GREAT CANADIAN GAMING CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month and Six Month Periods Ended June 30, 2012

As at August 8, 2012

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

GREAT CANADIAN GAMING CORPORATION
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in millions of Canadian dollars)

		June 30, 2012	December 31, 2011
Assets			
Current			
Cash and cash equivalents	Note 4	**$ 140.0**	$ 134.7
Restricted cash		**7.0**	7.1
Accounts receivable		**8.7**	8.9
Income taxes receivable		**0.2**	-
Prepaids, deposits and other assets		**8.3**	6.6
		164.2	157.3
Property, plant and equipment	Note 6	**635.7**	663.6
Intangible assets	Note 7	**80.6**	119.7
Goodwill	Note 8	**20.3**	23.5
Deferred tax assets		**10.1**	9.1
Other assets		**6.9**	2.9
		$ 917.8	$ 976.1
Liabilities			
Current			
Accounts payable and accrued liabilities		**$ 71.4**	$ 59.0
Income taxes payable		**-**	0.8
Other liabilities		**5.5**	5.1
		76.9	64.9
Long-term debt	Notes 9, 23	**332.7**	332.6
Derivative liabilities	Notes 11, 23	**62.4**	66.3
Deferred credits, provisions and other liabilities		**24.5**	23.7
Deferred tax liabilities		**53.2**	66.2
		549.7	553.7
Shareholders' equity			
Share capital and contributed surplus	Note 12	**345.1**	356.5
Accumulated other comprehensive loss	Note 13	**(4.5)**	(6.5)
Retained earnings		**27.5**	72.4
		368.1	422.4
		$ 917.8	$ 976.1

These financial statements were approved and authorized for issue by the Company's Board of Directors on August 8, 2012.

GREAT CANADIAN GAMING CORPORATION
Condensed Interim Consolidated Statements of Earnings (Loss)
(Unaudited - Expressed in millions of Canadian dollars, except for per share information)

		Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Revenues	Note 14	**$ 101.3**	$ 99.5	**$ 204.1**	$ 191.5
Expenses					
Human resources		**41.6**	38.9	**80.7**	76.3
Property, marketing and administration		**24.4**	22.8	**49.1**	45.9
Amortization		**13.1**	14.6	**25.9**	29.0
Share-based compensation	Note 12	**0.7**	1.7	**2.8**	3.4
Business development and other	Note 21	**0.6**	0.1	**0.6**	0.4
Litigation settlement	Note 22	**11.0**	-	**11.0**	-
Impairment of long-lived assets	Note 5	**-**	-	**54.2**	-
Impairment of goodwill	Note 5	**-**	-	**3.2**	-
Interest and financing costs, net		**7.4**	7.2	**14.5**	13.9
Foreign exchange gain and other	Note 11	**(0.8)**	(0.2)	**(1.1)**	(0.2)
Earnings (loss) before income taxes		**3.3**	14.4	**(36.8)**	22.8
Income taxes	Note 15	**0.6**	4.1	**(7.6)**	6.8
Net earnings (loss)		**$ 2.7**	$ 10.3	**$ (29.2)**	$ 16.0
Net earnings (loss) per common share	Note 16				
Basic		**$ 0.03**	$ 0.12	**$ (0.36)**	$ 0.19
Diluted		**$ 0.03**	$ 0.12	**$ (0.36)**	$ 0.19
Weighted average number of common shares					
Basic		**79,074,935**	83,092,933	**80,719,618**	83,004,165
Diluted		**80,488,285**	84,691,484	**80,719,618**	84,649,128

GREAT CANADIAN GAMING CORPORATION
Condensed Interim Consolidated Statements of Comprehensive Income (Loss)
(Unaudited - Expressed in millions of Canadian dollars)

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Net earnings (loss)	**$ 2.7**	$ 10.3	**$ (29.2)**	$ 16.0
Other comprehensive income (loss), net of tax				
Current period changes in fair values of derivatives designated as cash flow hedges, net of income taxes of $1.4 (2011 - $0.9) and $0.6 (2011 - $2.5)	**4.1**	(2.5)	**1.7**	(6.9)
(Gain) loss on derivatives designated as cash flow hedges transferred to net earnings (loss) in the period, net of income taxes of $1.7 (2011 - $0.4) and $nil (2011 - $2.6)	**(4.9)**	1.2	**0.1**	7.2
Unrealized effect of foreign currency translation of foreign operations	**0.5**	(0.1)	**0.2**	(0.6)
Other comprehensive income (loss)	**(0.3)**	(1.4)	**2.0**	(0.3)
Total comprehensive income (loss)	**$ 2.4**	$ 8.9	**$ (27.2)**	$ 15.7

GREAT CANADIAN GAMING CORPORATION
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited - Expressed in millions of Canadian dollars)

		Common Shares Number [1]	Common Shares Amount	Contributed Surplus	Share Capital and Contributed Surplus	Accumulated Other Comprehensive Loss	Retained Earnings	Total
At December 31, 2010		82,872	$ 314.7	$ 40.2	$ 354.9	$ (4.9)	$ 51.1	$ 401.1
Share-based compensation		-	-	2.5	2.5	-	-	2.5
Exercise of incentive share options		249	1.0	(0.3)	0.7	-	-	0.7
Total comprehensive (loss) income		-	-	-	-	(0.3)	16.0	15.7
At June 30, 2011		83,121	$ 315.7	$ 42.4	$ 358.1	$ (5.2)	$ 67.1	$ 420.0
At December 31, 2011		82,477	$ 313.9	$ 42.6	$ 356.5	$ (6.5)	$ 72.4	$ 422.4
Share-based compensation		-	-	1.5	1.5	-	-	1.5
Exercise of incentive share options		192	1.6	(0.4)	1.2	-	-	1.2
Common shares purchased	Note 12	(3,657)	(14.1)	-	(14.1)	-	(15.7)	(29.8)
Total comprehensive income (loss)		-	-	-	-	2.0	(29.2)	(27.2)
At June 30, 2012		79,012	$ 301.4	$ 43.7	$ 345.1	$ (4.5)	$ 27.5	$ 368.1

[1] Share information is presented in thousands.

GREAT CANADIAN GAMING CORPORATION
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in millions of Canadian dollars)

		Six months ended June 30, 2012	2011
Cash Flows from Operating Activities			
Earnings (loss) before income taxes		**$ (36.8)**	$ 22.8
Adjustments to reconcile earnings (loss) to net cash provided by operating activities:			
Amortization		**25.9**	29.0
Impairment of long-lived assets	Note 5	**54.2**	-
Impairment of goodwill	Note 5	**3.2**	-
Share-based compensation		**2.8**	3.4
Interest and financing cost, net		**14.5**	13.9
Foreign exchange gain and other	Note 11	**(1.1)**	-
Other		**-**	(1.4)
Changes in non-cash operating working capital	Note 17	**10.6**	(1.0)
Cash generated from operations		**73.3**	66.7
Income taxes paid		**(8.0)**	(10.1)
Net cash generated by operating activities		**65.3**	56.6
Cash Flows from Investing Activities			
Proceeds from the maturity of short-term investments		**-**	53.1
Purchase of short-term investments		**-**	(35.3)
Purchase of property, plant and equipment, net of related accounts payable		**(13.2)**	(23.4)
Acquisition of Chilliwack Bingo		**-**	(10.2)
Restricted cash - construction holdbacks		**(0.1)**	(0.8)
Other		**(3.5)**	1.0
Interest income received		**0.8**	0.6
Cash used in investing activities		**(16.0)**	(15.0)
Cash Flows from Financing Activities			
Repayment of debt		**(1.0)**	(1.0)
Common shares issued for cash, net of issuance costs		**1.2**	0.7
Purchase of common shares	Note 12	**(29.8)**	-
Interest paid		**(14.7)**	(13.2)
Cash used in financing activities		**(44.3)**	(13.5)
Effect of foreign exchange on cash and cash equivalents		**0.3**	0.1
Cash Inflow		**5.3**	28.2
Cash and cash equivalents, beginning of period		**134.7**	50.9
Cash and cash equivalents, end of period		**$ 140.0**	$ 79.1

1. NATURE OF BUSINESS

Great Canadian Gaming Corporation (the "Company") is a multi-jurisdictional gaming, entertainment, and hospitality operator with 17 gaming facilities, which include ten casinos, four horse racetrack casinos, three community gaming centres, and a Four Diamond hotel resort, located in British Columbia, Ontario, Nova Scotia, and Washington State.

Great Canadian Gaming Corporation is a publicly listed company incorporated in Canada under the Company Act (British Columbia). The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under TSX symbol: "GC". The principal office is located at 350-13775 Commerce Parkway, Richmond, British Columbia, V6V 2V4. The registered and records office is located at 1500-1055 West Georgia Street, Vancouver, BC, V6E 4N7.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. Certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2011 ("Annual Financial Statements").

These condensed interim consolidated financial statements were prepared using the same accounting policies as set out in the Company's Annual Financial Statements, with the exception of the changes in accounting policies described in Note 3 below. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed interim consolidated financial statements are disclosed in Note 3 of the Company's Annual Financial Statements.

3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2012, the Company adopted the following revised IFRSs issued by the IASB. These revised IFRSs did not have a material impact on the Company's condensed interim consolidated financial statements.

- *IAS 12, Income Taxes* – amended to provide a practical solution to determining the recovery of investment properties as it relates to accounting for deferred taxes.

- *IFRS 7, Financial Instruments: Disclosures* – amended to increase the disclosure requirements in connection with the transfer of financial assets to a third party that are not derecognised from the Company's condensed interim consolidated financial statements.

Recent accounting pronouncements
The IASB issued the following new and revised accounting pronouncements, which are not expected to have a material impact on the Company's condensed interim consolidated financial statements:

- *IAS 19, Employee Benefits (2011)* – amended to change the accounting for defined benefit plans and terminations benefits, and improve the understandability and usefulness of disclosures. Effective for annual periods beginning on or after January 1, 2013.

- *IFRS 13, Fair Value Measurement* – provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. Effective for annual periods beginning on or after January 1, 2013.

- *IFRS 9, Financial Instruments* ("IFRS 9") – replaces IAS 39, *Financial Instruments: Recognition and measurement* ("IAS 39"). IFRS 9 simplifies the classification and measurement requirements for financial instruments, which replaces the multiple classification and measurement models in IAS 39. Effective for annual periods beginning on or after January 1, 2015.

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

3. CHANGES IN ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements (Continued)
The IASB also issued the following new and revised standards addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements with other entities:

- *IFRS 10, Consolidated Financial Statements ("IFRS 10")* – replaces the consolidation guidance in IAS 27 (2008), *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidated Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

- *IFRS 11, Joint Arrangements ("IFRS 11")* – replaces IAS 31, *Interests in Joint Ventures*. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed.

- *IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")* – requires enhanced disclosures about the entity's interests in subsidiaries, joint arrangements and associates, and unconsolidated structured entities.

- *IAS 27 (2011), Separate Financial Statements* – the consolidation requirements previously forming part of IAS 27 (2008) have been revised and are now contained in IFRS 10.

- *IAS 28 (2011), Investments in Associates and Joint Ventures* – amended to conform to changes based on the issuance of IFRS 10, IFRS 11, and IFRS 12.

These five standards must be adopted concurrently and are effective for annual periods beginning on or after January 1, 2013.

4. CASH AND CASH EQUIVALENTS

	June 30, 2012	December 31, 2011
Cash in banks	**$ 122.4**	$ 109.4
Cash floats	**7.6**	9.8
Cash equivalents	**10.0**	15.5
	$ 140.0	$ 134.7

5. IMPAIRMENT OF LONG-LIVED ASSETS AND GOODWILL

In March 2012, the Government of Ontario directed the Ontario Lottery and Gaming Corporation ("OLG") to end the "Slots at Racetracks" program for all Ontario racetracks on March 31, 2013, in an effort to modernize that province's gaming model. As part of that plan, and as permitted under the related agreements, on March 29, 2012, OLG provided notice that the site holder agreements with the Company's Georgian Downs and Flamboro Downs racetracks will terminate on March 31, 2013. There may be a negative effect on the future revenues of Georgian Downs and Flamboro Downs as a result of these terminations. All other "Slots at Racetracks" facilities in Ontario received similar termination notices, with the exception of three facilities located proximate to the U.S. border, which closed on April 30, 2012.

5. IMPAIRMENT OF LONG-LIVED ASSETS AND GOODWILL (Continued)

As a result of the early termination of Georgian Downs' site holder agreement, which was previously scheduled to expire in November 2021, the Company has recorded impairments of goodwill, intangible assets, and property, plant and equipment of $3.2, $8.2, and $16.6, respectively. The Company also recorded impairments of intangible assets and property, plant and equipment of $24.2 and $5.2, respectively, in connection with Flamboro Downs' site holder agreement, which was previously scheduled to expire in April 2016.

The recoverable amounts for Georgian Downs' and Flamboro Downs' long-lived assets and goodwill were determined based on the value in use method, which estimates the net present value of the future cash flows expected to be generated, using a pre-tax discount rate based on the Company's weighted-average cost of capital. The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience and economic trends, and consider past and ongoing communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels, EBITDA[1], and the expected useful life of the cash generating unit. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates.

In May 2012, OLG issued a request for information ("RFI") to obtain input from potential industry participants regarding the expansion of private-sector gaming. After the completion of the RFI process, it is expected that a similar request for pre-qualifications and request for proposals process will follow. OLG has stated that it may begin the request for proposal process as early as fall 2012.

The Company is in continuing discussions with OLG regarding its existing operations and the potential future opportunities that may arise from the continued modernization of gaming in Ontario. The Company expects that OLG will enter into negotiations to secure lease arrangements that will ensure the ongoing operations of their slot machines at Georgian Downs and Flamboro Downs for the short and long-term periods beyond March 31, 2013.

Additional changes in OLG's operating model, such as the expansion of its business lines, could increase competition and negatively impact the Company's two racetracks in Ontario. It is not certain at this time the full extent of the impact that the continued modernization of gaming in Ontario may have on the Company. As the carrying value of Georgian Downs' and Flamboro Downs' assets are equal to their estimated recoverable amounts, a subsequent change in any key assumption utilized in the estimate of future cash flows may result in a further impairment loss or a reversal of an impairment loss. As at June 30, 2012, the carrying values of the intangible assets and property, plant and equipment associated with Georgian Downs were $16.4 and $47.2, respectively. As at June 30, 2012, the carrying values of the intangible assets and property, plant and equipment associated with Flamboro Downs were $14.5 and $8.1, respectively.

In connection with the impairment recorded for Georgian Downs and Flamboro Downs, the Company revised the estimated remaining useful lives of its intangible assets and property, plant and equipment. The net effect of this change in estimate and the impairment is a $0.7 increase in the annual non-cash amortization expense related to these assets on a prospective basis.

---

[1] EBITDA as defined by the Company means **E**arnings **B**efore **I**nterest and financing costs (net of interest income), Income **T**axes, **D**epreciation and **A**mortization, share-based compensation, business development and other, litigation settlement, impairments of long-lived assets and goodwill, and foreign exchange gain and other. EBITDA can be computed as revenues less human resources and property, marketing and administration expenses.

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

6. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and building improvements	Leasehold improvements	Equipment	Properties under development	Total
Cost						
Balance at December 31, 2010	$ 65.8	$ 651.8	$ 71.4	$ 95.8	$ 9.2	$ 894.0
Additions	10.7	-	0.2	2.9	28.9	42.7
Acquired through business combination	5.7	-	-	-	-	5.7
Disposals	-	-	-	(0.8)	-	(0.8)
Reclassifications	-	21.6	4.6	4.1	(30.3)	-
Translation and other	-	(0.2)	0.1	0.3	-	0.2
Balance at December 31, 2011	$ 82.2	$ 673.2	$ 76.3	$ 102.3	$ 7.8	$ 941.8
Additions	0.1	-	0.1	1.4	11.5	13.1
Disposals	-	-	(0.1)	(0.1)	-	(0.2)
Reclassifications	-	1.6	1.2	2.7	(5.5)	-
Translation and other	0.1	(0.1)	-	-	-	-
Balance at June 30, 2012	**$ 82.4**	**$ 674.7**	**$ 77.5**	**$ 106.3**	**$ 13.8**	**$ 954.7**
Accumulated amortization and impairments						
Balance at December 31, 2010	$ (0.9)	$ (108.3)	$ (38.2)	$ (78.1)	$ (5.5)	$ (231.0)
Amortization	-	(28.1)	(7.1)	(8.3)	-	(43.5)
Disposals	-	-	-	0.8	-	0.8
Impairments	-	-	(3.9)	(0.5)	-	(4.4)
Reclassifications	-	-	(1.9)	-	1.9	-
Translation and other	-	(0.1)	-	-	-	(0.1)
Balance at December 31, 2011	$ (0.9)	$ (136.5)	$ (51.1)	$ (86.1)	$ (3.6)	$ (278.2)
Amortization	-	(14.1)	(1.4)	(3.7)	-	(19.2)
Disposals	-	-	0.1	0.1	-	0.2
Impairments (1)	(3.4)	(18.0)	-	(0.4)	-	(21.8)
Translation and other	-	-	-	-	-	-
Balance at June 30, 2012	**$ (4.3)**	**$ (168.6)**	**$ (52.4)**	**$ (90.1)**	**$ (3.6)**	**$ (319.0)**
Carrying amount						
At December 31, 2010	$ 64.9	$ 543.5	$ 33.2	$ 17.7	$ 3.7	$ 663.0
At December 31, 2011	$ 81.3	$ 536.7	$ 25.2	$ 16.2	$ 4.2	$ 663.6
At June 30, 2012	**$ 78.1**	**$ 506.1**	**$ 25.1**	**$ 16.2**	**$ 10.2**	**$ 635.7**

(1) The impairments relate to Georgian Downs and Flamboro Downs (see Note 5).

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

7. INTANGIBLE ASSETS

	BC Gaming Operating Agreements	Nova Scotia Gaming Operating Agreement	Ontario Siteholder Agreements	Other	Total
Cost					
Balance at December 31, 2010	$ 76.1	$ 34.6	$ 106.0	$ 2.5	$ 219.2
Acquired through business combination	5.3	-	-	-	5.3
Balance at December 31, 2011	$ 81.4	$ 34.6	$ 106.0	$ 2.5	$ 224.5
Balance at June 30, 2012	**$ 81.4**	**$ 34.6**	**$ 106.0**	**$ 2.5**	**$ 224.5**
Accumulated amortization and impairments					
Balance at December 31, 2010	$ (38.1)	$ (15.5)	$ (35.2)	$ (1.0)	$ (89.8)
Amortization	(5.9)	(4.2)	(4.7)	(0.2)	(15.0)
Balance at December 31, 2011	$ (44.0)	$ (19.7)	$ (39.9)	$ (1.2)	$ (104.8)
Amortization	(1.6)	(2.1)	(2.9)	(0.1)	(6.7)
Impairments [1]	-	-	(32.4)	-	(32.4)
Balance at June 30, 2012	**$ (45.6)**	**$ (21.8)**	**$ (75.2)**	**$ (1.3)**	**$ (143.9)**
Carrying amount					
At December 31, 2010	$ 38.0	$ 19.1	$ 70.8	$ 1.5	$ 129.4
At December 31, 2011	$ 37.4	$ 14.9	$ 66.1	$ 1.3	$ 119.7
At June 30, 2012	**$ 35.8**	**$ 12.8**	**$ 30.8**	**$ 1.2**	**$ 80.6**

[1] The impairments relate to Georgian Downs and Flamboro Downs (see Note 5).

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

8. GOODWILL

		Total
Cost		
Balance at December 31, 2010	$	47.4
Foreign exchange movements		0.2
Balance at December 31, 2011	$	47.6
Balance at June 30, 2012	**$**	**47.6**

Impairments		
Balance at December 31, 2010	$	(24.1)
Balance at December 31, 2011	$	(24.1)
Impairment [(1)]		(3.2)
Balance at June 30, 2012	**$**	**(27.3)**

Carrying amount		GCCI		GCEC		Fraser Downs		Georgian Downs		Great American Casinos		Total
At December 31, 2010	$	1.6	$	3.8	$	8.1	$	3.2	$	6.6	$	23.3
At December 31, 2011	$	1.6	$	3.8	$	8.1	$	3.2	$	6.8	$	23.5
At June 30, 2012	**$**	**1.6**	**$**	**3.8**	**$**	**8.1**	**$**	**-**	**$**	**6.8**	**$**	**20.3**

[(1)] The impairment relates to Georgian Downs (see Note 5).

9. LONG-TERM DEBT

		June 30, 2012		December 31, 2011
Term Loan B, net of unamortized transaction costs of $0.8 (2011 - $1.1)	**$**	**163.2**	$	163.7
Senior Subordinated Notes and unamortized premium of $0.7 (2011 - $0.8), net of unamortized transaction costs of $2.3 (2011 - $2.7)	**$**	**171.5**		170.9
		334.7		334.6
Less: current portion		**2.0**		2.0
	$	**332.7**	$	332.6

The Company has a $350.0 Senior Secured Revolving Credit Facility (the "Revolving Credit Facility") of which $32.3 (December 31, 2011 - $32.3) has been utilized to secure letters of credit to guarantee performance primarily under gaming cash floats, construction contracts and provincial gaming corporation payables. As at June 30, 2012, the Company has $317.7 (December 31, 2011 – $317.7) of available credit on its Revolving Credit Facility. The counterparties to this facility are major financial institutions with minimum "A" credit ratings.

On July 24, 2012, the Company completed a refinancing of its long-term debt and settled the related derivative liabilities (see Note 23).

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

10. CAPITAL DISCLOSURES

The Company's capital structure comprises:

- Shareholders' equity;
- Long-term debt and related derivative liabilities;
- Cash and cash equivalents; and
- Outstanding letters of credit.

The Company monitors its capital structure and must comply with certain financial covenants related to its long-term debt. The Company intends to manage its capital by operating at a level that provides a conservative margin compared to the limits of its covenants.

As at June 30, 2012, the Company was in compliance with its financial covenants as shown below:

Covenant test	**Required ratio**	**Actual ratio**
Total Debt to Adjusted EBITDA ratio (1)	< 5.00	2.64
Senior Secured Debt to Adjusted EBITDA ratio (1)	< 3.50	1.28
Interest Coverage ratio (1)	> 2.25	5.01
Fixed Charge Coverage ratio (2)	> 2.00	5.00

(1) Calculated on a trailing twelve month basis and defined in the Credit and Guarantee Agreement, as amended on July 24, 2012.

(2) Calculated on a trailing twelve month basis and tested on specified events as defined in the long-term debt agreement covering the Trust Indenture dated July 24, 2012.

As part of its capital structure monitoring process, the Company's independent credit ratings as at June 30, 2012 were as follows:

	Moody's	**Standard & Poor's**
Corporate	Ba3 Stable	BB+ Stable
Term Loan B and Revolving Credit Facility	Ba2	BBB
Senior Subordinated Notes	B2	BB-

On July 24, 2012, the Company completed a refinancing of its long-term debt and settled the related derivative liabilities (See Note 23).

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

11. DERIVATIVES

The Company has cross-currency interest rate and principal swaps that effectively convert both the U.S. dollar floating interest rate Term Loan B and the U.S. dollar fixed interest rate Senior Subordinated Notes ("Subordinated Notes") into Canadian dollar fixed interest rate debt. As at June 30, 2012, the cross-currency interest rate and principal swap agreements were:

	Notional Principal		Interest Rate		
Debt	**Receive (USD)**	**Pay (CAD)**	**Receive (USD)**	**Pay (CAD)**	**Maturity Date**
Term Loan B	$ 96.7 [1]	$ 114.1 [1]	US LIBOR+1.50%	6.1%	February 13, 2014
Term Loan B	$ 64.4 [1]	$ 76.1 [1]	US LIBOR+1.50%	6.7%	February 13, 2014
Subordinated Notes	$ 102.0	$ 120.7	7.25%	6.6%	February 15, 2015
Subordinated Notes	$ 68.0	$ 80.4	7.25%	7.1%	February 15, 2015

[1] The Term Loan B cross-currency interest rate swap's notional principal reduces by 0.25% of the original principal of $170.0 USD quarterly to match the scheduled principal reductions on the Term Loan B.

As at June 30, 2012, the Company's swap associated with the Term Loan B was in a $37.7 liability position (December 31, 2011 - $41.4 liability) and the swap associated with the Subordinated Notes was in a $24.7 liability position (December 31, 2011 - $24.9 liability). The swaps are recorded in "derivative liabilities" on the condensed interim consolidated statements of financial position.

The Company has evaluated these cross-currency interest rate and principal swaps and assessed them as effective hedges of the cash flows associated with the Term Loan B and the Subordinated Notes. The Company has applied hedge accounting to these swaps as it believes hedge accounting best represents the economic substance of the underlying transactions. Accordingly, the effective portion of the change in fair values of the swaps, has been recorded in "other comprehensive income", net of income taxes, and the ineffective portion has been recorded in "foreign exchange gain and other" expense.

Gains and losses on cash flow hedges are recorded when the hedged item affects net earnings. For the three months ended June 30, 2012, the Company transferred losses on derivatives designated as cash flow hedges from "other comprehensive income" to "foreign exchange gain and other" of $6.6 (2011 - $1.6), and related income taxes of $1.7 (2011 - $0.4). The Company also recorded a gain of $1.0 in "foreign exchange gain and other" related to its cross-currency interest rate and principal swaps during the three month period ended June 30, 2012 (2011 - $nil).

For the six months ended June 30, 2012, the Company transferred losses on derivatives designated as cash flow hedges from "other comprehensive income" to "foreign exchange gain and other" of $0.1 (2011 - $9.8), and related income taxes of $nil (2011 - $2.6). The Company also recorded a gain of $1.6 in "foreign exchange gain and other" related to its cross-currency interest rate and principal swaps during the six month period ended June 30, 2012 (2011 - $nil).

The fair values of the Company's cross-currency interest rate and principal swaps as at June 30, 2012 and December 31, 2011 were determined based on a credit risk adjusted discounted cash flow model. This model makes assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and the U.S. at the respective period ends. The credit risk associated with these cross-currency interest rate and principal swap agreements is mitigated since the counterparties to these swaps are Canadian chartered banks with minimum "A" credit ratings.

On July 24, 2012, as part of its long-term debt refinancing, the Company settled all of its outstanding derivative liabilities (see Note 23).

12. SHARE CAPITAL AND CONTRIBUTED SURPLUS

The Company is authorized to issue an unlimited number of common shares with no par value.

a) Issuer bids

In January 2012, the Company commenced a normal course issuer bid that allows the Company to purchase up to 5,811,197 of its common shares. This bid expires on January 26, 2013, or earlier if the number of shares approved for purchase in the issuer bid has been obtained. For the three months ended June 30, 2012, the Company purchased 1,068,900 common shares at a volume weighted-average price per share of $8.33. For the six months ended June 30, 2012, the Company purchased 3,657,210 common shares at a weighted-average price per share of $8.15. All shares purchased by the Company were cancelled.

On July 6, 2012, the Company commenced a substantial issuer bid, pursuant to which the Company has offered to purchase for cancellation up to 10,000,000 of its outstanding common shares from shareholders. Such offer will proceed by way of a fixed price tender at a purchase price of $10.00 per share. The substantial issuer bid will be funded with existing cash on hand, and will remain open for acceptance until August 15, 2012, unless withdrawn earlier or extended by the Company.

The purchase of common shares by the Company pursuant to the normal course issuer bid has been suspended pending completion of the substantial issuer bid.

b) Share option plan

The changes in share options during the six months ended June 30, 2012 and the year ended December 31, 2011 were as follows:

	June 30, 2012		December 31, 2011	
	Options [1]	**Weighted-Average Exercise Price**	Options [1]	Weighted-Average Exercise Price
Outstanding, beginning of period	**5,895**	**$ 7.16**	6,966	$ 7.23
Granted	**1,238**	**7.67**	1,555	7.38
Forfeited	**(39)**	**9.89**	(696)	8.88
Expired	**(985)**	**11.92**	(845)	11.87
Exercised	**(192)**	**6.40**	(1,085)	3.12
Outstanding, end of period	**5,917**	**$ 6.49**	5,895	$ 7.16

[1] Option information is presented in thousands.

The fair values of share options granted to employees at the time of the grant and the weighted-average assumptions used in applying the Black-Scholes option pricing model were as follows:

	Six months ended June 30, 2012	2011
Option award fair value	**$ 1.67**	$ 2.47
Risk-free interest rate	**1.1%**	1.7%
Expected lives	**2.5 years**	2.5 years
Expected volatility [2]	**30.5%**	54.0%
Dividend yield	**0.0%**	0.0%

[2] Based on the historical volatility of the Company's share price over the most recent period commensurate with the expected lives of the option.

12. SHARE CAPITAL AND CONTRIBUTED SURPLUS (Continued)

b) Share option plan (Continued)

The Company recorded equity-settled share-based compensation expense of $0.4 for the three months ended June 30, 2012 (2011 - $0.8), and $1.5 for the six months ended June 30, 2012 (2011 - $2.5).

c) Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs")

The changes in DSUs and RSUs during the six months ended June 30, 2012 and the year ended December 31, 2011 were as follows:

	June 30, 2012		December 31, 2011	
	DSUs [1]	**RSUs [1]**	DSUs [1]	RSUs [1]
Outstanding, beginning of period	**106**	**7**	-	-
Issued	**128**	**6**	113	7
Settled in cash	**(18)**	**-**	(7)	-
Outstanding, end of period	**216**	**13**	106	7

[1] DSU and RSU information is presented in thousands.

The Company recorded a liability of $2.1 in "deferred credits, provisions and other liabilities" at June 30, 2012 (December 31, 2011 - $0.8) for the outstanding DSUs and RSUs. The Company recorded cash-settled share-based compensation expense of $0.3 for the three months ended June 30, 2012 (2011 - $0.9), and $1.3 for the six months ended June 30, 2012 (2011 - $0.9).

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

	June 30, 2012	December 31, 2011
Accumulated loss on derivatives designated as cash flow hedges, net of income taxes	**$ (4.0)**	$ (5.8)
Unrealized effect of foreign currency translation of foreign operations	**(0.5)**	(0.7)
Accumulated other comprehensive loss	**$ (4.5)**	$ (6.5)

14. REVENUES

	Three months ended June 30,		**Six months ended June 30,**	
	2012	2011	**2012**	2011
Gaming revenues	**$ 72.9**	$ 72.3	**$ 149.7**	$ 139.8
Facility Development Commission	**7.9**	7.9	**16.8**	15.5
Hospitality and other revenues	**21.2**	17.9	**39.2**	33.6
Racetrack revenues	**4.3**	5.3	**8.1**	9.8
	106.3	103.4	**213.8**	198.7
Less: Promotional allowances	**(5.0)**	(3.9)	**(9.7)**	(7.2)
Revenues	**$ 101.3**	$ 99.5	**$ 204.1**	$ 191.5

15. INCOME TAXES

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Applicable federal and provincial statutory income tax rate	**25.00%**	26.50%	**25.00%**	26.50%
Expected income tax expense (recovery) for the period	**$ 0.8**	$ 3.8	**(9.2)**	6.0
Effect of:				
Non-deductible impairment of goodwill	**-**		**0.8**	-
Impact of deferred income tax rates applied versus current statutory income tax rate	**-**	(0.3)	**0.8**	(0.2)
Non-deductible share-based compensation	**0.1**	0.2	**0.4**	0.7
Other items	**(0.3)**	0.4	**(0.4)**	0.3
	$ 0.6	$ 4.1	**$ (7.6)**	$ 6.8

16. NET EARNINGS (LOSS) PER COMMON SHARE

The following table sets forth the computation of basic and diluted net earnings (loss) per common share attributable to the shareholders of the Company:

		Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Net earnings (loss)	(A)	**$ 2.7**	$ 10.3	**$ (29.2)**	$ 16.0
Weighted-average number of common shares outstanding (1)	(B)	**79,075**	83,093	**80,720**	83,004
Dilutive adjustment for stock options (1)		**1,413**	1,598	**-**	1,645
Diluted weighted-average number of common shares (1)	(C)	**80,488**	84,691	**80,720**	84,649
Net earnings (loss) per common share					
Basic	(A/B)	**$ 0.03**	$ 0.12	**$ (0.36)**	$ 0.19
Diluted	(A/C)	**$ 0.03**	$ 0.12	**$ (0.36)**	$ 0.19

(1) Share information is presented in thousands.

The following table summarizes the outstanding share options that are anti-dilutive and are not included in the above calculation:

	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Options (2)	**1,610**	4,993	**5,917**	4,993

(2) Option information is presented in thousands.

17. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Six months ended June 30, 2012	Six months ended June 30, 2011
Restricted cash - operating	**$ 0.2**	$ (2.6)
Accounts receivable	**(0.5)**	0.2
Prepaids, deposits and other assets	**(1.7)**	(0.3)
Accounts payable and accrued liabilities	**12.6**	1.7
	$ 10.6	$ (1.0)

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

18. SEGMENTED INFORMATION

The Company and its subsidiaries operate in one industry segment, the gaming industry. The Company conducts business in two geographic segments: Canada and the United States ("U.S."). The accounting policies applied by the reportable segments are the same as those applied by the Company (see Note 2 of the Company's Annual Financial Statements).

Revenues, EBITDA, and additions to long-lived assets and goodwill attributable to each reportable segment were as follows:

	Three months ended June 30, 2012			Three months ended June 30, 2011		
	Revenues	**EBITDA**	**Additions to long-lived assets and goodwill**	Revenues	EBITDA [1]	Additions to long-lived assets and goodwill
Canada	**$ 95.9**	**$ 34.8**	**$ 6.7**	$ 93.8	$ 36.6	$ 18.1
U.S.	**5.4**	**0.5**	**0.1**	5.7	1.2	0.1
	$ 101.3	**$ 35.3**	**$ 6.8**	$ 99.5	$ 37.8	$ 18.2

	Six months ended June 30, 2012			Six months ended June 30, 2011		
	Revenues	**EBITDA**	**Additions to long-lived assets and goodwill**	Revenues	EBITDA [1]	Additions to long-lived assets and goodwill
Canada	**$ 193.0**	**$ 73.0**	**$ 12.9**	$ 179.9	$ 66.6	$ 25.4
U.S.	**11.1**	**1.3**	**0.2**	11.6	2.7	0.1
	$ 204.1	**$ 74.3**	**$ 13.1**	$ 191.5	$ 69.3	$ 25.5

The following table is a reconciliation of EBITDA, as presented in the above tables, to earnings (loss) before income taxes as presented in the Company's condensed interim consolidated statements of earnings (loss):

	Three months ended June 30,		**Six months ended June 30,**	
	2012	2011	**2012**	2011
EBITDA [1]	**$ 35.3**	$ 37.8	**$ 74.3**	$ 69.3
Amortization	**13.1**	14.6	**25.9**	29.0
Share-based compensation	**0.7**	1.7	**2.8**	3.4
Business development and other [1]	**0.6**	0.1	**0.6**	0.4
Litigation settlement	**11.0**	-	**11.0**	-
Impairment of long-lived assets	**-**	-	**54.2**	-
Impairment of goodwill	**-**	-	**3.2**	-
Interest and financing costs, net	**7.4**	7.2	**14.5**	13.9
Foreign exchange gain and other	**(0.8)**	(0.2)	**(1.1)**	(0.2)
Earnings (loss) before income taxes	**$ 3.3**	$ 14.4	**$ (36.8)**	$ 22.8

[1] The three months and six months ended June 30, 2011 include a retrospective reclassification of business development costs that affects EBITDA and business development and other (see Note 21).

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

18. SEGMENTED INFORMATION (Continued)

Property, plant and equipment, goodwill, and total assets attributable to each reportable segment are as follows:

	As at June 30, 2012			As at December 31, 2011		
	Property, plant and equipment	**Goodwill**	**Total assets**	Property, plant and equipment	Goodwill	Total assets
Canada	**$ 622.8**	**$ 13.5**	**$ 889.2**	$ 650.5	$ 16.7	$ 950.4
U.S.	**12.9**	**6.8**	**28.6**	13.1	6.8	25.7
	$ 635.7	**$ 20.3**	**$ 917.8**	$ 663.6	$ 23.5	$ 976.1

19. RELATED PARTY TRANSACTIONS

As defined under IAS 24, *Related Party Disclosures*, key management personnel comprise the Company's Board of Directors and executive officers. Key management compensation was as follows:

	Three months ended June 30,		**Six months ended June 30,**	
	2012	2011	**2012**	2011
Human resources [(1)]	**$ 0.6**	$ 0.8	**$ 1.1**	$ 1.7
Share-based compensation [(2)]	**0.4**	1.2	**1.9**	2.0
Total	**$ 1.0**	$ 2.0	**$ 3.0**	$ 3.7

[(1)] Human resources includes salaries and other short-term employee benefits.

[(2)] Share-based compensation includes equity and cash settled share-based compensation as per Note 12.

As at June 30, 2012, the liabilities of the Company include amounts due to key management personnel of $0.6 (December 31, 2011 - $1.0) in “accounts payable and accrued liabilities” and $2.1 (December 31, 2011 - $0.8) in “deferred credits, provisions and other liabilities” in the condensed interim consolidated statements of financial position.

20. FACILITY DEVELOPMENT COMMISSION (“FDC”) APPROVED AMOUNTS

The following table summarizes the changes in the Company's Approved Amounts, a term defined in the Company's operating services agreements with British Columbia Lottery Corporation (“BCLC”), to be recovered by future FDC receipts from BCLC:

	Six months ended June 30,	
	2012	2011
Opening Approved Amounts	**$ 424.4**	$ 445.0
Additional Approved Amounts	**1.1**	1.4
FDC receipts	**(16.8)**	(15.5)
Closing Approved Amounts	**$ 408.7**	$ 430.9

Approved Amounts have not been recorded in the condensed interim consolidated statements of financial position. Since FDC is earned as a fixed percentage of gross gaming win, subject to the Company incurring sufficient Approved Amounts, recovery of Approved Amounts requires that the operating agreements with BCLC remain in good standing and the generation of sufficient gross gaming win.

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

21. BUSINESS DEVELOPMENT AND OTHER

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Business development expenses	**$ 0.2**	$ 0.4	**$ 0.2**	$ 0.5
Other	**0.4**	(0.3)	**0.4**	(0.1)
Total	**$ 0.6**	$ 0.1	**$ 0.6**	$ 0.4

Certain business development costs previously presented as "property, marketing and administration" have been retrospectively reclassified to "business development and other." As these costs are non-recurring, this revised presentation provides more useful comparative information regarding the Company's business development activities and operating financial performance.

22. LITIGATION SETTLEMENT

On June 29, 2012, the Company settled a long-standing legal dispute with a former Ontario-based consultant. The dispute with the former consultant arose in 2007 from the Company's termination of the related consulting agreement.

The Company made a total cash payment of $11.0 in July 2012 related to this settlement and recorded a "litigation settlement" expense during the second quarter of 2012.

23. SUBSEQUENT EVENTS

a) *Debt refinancing*

On July 24, 2012, the Company completed its debt refinancing and issued $450.0 of 6.625% Senior Unsecured Notes due on July 25, 2022 ("Senior Unsecured Notes"). The estimated net proceeds were $439.8 after estimated transaction costs of $10.2. The use of proceeds include repayment of the US$161.1 Term Loan B, repurchase US$146.7 of the US$170.0 Subordinated Notes, settlement of the derivative liabilities associated with the related cross-currency interest rate and principal swaps (see Note 9 and Note 11), redemption of the remaining US$23.3 Subordinated Notes on August 23, 2012, and the remainder for general corporate purposes.

The Senior Unsecured Notes are guaranteed by the Company's current and future material restricted subsidiaries. Interest on the Senior Unsecured Notes is payable semi-annually in arrears on January 25 and July 25 of each year commencing on January 25, 2013. There are customary provisions for early redemptions of the Senior Unsecured Notes during defined periods prior to maturity with payment of defined premiums.

As part of this refinancing, on July 5, 2012, the Company commenced a cash tender offer and consent solicitation with respect to the Subordinated Notes ("Tender Offer"). A total of approximately US$146.7 (or 86.30%) of the US$170.0 Subordinated Notes were validly tendered and repurchased for a tender premium of $3.1 under the Tender Offer, which expired on August 2, 2012. On July 24, 2012, the Company issued a 30 day advanced notice of mandatory redemption of the remaining US$23.3 Subordinated Notes, which were outstanding after the Tender Offer. These remaining Subordinated Notes will be redeemed on August 23, 2012 for a redemption premium of $0.4 plus accrued and unpaid interest. In addition, on July 24, 2012, the Company extended the maturity of its $350.0 Revolving Credit Facility by one year to July 21, 2017.

23. SUBSEQUENT EVENTS (Continued)

a) Debt refinancing (continued)

Subsequent to the debt refinancing, the Company's independent credit ratings were as follows:

	Moody's	**Standard & Poor's**
Corporate	Ba3 Stable	BB+ Stable
Revolving Credit Facility	Ba1	BBB
Senior Unsecured Notes	B1	BB+

b) Extension of operating agreement for Hastings Racecourse and Slots Facility

On July 26, 2012, the Company reached an agreement with the City of Vancouver, BC, for a two-year extension to the operating agreement for the Hastings Racecourse and Slots Facility. The current operating agreement, which was originally due to expire in November 2012, has been extended until November 2014 on substantially the same terms.