14, 2007, between the Company and various lenders party to the Credit and Guarantee Agreement that convert both the U.S. dollar floating interest rate Term Loan B and the U.S. dollar fixed interest rate Senior Subordinated Notes into Canadian dollar fixed interest rate debt; and
- Cross-currency Interest Rate Swap Novation Agreement dated August 4, 2011 between the Company, the Bank of Nova Scotia and the Toronto Dominion Bank.

INTERESTS OF EXPERTS

Deloitte & Touche LLP is the independent auditor of the Company.

ADDITIONAL INFORMATION**Other Additional Information**

Other additional information, including directors' and executive officers' remuneration and indebtedness, principal holders of securities and securities authorized under equity compensation plans is contained in the Company's Information Circular for its most recent annual general meeting of shareholders.

Additional financial information is provided in the Company's Annual Financial Statements for its year ended December 31, 2011, and the Management Discussion and Analysis of the Company for its year ended December 31, 2011. Any interim unaudited financial statements of the Company subsequent to December 31, 2011, are available on the Company's website at www.gcgaming.com, or on SEDAR at www.sedar.com.

Copies of the information referred to in this section may be obtained by writing to the Corporate Secretary of the Company at:

Great Canadian Gaming Corporation
350 – 13775 Commerce Parkway
Richmond, British Columbia, Canada V6V 2V4
Telephone: (604) 303-1000 / Facsimile: (604) 279-8605

or on the Company's website at www.gcgaming.com

APPENDIX I

AUDIT, RISK & FINANCE COMMITTEE CHARTER

I. PURPOSE

The purpose of the Audit, Risk & Finance Committee is to assist the Board in fulfilling its oversight responsibilities by:

- reviewing, considering and reporting on the Corporation's financial information for disclosure purposes, its system of internal control as established by management and the Board, and the audit process;
- identifying the principal risks faced by the Corporation and confirming that management has implemented appropriate systems to manage and minimize identified risks;
- reviewing and considering the Corporation's adherence to accounting principles and compliance with applicable disclosure requirements; and
- reviewing, considering, reporting and recommending on all matters relating to finance for the Corporation, including: capital structure; equity and debt financings; share re-purchase activities; cash management, banking activities and relationships; investments, foreign exchange activities, swaps and hedging transactions; and financial policies including Discretionary Authorities.

II. COMPOSITION AND TERM OF OFFICE

- A. Members of the Audit, Risk & Finance Committee are appointed by the Board at the first meeting of Directors following each annual general meeting for a term of one year. In making the appointments, the Board requires that all appointees are Independent Directors who have Financial Literacy ⁽¹⁾ and that at least one appointee has an Accounting Designation. The Board shall interpret these qualifications in its business judgment and shall conclude whether a Director meets these qualifications.

⁽¹⁾ **Financial Literacy** means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

- B. The Chair of the Audit, Risk & Finance Committee shall be appointed by the Board.
- C. The CFO will act as the management liaison for the Audit, Risk & Finance Committee.
- D. The Audit, Risk & Finance Committee will meet not less than four times each fiscal year.
- E. The quorum for the Audit, Risk & Finance Committee is a majority of its members.

III. RESPONSIBILITIES

The Audit, Risk & Finance Committee has the following responsibilities:

FINANCIAL REPORTING

- A. Review, consider and recommend approval by the Board of the annual financial reports (annual information form, management information circular, National Instrument 52-110F1 forms, financial statements, MD&A, reports to shareholders and related press releases).
- B. Review, consider and recommend approval by the Board of the quarterly financial statements (financial statements, MD&A, reports to shareholders and related press releases).
- C. Be satisfied that in respect of the Corporation's disclosure record, and in particular, its financial disclosure, management has procedures in place to review such information, and that management periodically assesses, and revises as needed, the adequacy of such procedures.
- D. Review and approve all other press releases that relate to material financial disclosures.
- E. Review and recommend approval by the Board of changes to the Corporation's accounting policies.

- F. Review with external auditors any areas of judgment or where estimates have been made, including effects of alternatives under generally accepted accounting principles.

FINANCE

- A. Review the Corporation's policies at least annually with respect to financial risk assessment and financial risk management.
- B. Review with management the Corporation's capital structure, dividend policy and share repurchase programs at least annually, and make recommendations to the Board for approval, as required.
- C. Review with management the Corporation's treasury activities. In this regard, the Committee shall review the Corporation's principal commercial and investment banking relationships, on at least an annual basis, including its banking and treasury authorizations, and material terms of the Corporation's credit facilities in light of the Corporation's operating strategy, risk exposures, financial policies and changes in the applicable law or accounting requirements.

IV. OTHER PROCEDURES

- A. Review with management the risks inherent in the business and the effectiveness of the controls thereon, including risk mitigation and management strategies.
- B. Oversee management reporting and review of the adequacy of internal controls as designed and implemented by management.
- C. Gain reasonable assurance that the Corporation complies with the Securities Laws and the requirements of government, regulatory agencies and the TSX regarding financial reporting and disclosure.
- D. Oversee the Related Party Transactions Policy.
- E. Review and ratify annually the Corporate Disclosure Committee Charter.

- F. Review and consider significant actual or potential liabilities of the Corporation, whether contingent or otherwise that are reported to it.
- G. Review, on an annual basis, the reasonableness of the expenses of the Senior Officers.

V. EXTERNAL AUDITORS

- A. The external auditor will report directly to the Audit, Risk & Finance Committee and has unrestricted access to its members. External auditors will meet at least quarterly with the Audit, Risk & Finance Committee to review and consider the annual audit, quarterly reviews, the quality of the Corporation's accounting policies and principles, and the adequacy and effectiveness of the Corporation's internal control and management information systems. In-camera sessions with the external auditors will be held quarterly or as determined by the Audit, Risk & Finance Committee.
- B. The Audit, Risk & Finance Committee will:
 - (i) Provide approval and recommend to the Board, the engagement or discharge of the external auditors and their remuneration.
 - (ii) Provide oversight to the audit engagement by way of a direct reporting relationship with the external auditor and confirm the independence of the external auditor.
 - (iii) Review the annual external audit plan for each year.
 - (iv) Review with the external auditors any difficulties which arose during the course of their engagement and their relationship with management.
 - (v) Approve in advance all audit and non-audit services to be provided by the external auditor. Such approval may be delegated to one or more members of the Audit, Risk & Finance Committee for ratification at the next scheduled Audit, Risk & Finance Committee meeting.

- (vi) Review and approve any hiring of partners/employees of the external auditors.

VI. INTERNAL AUDIT

- A. The Director, Internal Audit, has an independent relationship with the Audit, Risk & Finance Committee with unrestricted access to its members. The Director, Internal Audit, will meet at least quarterly with the Audit, Risk & Finance Committee. Matters discussed will include the annual audit plan, internal audit reports, the quality of the Corporation's accounting policies and principles, the adequacy and effectiveness of the Corporation's internal control and management information systems and if requested by the Audit, Risk & Finance Committee, in-camera sessions with the Director, Internal Audit will be held quarterly or as determined by the Audit, Risk & Finance Committee.
- B. The Audit, Risk & Finance Committee will approve the appointment of the Director, Internal Audit.
- C. The Audit, Risk & Finance Committee will:
 - (i) Provide oversight to and approve the internal audit mandate.
 - (ii) Review internal audit plans for the year.
 - (iii) Review any difficulties which may arise during the course of the internal audit and the ongoing relationship with management and other departments.

VII. OTHER

The Audit, Risk & Finance Committee will:

- A. Establish procedures for receipt, retention and treatment of complaints and concerns regarding accounting matters, internal accounting controls and auditing matters or related questionable practices, including anonymous submissions by employees. (Refer to Whistle Blower Policy located at Tab 13(B).)

- B. Have the resources and authority necessary to reasonably discharge its duties, including the authority to retain independent financial, legal or other advisors.
- C. Record, draft and circulate, on a timely basis, to members, minutes for each meeting of the Audit, Risk & Finance Committee.
- D. Review and, as needed, amend the Audit, Risk & Finance Committee Charter annually, and recommend it for approval by the Board.
- E. Review the Corporation's Director & Officer Liability insurance policies and other corporate insurance policies, including the credit quality of its insurance carriers and re-insurers in advance of the renewal of such policies.