GREAT CANADIAN GAMING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Month and Nine Month Periods Ended September 30, 2012

As at November 6, 2012

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

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INTRODUCTION

Basis of Discussion and Analysis

This management's discussion and analysis ("MD&A") of the financial highlights, recent developments, consolidated results of operations, consolidated quarterly results trend, liquidity and capital resources, and other financial information of Great Canadian Gaming Corporation (the "Company", "we", "our") is dated as of November 6, 2012.

This MD&A should be read in conjunction with our unaudited condensed interim consolidated financial statements for the three month and nine month periods ended September 30, 2012 ("Condensed Financial Statements"), our audited consolidated financial statements for the year ended December 31, 2011 ("Annual Financial Statements"), and our MD&A for the year ended December 31, 2011. The Condensed Financial Statements are prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting,* ("IAS 34"). Certain information and note disclosures normally included in the Annual Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. Unless expressly stated otherwise, all financial information is expressed in Canadian dollars.

Capitalized terms are either defined when they first appear or are defined at the end of this MD&A in the section titled "Other Financial Information – Definitions of Other Terms Used in the MD&A".

Non-IFRS Measures

The following non-IFRS definitions are used in this MD&A 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, share-based compensation, impairments of long-lived assets and goodwill, litigation settlement, equity investment loss and other, and foreign exchange loss and other. EBITDA is derived from the condensed interim 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 measure because it provides information to both management and investors with respect to the operating and financial performance of the Company. A reconciliation of EBITDA to net (loss) earnings under IFRS is shown in the "Consolidated Results of Operations" section in this MD&A.

EBITDA for each of the quarters during the twelve months ended December 31, 2011 include a retrospective reclassification of business development costs, as described in the "Other Financial Information" section of this MD&A.

Adjusted net earnings, as defined by the Company, means net (loss) earnings plus or minus items of note that management may reasonably quantify and that it believes will provide the reader with a better understanding of the Company's underlying business performance. Items of note may vary from time to time and in this MD&A include impairments of long-lived assets and goodwill, litigation settlement, net losses related to cross-currency interest rate and principal swaps, Subordinated Notes redemption costs, previously deferred transaction costs associated with the Term Loan B and Subordinated Notes, equity investment loss, non-recurring severance costs, and income taxes recovery on the above items of note.

A reconciliation between net (loss) earnings and adjusted net earnings is presented in the "Financial Highlights" section of this MD&A. Adjusted net earnings per share is defined as adjusted net earnings divided by the weighted average number of common shares outstanding.

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 slots 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.

Forward-Looking Information

This MD&A 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 and its objectives, expected future expenditures, costs, operating and financial results and expected impact of future commitments, the future ability of the Company to operate the Georgian Downs and Flamboro Downs facilities and their profitability, and expectations and implications of changes in legislation and government policies. Forward-looking information may be identified by words such as "anticipate", "believe", "expect", or similar expressions. 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 unknown risks, uncertainties, and 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 the operational services agreements; pending, proposed or unanticipated regulatory or policy changes; the Company's ability to obtain and renew required business licenses; 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 Company's ability to manage its capital projects and its expanding operations; 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 rights with respect to some 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. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

These factors and other risks and uncertainties are discussed in the Company's continuous disclosure documents filed with the Canadian securities regulatory authorities from time to time, including in the "Risk Factors" section of the Company's Annual Information Form for fiscal 2011 (dated March 7, 2012), and as identified in the Company's disclosure record on SEDAR at www.sedar.com.

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 forward-looking information contained herein is made as of the date hereof and is subject to change after such date, and is expressly qualified in its entirety by cautionary statements in this MD&A. Forward-looking information is provided for the purpose of providing information about management's current expectations and plans and allowing investors and others to get a better understanding of the Company's operating environment. The Company undertakes no obligation to publicly revise forward-looking information to reflect subsequent events or circumstances except as required by law.

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

FINANCIAL HIGHLIGHTS

	Third Quarter			First Nine Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Revenues	**$ 101.8**	$ 101.0	1%	**$ 305.9**	$ 292.5	5%
EBITDA [1]	**$ 35.8**	$ 38.6	(7%)	**$ 110.1**	$ 107.9	2%
EBITDA as a % of Revenues	**35.2%**	38.2%		**36.0%**	36.9%	
Net (loss) earnings	**$ (0.9)**	$ 7.9		**$ (30.1)**	$ 23.9	
Net (loss) earnings per common share						
Basic	**$ (0.01)**	$ 0.10		**$ (0.38)**	$ 0.29	
Diluted	**$ (0.01)**	$ 0.09		**$ (0.38)**	$ 0.28	
Total assets				**$ 849.2**	$ 966.6	(12%)
Long-term debt & Derivative liabilities, excluding current portion				**$ 439.7**	$ 400.5	10%

(1) EBITDA is a non-IFRS measure and is defined in the "Introduction - Non-IFRS Measures" section of this MD&A.

For the three month period ended September 30, 2012 ("third quarter of 2012"), the Company recorded revenues of $101.8, a $0.8 increase from the third quarter of 2011. This revenue increase was due to the increase at the River Rock Casino Resort ("River Rock"), which was partially offset by the revenue decreases at the other properties. River Rock benefited from incremental revenues contributed by 'The Hotel at River Rock', which continues to trend positively since its October 2011 opening, as well as increases in table drop and slot coin-in. The decrease in revenues was primarily due to declines at Boulevard Casino, Casino Nova Scotia, and the BC Racinos.

For the nine month period ended September 30, 2012 ("first nine months of 2012"), the Company recorded revenues of $305.9, a $13.4 increase from the first nine months of 2011. This revenue increase was partially due to River Rock's above-average table hold percentage in the first quarter of 2012, which contributed approximately $5.2 of the revenue growth, as well as improvements in table drop, slot coin-in, and hospitality revenues at that property. The Other BC Casinos also experienced a modest increase in revenue, primarily due to the additional revenues from the acquisition of Chilliwack Bingo in May 2011 and growth in slot coin-in at Chances Dawson Creek. These increases were partially offset by decreased racetrack revenues at the BC Racinos, as well as decreased gaming revenues at both Nova Scotia Casinos and Great American Casinos.

EBITDA in the third quarter of 2012 was $35.8, a $2.8 decrease from the third quarter of 2011. This decrease was primarily due to decreased revenues at certain properties, combined with the increase in human resources costs, which included non-recurring severance costs of $1.1.

EBITDA in the first nine months of 2012 was $110.1, a $2.2 increase from the first nine months of 2011. This increase was primarily due to the improvement in revenues during the first nine months of 2012, and was partially offset by the increase in human resources costs, which included non-recurring severance costs of $1.8.

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Net (loss) earnings decreased by $8.8 in the third quarter of 2012, when compared to the third quarter of 2011. This decrease was primarily due to the after tax effect of decreased EBITDA of $2.8, which included non-recurring severance costs of $1.1, as well as non-recurring expenses of $14.4 associated with the debt refinancing and settlement of the related derivative liabilities, as described in the "Recent Developments" section of this MD&A, which included:

a) the foreign exchange loss of $8.1 arising from the settlement of the derivative liabilities;
b) the interest and financing expense of $3.9 associated with the early redemption of the Company's Subordinated Notes; and
c) the $2.4 previously deferred financing transaction costs related to the Subordinated Notes and Term Loan B.

Net (loss) earnings decreased by $54.0 in the first nine months of 2012, when compared to the first nine months of 2011. This decrease was primarily due to the after tax effect of the non-cash impairment charges of $57.4 associated with Georgian Downs and Flamboro Downs that was recorded in the first quarter of 2012, as described in the "Recent Developments" section of this MD&A, non-recurring expenses of $14.4 associated with the debt refinancing and settlement of the related derivative liabilities, and a non-recurring expense of $11.0 related to the settlement of a long-standing legal dispute ("Litigation Settlement") that was recorded in the second quarter of 2012, as described in the Liquidity and Capital Resources – Litigation" section of this MD&A. These items were partially offset by lower amortization expense and improved EBITDA.

The current and prior periods' net (loss) earnings included some items of note, which are summarized in the following table:

	Third Quarter			**First Nine Months of**		
	2012	**2011**	% Chg	**2012**	2011	% Chg
Net (loss) earnings	**$ (0.9)**	$ 7.9		**$ (30.1)**	$ 23.9	
Items of note						
Impairment of long-lived assets and goodwill	**-**	-		**57.4**	-	
Litigation settlement	**-**	-		**11.0**	-	
Net losses related to cross-currency interest rate and principal swaps	**8.1**	5.0		**8.1**	5.0	
Subordinated Notes redemption costs	**3.9**	-		**3.9**	-	
Previously deferred transaction costs associated with the Term Loan B and Subordinated Notes	**2.4**	-		**2.4**	-	
Equity investment loss	**2.0**	-		**2.6**	-	
Non-recurring severance costs	**1.1**	-		**1.8**	-	
Income taxes recovery on the above items of note	**(4.5)**	(1.3)		**(21.8)**	(1.3)	
Adjusted net earnings	**$ 12.1**	$ 11.6	4%	**$ 35.3**	$ 27.6	28%
Adjusted net earnings per common share						
Basic	**$ 0.16**	$ 0.14		**$ 0.45**	$ 0.33	
Diluted	**$ 0.16**	$ 0.14		**$ 0.44**	$ 0.33	

After adjusting for the above items of note, the Company's adjusted net earnings increased by 4% in the third quarter and by 28% in the first nine months of 2012, when compared to the prior periods in 2011. These increases were primarily due to the growth in revenues and lower amortization expense.

Total assets decreased by $126.9 in the first nine months of 2012, when compared to the total assets as at December 31, 2011. This decrease was primarily due to the cash outflow of $130.1 to repurchase common shares, non-cash impairment charges associated with both Georgian Downs and Flamboro Downs, and the amortization of property, plant and equipment and intangibles. These decreases were partially offset by cash generated by operating activities, additions to property, plant and equipment, and net proceeds of $31.7 associated with the debt refinancing, as described in the "Recent Developments" section of this MD&A.

Long-term debt and derivative liabilities, excluding current portion increased by $40.8 in the first nine months of 2012, when compared to the balance as at December 31, 2011. This increase was primarily due to the increase in long-term debt related to the debt refinancing, as described in the "Recent Developments" section of this MD&A.

RECENT DEVELOPMENTS

British Columbia

Boulevard Casino

The Company has revised the schedule for the Boulevard Casino redevelopment. During the third quarter of 2012, the Company commenced the refresh and repositioning of Boulevard to both attract new patrons and bring back guests who were inconvenienced by proximate local highway construction. This first phase of the redevelopment is anticipated to conclude by the fourth quarter of 2013, to coincide with the completion of the proximate highway construction. The second phase of the redevelopment will feature a hotel, conference facilities, additional dining options, and will better integrate the facility's existing entertainment and dining amenities. The timeline for the second phase has been delayed to minimize disruption to the casino gaming floor and will be announced at a later date. These property redevelopments and modifications remain subject to approvals from British Columbia Lottery Corporation ("BCLC") and the local municipality. As at September 30, 2012, the Company has spent approximately $2.5 of a previously estimated $60.0 on this project.

Chances Chilliwack (formerly "Chilliwack Bingo")

On November 1, 2012, the Company relocated its Chilliwack Bingo operations to the newly opened 'Chances Chilliwack', a community gaming centre in Chilliwack, BC. This new, permanent facility has been developed on the approximately five-acre site that the Company purchased as part of the Chilliwack Bingo acquisition in May 2011. The facility features 150 slot machines, bingo, dining options, meeting spaces, and approximately 300 parking stalls. As at September 30, 2012, the Company had incurred $11.6 of an estimated $14.2 to develop this facility and to acquire adjacent land. This estimated cost was $0.8 below the original estimate of $15.0.

River Rock Casino Resort

On October 17, 2011, the Company opened 'The Hotel at River Rock,' its third hotel tower at the River Rock Casino Resort. This tower, which added 193 rooms to the facility's existing capacity of 202 rooms, both improved River Rock's appeal for visitors and enhanced the property's ability to serve as a conference centre. As at September 30, 2012, the Company had incurred $22.8 of an estimated $24.0 in construction and equipment costs for this project. The remaining costs for this project primarily relate to aesthetic enhancements.

During the second quarter of 2012, the Company completed the upgrades to River Rock's first two hotel towers, the 'River Rock Casino Resort Suites.' Enhancements to the 202 guest rooms in these towers allowed the property, which first opened in 2005, to maintain its existing AAA Four Diamond status. The total cost of these upgrades was $2.5, which was $0.7 below the previously estimated project cost of $3.2.

Casino Nanaimo

During the second quarter of 2012, the Company completed facility upgrades at Casino Nanaimo. The upgrades, which had a total cost of $1.0, include improvements to the exterior of the property to increase the facility's overall appeal and visibility.

Maple Ridge Community Gaming Centre

In order to facilitate both the operation of slots at the Company's temporary facility in Maple Ridge and the construction of the permanent facility, the Company committed $4.2 for both property enhancements and servicing commitments to the district of Maple Ridge. As at September 30, 2012, the Company has spent $1.7 on the temporary facility and incurred $2.1 towards fulfilling servicing commitments related to the construction of the permanent facility. In addition, the Company has invested $4.7 towards the purchase of land required for the permanent facility and incurred $2.9 of an estimated $13.0 to prepare the site and develop this facility. The Company anticipates that this permanent facility will feature approximately 150 slot machines, and will reach completion prior to October 2013.

Renewal of Operating Agreement for Hastings Racecourse and Slots Facility

On October 24, 2012, the Company and the City of Vancouver executed a formal agreement that will see the Company continue to operate at Hastings Racecourse until at least November 2014. This two-year period affords the racing industry, under the leadership of the BC Horse Racing Industry Management Committee, time to determine the appropriate plan of action to best assure itself of long-term sustainability. Both the Company and the City are committed to working together towards a longer term arrangement at Hastings Racecourse that works for both parties, once this plan of action has been finalized by the racing industry.

Market Update

In June 2012, BCLC announced that it will submit a proposal to the City of Surrey to relocate the approved community gaming centre, operated by a competing service provider, in the Newton neighbourhood of that city to an alternate site, closer to the US border in South Surrey, BC, and to develop it into a casino resort. The proposed facility would be operated by the competing service provider and may feature 25 gaming tables, up to 600 slot machines, and a four-star hotel with 190 rooms and conference space.

In October 2012, the City of Surrey approved the installation of 150 temporary slot machines in the existing Newton bingo hall, which is expected to commence in November 2012. The operation of the temporary slot machines will be limited to: 18 calendar months from the date of activation, the date on which permanent slot machines are activated in a new South Surrey casino (if approved), or the date on which permanent slot machines are activated in a new Newton community gaming centre, whichever occurs first.

The Gaming Control Act outlines the requirements for BCLC and municipalities when considering a new gaming facility proposal. Under these requirements, the City of Surrey will consult with adjacent municipalities and will determine the process for public input as part of their hearing process.

The effect that these planned gaming facilities may have on the Company's Fraser Downs Racetrack and Casino facility, which is also located in Surrey, BC, is not yet determinable. Depending on the timing of the City of Surrey's approval process, the Company anticipates that the new gaming facility could open as early as 2014.

Ontario

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.

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, 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, a request for pre-qualifications and a request for proposals will follow. OLG has stated that it may begin the request for pre-qualifications process in late fall 2012, and the request for proposals process in early 2013.

The Company is 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 and OLG are currently negotiating short-term lease agreements that are expected to ensure the ongoing operations of slot machines at Georgian Downs and Flamboro Downs 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. The Government of Ontario has also asked an expert panel of three former Ontario Cabinet ministers (the "Ontario Horse Racing Industry Transition Panel") to consult with the horse racing industry to determine how the Government can support the transition to a self-sufficient business model, including the allocation of transitional funds. In October 2012, the Ontario Horse Racing Industry Transition Panel released a report that included recommendations to materially reduce the total province-wide annual horse racing days by approximately half, with these reduced days to be provided by a minimum of six racetracks. The model proposed by the Ontario Horse Racing Industry Transition Panel assumes that the participating racetrack operators will not derive profit from racing operations. With the elimination of the Slots at Racetracks program, the recommended that operating costs incurred by the racetracks would be publicly funded, subject to an expert external review. Similarly, it recommended public funding to the horse racing industry over three years, subject to ongoing accountability audits. The Ontario Horse Racing Industry Transition Panel also supported the development of an alliance between the participating racetracks in Ontario to manage racing operations, subject to certain conditions. While not exhaustive, these conditions include pooling all Ontario pari-mutuel wagering revenues, allocating and directing those revenues towards racing purses and reinvesting any residual earnings in the industry. Consequently, it is not certain at this time the full extent of the impact that the continued modernization of gaming and the change in horse racing business model 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 September 30, 2012, the carrying values of the intangible assets and property, plant and equipment associated with Georgian Downs were $16.0 and $46.8, respectively. As at September 30, 2012, the carrying values of the intangible assets and property, plant and equipment associated with Flamboro Downs were $13.2 and $7.7, respectively.

Investment in PDX Entertainment Company

During the nine months ended September 30, 2012, the Company acquired a 38% minority equity interest in PDX Entertainment Company ("PDX") for $3.5. PDX is pursuing the opportunity to build and operate an entertainment and gaming complex in Wood Village, Oregon and has been incurring related campaign expenses.

The success of the proposed development is subject to a high level of uncertainty. It requires the approval of Wood Village voters through a local municipal ballot measure, and the approval of Oregon voters through two state ballot measures, one of which would change the state constitution to permit private-sector casino gaming in Oregon. On October 16, 2012, PDX suspended its campaign operations to support the entertainment and gaming complex in Wood Village as the campaign team felt that not enough voters were ready to add the proposed private casino to the state's gaming options. The ballot measures were voted on November 6, 2012, and the preliminary results conclusively indicate that the voters do not support the amendment to the state constitution as proposed. Consequently, the remaining carrying value of the Company's investment in PDX on November 6, 2012 will be impaired. As at September 30, 2012, the carrying value of the Company's investment in PDX was $0.9.

Debt Refinancing

On July 24, 2012, the Company completed a long-term debt refinancing and issued $450.0 of 6.625% Senior Unsecured Notes due on July 25, 2022 ("Senior Unsecured Notes"). The net proceeds were $439.5 after transaction costs of $10.5. The use of proceeds included repayment of the US$161.1 Senior Secured Term Loan B ("Term Loan B"), repurchase or redemption of the US$170.0 Senior Subordinated Notes ("Subordinated Notes"), settlement of the derivative liabilities associated with the related cross-currency interest rate and principal swaps, and the remainder was retained for general corporate purposes.

The Senior Unsecured Notes are guaranteed by the Company's material restricted subsidiaries as defined in the long-term debt agreement covering the Trust Indenture. 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 86.3%) of the US$170.0 Subordinated Notes were validly tendered and repurchased 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 were redeemed on August 23, 2012. The total transaction costs of $3.9 associated with the repurchase and redemption of the Subordinated Notes were expensed as "interest and financing costs, net" on the condensed interim consolidated statements of earnings (loss), and included a $3.1 the tender premium, a $0.4 redemption premium, and legal and other costs of $0.4.

On July 24, 2012, the Company extended the maturity of its $350.0 Senior Secured Revolving Credit Facility ("Revolving Credit Facility) by one year to July 21, 2017.

Transaction costs of approximately $10.5 associated with the issuance of the Senior Unsecured Notes were primarily related to underwriting fees, legal fees, and other expenses, and will be amortized to "interest and financing costs, net" on the condensed interim consolidated statements of earnings (loss) over the term of the Senior Unsecured Notes using the effective interest method. Transaction costs of $0.5 associated with the Revolving Credit Facility amendment are recorded as a component of "other assets" on the condensed interim consolidated statements of financial position, and will be amortized to "interest and financing costs, net" on the consolidated interim statements of earnings (loss) over the term of the Revolving Credit Facility using the effective interest method.

As a result of this debt refinancing, the Company settled all of its cross-currency interest rate and principal swaps and paid $69.9 to its counterparties, which represented the fair value of the swaps. Accordingly, the accumulated $8.1 loss on derivatives designated as cash flow hedges, within "accumulated other comprehensive loss" has been reclassified to "foreign exchange loss and other", which reflects the fair value changes of the underlying elements of the cross-currency interest rate and principal swaps. In addition, previously deferred financing transaction costs and premium associated with the Term Loan B and Subordinated Notes of $2.4 were expensed as "interest and financing costs, net" on the condensed interim consolidated statements of earnings (loss).

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 September 30, 2012, the Company did not purchase common shares under the normal course issuer bid. For the nine months ended September 30, 2012, the Company purchased 3,657,210 common shares at a weighted-average price per share of $8.15 under the normal course issuer bid.

On July 6, 2012, the Company commenced a substantial issuer bid, pursuant to which the Company offered to purchase for cancellation up to 10,000,000 of its outstanding common shares from shareholders at a purchase price of $10.00 per share. On August 21, 2012, the Company announced it accepted for purchase 10,000,000 of the validly tendered common shares at a purchase price of $10.00 per share for a total of $100.0 and $0.3 in related transaction costs.

All shares purchased by the Company were cancelled. The Company's share capital was reduced by an amount equal to the carrying value of the shares repurchased and the remainder was recorded as a reduction to retained earnings on the condensed interim consolidated statements of changes in equity.

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the consolidated operating results for the three month and nine month periods ended September 30, 2012, with comparatives for the prior periods.

	Third Quarter			**First Nine Months of**		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**$ 73.8**	$ 73.7	0%	**$ 223.5**	$ 213.5	5%
Facility Development Commission	**7.6**	8.1	(6%)	**24.5**	23.5	4%
Hospitality and other revenues	**21.5**	17.9	20%	**60.7**	51.5	18%
Racetrack revenues	**4.3**	5.2	(17%)	**12.4**	15.1	(18%)
	107.2	104.9	2%	**321.1**	303.6	6%
Less: Promotional allowances	**(5.4)**	(3.9)	38%	**(15.2)**	(11.1)	37%
Revenues	**101.8**	101.0	1%	**305.9**	292.5	5%
Human resources	**42.3**	39.5	7%	**123.0**	115.8	6%
Property, marketing and administration	**23.7**	22.9	3%	**72.8**	68.8	6%
	66.0	62.4	6%	**195.8**	184.6	6%
EBITDA	**35.8**	38.6	(7%)	**110.1**	107.9	2%
Human resources as a % of Revenues before Promotional allowances	**39.5%**	37.7%		**38.3%**	38.1%	
EBITDA as a % of Revenues	**35.2%**	38.2%		**36.0%**	36.9%	
Amortization	**12.8**	14.7		**38.7**	43.7	
Share-based compensation	**0.6**	0.9		**3.4**	4.3	
Impairment of long-lived assets	**-**	-		**54.2**	-	
Impairment of goodwill	**-**	-		**3.2**	-	
Interest and financing costs, net	**14.1**	7.9		**28.6**	21.8	
Litigation settlement	**-**	-		**11.0**	-	
Equity investment loss and other	**2.1**	0.3		**2.7**	0.7	
Foreign exchange loss and other	**8.1**	4.3		**7.0**	4.1	
Income taxes	**(1.0)**	2.6		**(8.6)**	9.4	
Net (loss) earnings	**$ (0.9)**	$ 7.9		**$ (30.1)**	$ 23.9	
Net (loss) earnings per common share						
Basic	**$ (0.01)**	$ 0.10		**$ (0.38)**	$ 0.29	
Diluted	**$ (0.01)**	$ 0.09		**$ (0.38)**	$ 0.28	
Weighted average number of common shares (in thousands)						
Basic	**75,557**	82,523		**78,986**	82,842	
Diluted	**75,557**	84,079		**78,986**	84,454	

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

Discussion of Results

The Company's operating results are discussed in two sections. Revenues, human resources expenses, property, marketing and administration expenses, and EBITDA are discussed on a property or, where appropriate, group of similar properties basis. Items excluded from EBITDA are discussed on a consolidated basis. The following table reconciles the property results to the consolidated results of operations above.

REVENUES and EBITDA

	Third Quarter			First Nine Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
REVENUES						
Casinos						
River Rock Casino Resort	**$ 39.3**	$ 35.5	11%	**$ 120.1**	$ 104.1	15%
Boulevard Casino	**13.9**	14.6	(5%)	**43.5**	43.6	0%
Vancouver Island Casinos	**9.8**	9.9	(1%)	**28.9**	29.1	(1%)
Other BC Casinos	**2.7**	3.1	(13%)	**9.2**	8.4	10%
Nova Scotia Casinos	**11.3**	12.0	(6%)	**31.4**	32.2	(2%)
Great American Casinos	**5.1**	5.3	(4%)	**16.2**	16.9	(4%)
	82.1	80.4	2%	**249.3**	234.3	6%
Racinos						
BC Racinos	**10.9**	11.5	(5%)	**31.2**	32.5	(4%)
Georgian Downs	**4.2**	4.4	(5%)	**11.9**	11.9	0%
Flamboro Downs	**4.6**	4.7	(2%)	**13.5**	13.7	(1%)
	19.7	20.6	(4%)	**56.6**	58.1	(3%)
Corporate & Other	**-**	-		**-**	0.1	(100%)
Total Revenues	**$ 101.8**	$ 101.0	1%	**$ 305.9**	$ 292.5	5%
EBITDA						
Casinos						
River Rock Casino Resort	**$ 19.0**	$ 17.8	7%	**$ 60.8**	$ 51.1	19%
Boulevard Casino	**4.8**	5.9	(19%)	**16.1**	17.7	(9%)
Vancouver Island Casinos	**5.3**	5.6	(5%)	**15.7**	16.4	(4%)
Other BC Casinos	**0.8**	1.2	(33%)	**3.6**	3.5	3%
Nova Scotia Casinos	**3.5**	4.3	(19%)	**8.3**	9.1	(9%)
Great American Casinos	**0.5**	0.8	(38%)	**1.8**	3.5	(49%)
	33.9	35.6	(5%)	**106.3**	101.3	5%
Racinos						
BC Racinos	**1.8**	3.2	(44%)	**5.7**	8.6	(34%)
Georgian Downs	**2.5**	2.6	(4%)	**7.1**	7.0	1%
Flamboro Downs	**2.2**	2.2	0%	**6.0**	6.0	0%
	6.5	8.0	(19%)	**18.8**	21.6	(13%)
Corporate & Other	**(4.6)**	(5.0)	8%	**(15.0)**	(15.0)	0%
Total EBITDA	**$ 35.8**	$ 38.6	(7%)	**$ 110.1**	$ 107.9	2%

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

Casinos

River Rock Casino Resort

	Third Quarter			First Nine Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**$ 26.1**	$ 24.6	6%	**$ 82.2**	$ 71.9	14%
Facility Development Commission	**3.8**	3.7	3%	**12.0**	10.6	13%
Hospitality and other revenues	**11.5**	8.5	35%	**32.0**	25.5	25%
Revenues before Promotional allowances	**41.4**	36.8	13%	**126.2**	108.0	17%
Less: Promotional allowances	**(2.1)**	(1.3)	62%	**(6.1)**	(3.9)	56%
Revenues	**39.3**	35.5	11%	**120.1**	104.1	15%
Human resources	**13.3**	11.7	14%	**38.2**	34.8	10%
Property, marketing and administration	**7.0**	6.0	17%	**21.1**	18.2	16%
EBITDA	**$ 19.0**	$ 17.8	7%	**$ 60.8**	$ 51.1	19%
Human resources as a % of Revenues before Promotional allowances	**32.1%**	31.8%		**30.3%**	32.2%	
EBITDA as a % of Revenues	**48.3%**	50.1%		**50.6%**	49.1%	

	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Average
Table Drop	$ 205.3	$ 189.0	$ 219.6	$ 169.4	$ 175.9	$ 178.4	$ 181.3	$ 176.7	$ 151.2	
Table Hold	$ 42.0	$ 40.9	$ 53.3	$ 32.5	$ 39.2	$ 39.1	$ 34.5	$ 34.4	$ 29.5	
Table Hold %	20.5%	21.6%	24.3%	19.2%	22.3%	21.9%	19.0%	19.5%	19.6%	21.0%
Poker Rake	$ 1.0	$ 1.1	$ 1.1	$ 1.2	$ 1.1	$ 1.1	$ 1.2	$ 1.5	$ 1.4	
Slot Coin-In	$ 518.1	$ 519.6	$ 493.4	$ 522.8	$ 490.9	$ 477.3	$ 448.2	$ 448.5	$ 451.8	
Slot Win	$ 35.2	$ 34.6	$ 33.9	$ 34.5	$ 34.1	$ 34.3	$ 30.3	$ 31.6	$ 32.8	
Slot Win/Slot/Day[1,2]	$ 349	$ 355	$ 372	$ 375	$ 376	$ 384	$ 339	$ 348	$ 361	
Slot Win %	6.8%	6.7%	6.9%	6.6%	6.9%	7.2%	6.8%	7.0%	7.3%	6.9%

(1) Slot Win/Slot/Day is an average, presented in dollars.
(2) During the second quarter of 2012, the Company added 104 slot machines at River Rock, resulting in 1,110 slot machines as at June 30, 2012.

Revenues
Gaming revenues at River Rock increased by 6% in the third quarter of 2012, when compared to the third quarter of 2011. This improvement was primarily due to growth in table drop of 17% and slot coin-in of 6%, attributable to the continued benefit of the redevelopments, enhancements, and associated increase in player demand at River Rock. The increases in table drop and slot coin-in were partially offset by a lower table hold percentage, when compared to the third quarter of 2011.

Gaming revenues increased by 14% in the first nine months of 2012, when compared to the first nine months of 2011. This increase was primarily due to the growth in table drop of 15%, improvement in slot coin-in of 8%, and an above-average table hold percentage in the first quarter of 2012.

Hospitality and other revenues increased by 35% in the third quarter and 25% in the first nine months of 2012, when compared to the third quarter and first nine months of 2011. These increases were primarily due to both incremental revenues generated by the new hotel tower, which opened on October 17, 2011, and growth in food and beverage revenues.

In October 2011, 'The Hotel at River Rock' added 193 rooms offered at a lower price point compared to the 'River Rock Casino Resort Suites,' which has a capacity of 202 rooms. As a result of nearly doubling the number of the property's hotel rooms, River Rock's average daily hotel revenue per available room ("REVPAR") was $123 dollars in the third quarter of 2012, compared to $153 dollars in the third quarter of 2011. This decrease was due to a 16% decrease in the average daily room rate ("ADR") to $148 dollars and a 4.0 percentage point decrease in occupancy to 83%. The new hotel tower has been trending positively since its opening. The Company expects 'The Hotel at River Rock' to complete its brand establishment and start-up phases by the end of 2012.

Promotional allowance increased by $0.8 in the third quarter and $2.2 in the first nine months of 2012, when compared to the same periods in 2011. These increases were primarily due to the increased incentives associated with direct marketing efforts and complimentary food, beverage, and other items provided to gaming and hospitality guests.

Expenses
Human resources expenses increased by 14% in the third quarter and 10% in the first nine months of 2012, when compared to the same periods in 2011. These increases were primarily due to incremental staffing costs associated with the new hotel tower, improvements in food and beverage volumes, and growth in table player demand. Human resources expenses also include non-recurring severance costs of $0.4 in the third quarter of 2012.

Property, marketing and administration expenses increased by 17% in the third quarter and 16% in the first nine months of 2012, when compared to the third quarter and first nine months of 2011. These increases were primarily due to incremental operating costs associated with the new hotel tower, growth in food and beverage revenues, and inflationary cost increases.

EBITDA
EBITDA increased by 7% in the third quarter and 19% in the first nine months of 2012, when compared to the third quarter and first nine months of 2011. These improvements were due to River Rock's revenue increases, and were partly offset by increased operating expenses.

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

Boulevard Casino

	Third Quarter			First Nine Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**$ 10.6**	$ 11.3	(6%)	**$ 32.7**	$ 33.3	(2%)
Facility Development Commission	**1.7**	1.8	(6%)	**5.4**	5.4	0%
Hospitality and other revenues	**2.2**	2.1	5%	**7.1**	6.4	11%
Revenues before Promotional allowances	**14.5**	15.2	(5%)	**45.2**	45.1	0%
Less: Promotional allowances	**(0.6)**	(0.6)	0%	**(1.7)**	(1.5)	13%
Revenues	**13.9**	14.6	(5%)	**43.5**	43.6	0%
Human resources	**6.3**	5.9	7%	**18.6**	17.6	6%
Property, marketing and administration	**2.8**	2.8	0%	**8.8**	8.3	6%
EBITDA	**$ 4.8**	$ 5.9	(19%)	**$ 16.1**	$ 17.7	(9%)
Human resources as a % of Revenues before Promotional allowances	**43.4%**	38.8%		**41.2%**	39.0%	
EBITDA as a % of Revenues	**34.5%**	40.4%		**37.0%**	40.6%	

	Q3 2012	**Q2 2012**	**Q1 2012**	**Q4 2011**	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Q3 2010**	**Average**
Table Drop	$ 40.9	$ 42.1	$ 42.0	$ 41.6	$ 39.7	$ 40.3	$ 39.3	$ 45.8	$ 44.8	
Table Hold	$ 8.4	$ 8.4	$ 9.0	$ 8.4	$ 8.6	$ 8.5	$ 8.7	$ 8.9	$ 9.0	
Table Hold %	20.5%	20.0%	21.4%	20.2%	21.7%	21.1%	22.1%	19.4%	20.1%	20.7%
Poker Rake	$ 0.7	$ 0.9	$ 1.2	$ 1.1	$ 1.4	$ 1.0	$ 1.1	$ 1.3	$ 1.3	
Slot Coin-In	$ 391.3	$ 414.6	$ 400.4	$ 400.6	$ 392.1	$ 394.4	$ 372.8	$ 380.8	$ 406.8	
Slot Win	$ 27.2	$ 28.5	$ 26.6	$ 26.7	$ 27.2	$ 28.0	$ 26.5	$ 27.8	$ 28.9	
Slot Win/Slot/Day[(1)]	$ 302	$ 315	$ 298	$ 289	$ 294	$ 305	$ 289	$ 292	$ 314	
Slot Win %	6.9%	6.9%	6.6%	6.7%	6.9%	7.1%	7.1%	7.3%	7.1%	7.0%

[(1)] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at Boulevard decreased by 5% in the third quarter and remained relatively consistent in the first nine months of 2012, when compared to the prior periods in 2011. Boulevard continues to be negatively impacted by both a challenging local economy and construction on provincial highway enhancements adjacent to the facility. This construction is expected to continue until late 2013. Boulevard has also been impacted by nearby competition, including the Company's Maple Ridge Community Gaming Centre and the new poker room at the Fraser Downs Racetrack and Casino. The Maple Ridge Community Gaming Centre, which introduced slot machines in October 2010, has accommodated some of those guests displaced by the highway construction adjacent to Boulevard.

Expenses

Human resources expenses increased by 7% and 6% in the third quarter and first nine months of 2012, when compared to the same periods in 2011. These increases were primarily due to increased staffing levels and training to improve guest service at the facility, as well as non-recurring severance costs of $0.3 and $0.4 in the third quarter and first nine months of 2012, respectively.

Property, marketing and administration expenses were consistent in the third quarter of 2012, when compared to the third quarter of 2011. Property, marketing and administration expenses increased by 6% in the first nine months of 2012, when compared to the first nine months of 2011. This increase was primarily due to both increased marketing costs intended to attract new guests and incremental operating costs associated with the growth in food and beverage revenues.

EBITDA

EBITDA decreased by 19% in the third quarter and 9% in the first nine months of 2012, when compared to the same periods in 2011. These decreases were primarily due to the increase in operating costs intended to both attract new guests and improve the overall guest experience at Boulevard.

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

Vancouver Island Casinos (View Royal Casino and Casino Nanaimo)

	Third Quarter			First Nine Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**$ 7.9**	$ 8.0	(1%)	**$ 23.3**	$ 23.6	(1%)
Facility Development Commission	**1.3**	1.3	0%	**3.9**	3.9	0%
Hospitality and other revenues	**1.1**	1.0	10%	**3.1**	2.8	11%
Revenues before Promotional allowances	**10.3**	10.3	0%	**30.3**	30.3	0%
Less: Promotional allowances	**(0.5)**	(0.4)	25%	**(1.4)**	(1.2)	17%
Revenues	**9.8**	9.9	(1%)	**28.9**	29.1	(1%)
Human resources	**3.1**	3.0	3%	**9.2**	8.9	3%
Property, marketing and administration	**1.4**	1.3	8%	**4.0**	3.8	5%
EBITDA	**$ 5.3**	$ 5.6	(5%)	**$ 15.7**	$ 16.4	(4%)
Human resources as a % of Revenues before Promotional allowances	**30.1%**	29.1%		**30.4%**	29.4%	
EBITDA as a % of Revenues	**54.1%**	56.6%		**54.3%**	56.4%	

	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Average
Table Drop	$ 13.0	$ 12.4	$ 13.0	$ 11.6	$ 11.7	$ 11.7	$ 12.9	$ 12.8	$ 13.7	
Table Hold	$ 2.8	$ 2.9	$ 2.7	$ 2.5	$ 2.6	$ 2.6	$ 2.8	$ 2.9	$ 2.8	
Table Hold %	21.5%	23.4%	20.8%	21.6%	22.2%	22.2%	21.7%	22.7%	20.4%	21.8%
Slot Coin-In	$ 390.0	$ 397.2	$ 378.1	$ 381.4	$ 386.6	$ 394.1	$ 365.4	$ 375.3	$ 379.8	
Slot Win	$ 28.3	$ 27.8	$ 27.1	$ 27.5	$ 28.9	$ 28.8	$ 27.0	$ 28.5	$ 29.1	
Slot Win/Slot/Day(1)	$ 305	$ 303	$ 295	$ 296	$ 311	$ 318	$ 293	$ 309	$ 324	
Slot Win %	7.3%	7.0%	7.2%	7.2%	7.5%	7.3%	7.4%	7.6%	7.7%	7.3%

(1) Slot Win/Slot/Day is an average, presented in dollars.

<u>Revenues</u>

Revenues at the Vancouver Island Casinos were relatively consistent in the third quarter and first nine months of 2012, when compared to the same prior periods in 2011.

<u>Expenses</u>

Human resources in the third quarter and first nine months of 2012 increased by 3%, when compared to the same prior periods in 2011. These increases were primarily due to non-recurring severance costs of $0.1 and $0.2 in the third quarter and first nine months of 2012, respectively.

Property, marketing and administration expenses increased by 8% in the third quarter and 5% in the first nine months of 2012, when compared to the third quarter and first nine months of 2011. These increases were primarily due to incremental operating costs associated with the growth in food and beverage revenues.

<u>EBITDA</u>

EBITDA decreased by 5% in the third quarter and 4% in the first nine months of 2012, when compared to the third quarter and first nine months of 2011. These decreases were primarily due to the increase in operating costs.

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

Other BC Casinos (Chances Dawson Creek, Maple Ridge Community Gaming Centre and Chilliwack Bingo)

	Third Quarter			First Nine Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**$ 2.3**	$ 2.4	(4%)	**$ 7.3**	$ 6.3	16%
Facility Development Commission	**0.1**	0.4	(75%)	**0.9**	1.2	(25%)
Hospitality and other revenues	**0.4**	0.4	0%	**1.3**	1.2	8%
Revenues before Promotional allowances	**2.8**	3.2	(13%)	**9.5**	8.7	9%
Less: Promotional allowances	**(0.1)**	(0.1)	0%	**(0.3)**	(0.3)	0%
Revenues	**2.7**	3.1	(13%)	**9.2**	8.4	10%
Human resources	**1.2**	1.2	0%	**3.5**	3.0	17%
Property, marketing and administration	**0.7**	0.7	0%	**2.1**	1.9	11%
EBITDA	**$ 0.8**	$ 1.2	(33%)	**$ 3.6**	$ 3.5	3%
Human resources as a % of Revenues before Promotional allowances	**42.9%**	37.5%		**36.8%**	34.5%	
EBITDA as a % of Revenues	**29.6%**	38.7%		**39.1%**	41.7%	

	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Average
Slot Coin-In	$ 107.3	$ 107.9	$ 114.1	$ 118.7	$ 102.4	$ 104.5	$ 98.4	$ 95.3	$ 56.8	
Slot Win	$ 7.0	$ 7.1	$ 7.6	$ 7.4	$ 6.9	$ 7.0	$ 6.6	$ 6.1	$ 3.4	
Slot Win/Slot/Day(1)	$ 296	$ 305	$ 327	$ 316	$ 294	$ 300	$ 283	$ 260	$ 249	
Slot Win %	6.5%	6.6%	6.7%	6.2%	6.7%	6.7%	6.7%	6.4%	6.0%	6.5%

(1) Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at the Company's Other BC Casinos decreased by 13% in the third quarter of 2012 when compared to the third quarter of 2011. This decrease was primarily due to lower Facility Development Commission ("FDC") revenues. During the third quarter of 2012, the FDC eligible expenditures for the temporary Maple Ridge slot facility have been fully reimbursed. The Company expects to earn additional FDC revenues for the Maple Ridge Community Gaming Centre once the expenditures on the permanent facility have been incurred and approved by BCLC as FDC qualified.

Revenues increased by 10% in the first nine months of 2012, when compared to the first nine months of 2011. This increase was primarily due to the acquisition of Chilliwack Bingo on May 31, 2011, which generated incremental revenues in the first nine months of 2012. This increase was partially offset by lower FDC revenues related to the Maple Ridge Community Gaming Centre.

Expenses

Human resources expenses in the third quarter of 2012 were relatively consistent with the third quarter of 2011. Human resources expenses increased by 17% in the first nine months of 2012, when compared to the first nine months of 2011. This increase was primarily due to the incremental costs associated with the operation of Chilliwack Bingo, which was acquired on May 31, 2011.

EBITDA

EBITDA decreased by 33% in the third quarter of 2012, when compared to the third quarter of 2011. This decrease was primarily due to the decrease in FDC revenues. EBITDA increased by 3% in the first nine months of 2012, when compared to the first nine months of 2011. This increase was primarily due to the growth in gaming revenues, and was partially offset by the increase in operating expenses and lower FDC revenues.

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

Nova Scotia Casinos (Casino Nova Scotia Halifax and Casino Nova Scotia Sydney)

	Third Quarter			First Nine Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**$ 11.0**	$ 11.3	(3%)	**$ 30.3**	$ 30.4	0%
Hospitality and other revenues	**1.3**	1.3	0%	**3.7**	3.5	6%
Revenues before Promotional allowances	**12.3**	12.6	(2%)	**34.0**	33.9	0%
Less: Promotional allowances	**(1.0)**	(0.6)	67%	**(2.6)**	(1.7)	53%
Revenues	**11.3**	12.0	(6%)	**31.4**	32.2	(2%)
Human resources	**4.3**	4.2	2%	**12.9**	12.7	2%
Property, marketing and administration	**3.5**	3.5	0%	**10.2**	10.4	(2%)
EBITDA	**$ 3.5**	$ 4.3	(19%)	**$ 8.3**	$ 9.1	(9%)
Human resources as a % of Revenues before Promotional allowances	**35.0%**	33.3%		**37.9%**	37.5%	
EBITDA as a % of Revenues	**31.0%**	35.8%		**26.4%**	28.3%	

	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Average
Table Drop	$ 10.4	$ 9.8	$ 10.5	$ 11.0	$ 11.4	$ 11.8	$ 10.0	$ 11.5	$ 12.1	
Table Hold	$ 1.9	$ 1.9	$ 2.3	$ 2.2	$ 2.4	$ 2.3	$ 2.1	$ 2.2	$ 2.5	
Table Hold %	18.3%	19.4%	21.9%	20.0%	21.1%	19.5%	21.0%	19.1%	20.7%	20.1%
Poker Rake	$ 0.5	$ 0.4	$ 0.4	$ 0.5	$ 0.6	$ 0.5	$ 0.5	$ 0.4	$ 0.4	
Slot Coin-In	$ 228.3	$ 206.2	$ 192.6	$ 193.5	$ 231.2	$ 205.2	$ 181.6	$ 200.2	$ 240.5	
Slot Win	$ 18.3	$ 16.1	$ 15.2	$ 15.0	$ 18.5	$ 16.2	$ 14.4	$ 15.6	$ 18.6	
Slot Win/Slot/Day(1)	$ 227	$ 205	$ 191	$ 185	$ 225	$ 198	$ 176	$ 190	$ 226	
Slot Win %	8.0%	7.8%	7.9%	7.8%	8.0%	7.9%	7.9%	7.8%	7.7%	7.9%

(1) Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues at the Nova Scotia Casinos decreased by 3% in the third quarter of 2012, when compared to the third quarter of 2011. This decrease was primarily due to a decrease in table drop, which can be attributed to a slower than expected local economy. Gaming revenues in the first nine months of 2012 were relatively consistent with the first nine months of 2011.

Promotional allowances increased by $0.4 in the third quarter and $0.9 in the first nine months of 2012, when compared to the third quarter and first nine months of 2011. These increases were primarily due to the increased incentives associated with direct marketing efforts and complimentary food, beverage, and other items provided to guests.

Expenses

Human resources and property, marketing and administration expenses in the third quarter and first nine months of 2012 were relatively consistent with the same prior periods in 2011.

EBITDA

EBITDA decreased by 19% and 9% in the third quarter and first nine months of 2012, when compared to the same prior periods in 2011. These decreases were primarily due to the decrease in the Nova Scotia Casinos' revenues.

Great American Casinos

Results in U.S. Dollars (in millions)

	Third Quarter			First Nine Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**$ 4.4**	$ 4.6	(4%)	**$ 13.6**	$ 14.9	(9%)
Hospitality and other revenues	**1.4**	1.2	17%	**4.2**	3.5	20%
Revenues before Promotional allowances	**5.8**	5.8	0%	**17.8**	18.4	(3%)
Less: Promotional allowances	**(0.6)**	(0.4)	50%	**(1.6)**	(1.2)	33%
Revenues	**5.2**	5.4	(4%)	**16.2**	17.2	(6%)
Human resources	**3.2**	3.1	3%	**9.7**	9.3	4%
Property, marketing and administration	**1.4**	1.5	(7%)	**4.7**	4.4	7%
EBITDA	**$ 0.6**	$ 0.8	(25%)	**$ 1.8**	$ 3.5	(49%)
Human resources as a % of Revenues before Promotional allowances	**55.2%**	53.4%		**54.5%**	50.5%	
EBITDA as a % of Revenues	**11.5%**	14.8%		**11.1%**	20.3%	

	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Average
Table Drop	$ 31.6	$ 33.2	$ 35.5	$ 35.5	$ 31.7	$ 31.6	$ 31.2	$ 31.1	$ 33.7	
Table Hold	$ 4.7	$ 5.1	$ 5.4	$ 5.4	$ 5.2	$ 5.8	$ 5.9	$ 5.4	$ 5.3	
Table Hold %	14.9%	15.4%	15.2%	15.2%	16.4%	18.4%	18.9%	17.4%	15.7%	16.3%

Results in Canadian Dollars

	Third Quarter			First Nine Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Revenues	**$ 5.1**	$ 5.3	(4%)	**$ 16.2**	$ 16.9	(4%)
EBITDA	**$ 0.5**	$ 0.8	(38%)	**$ 1.8**	$ 3.5	(49%)

Discussion in U.S. Dollars

<u>Revenues</u>
Revenues at Great American Casinos decreased by 4% and 6% in the third quarter and first nine months of 2012, when compared to the third quarter and first nine months of 2011. These decreases were primarily due to lower table hold percentages, when compared to the same periods in 2011. The declines in table hold percentage were partially offset by increased hospitality revenues.

<u>Expenses</u>
Human resources expenses in the third quarter of 2012 were relatively consistent with the third quarter of 2011. Human resources expenses increased by 4% in the first nine months of 2012, when compared to the first nine months of 2011. This increase was primarily due to additional staffing costs necessitated by the increases in table drop during the first nine months of 2012.

Property, marketing and administration expenses in the third quarter of 2012 were relatively consistent with the third quarter of 2011. Property, marketing and administration expenses increased by 7% in the first nine months of 2012, when compared to the first nine months of 2011. This increase was primarily due to increased marketing and entertainment costs intended to improve guest visitation, as well as increased food and beverage costs associated with the growth in hospitality revenues.

EBITDA
Great American Casinos' EBITDA decreased by 25% in the third quarter and 49% in the first nine months of 2012, when compared to the third quarter and first nine months of 2011. These decreases were primarily due to both higher operating expenses and lower gaming revenues, which were partially offset by an increase in hospitality revenues.

The value of the Great American Casinos' functional currency, the U.S. dollar, in comparison to the Company's reporting currency, the Canadian dollar, affects the reported results of the Great American Casinos. The average value of the U.S. dollar increased by 1% in the third quarter and 2% in the first nine months of 2012, when compared to the same prior periods in 2011.

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

Racinos

BC Racinos (Fraser Downs Racetrack and Casino, Hastings Racecourse and Slots Facility)

	Third Quarter			First Nine Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**$ 5.1**	$ 5.0	2%	**$ 15.3**	$ 14.6	5%
Facility Development Commission	**0.7**	0.9	(22%)	**2.3**	2.4	(4%)
Racetrack revenues	**3.1**	3.9	(21%)	**8.9**	11.4	(22%)
Hospitality and other revenues	**2.5**	2.2	14%	**6.1**	5.4	13%
Revenues before Promotional allowances	**11.4**	12.0	(5%)	**32.6**	33.8	(4%)
Less: Promotional allowances	**(0.5)**	(0.5)	0%	**(1.4)**	(1.3)	8%
Revenues	**10.9**	11.5	(5%)	**31.2**	32.5	(4%)
Human resources	**5.5**	4.8	15%	**15.2**	13.5	13%
Property, marketing and administration	**3.6**	3.5	3%	**10.3**	10.4	(1%)
EBITDA	**$ 1.8**	$ 3.2	(44%)	**$ 5.7**	$ 8.6	(34%)
Human resources as a % of Revenues before Promotional allowances	**48.2%**	40.0%		**46.6%**	39.9%	
EBITDA as a % of Revenues	**16.5%**	27.8%		**18.3%**	26.5%	

	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Average
Table Drop	$ 7.0	$ 7.2	$ 6.4	$ 6.0	$ 6.5	$ 6.1	$ 7.0	$ 7.3	$ 6.4	
Table Hold	$ 1.4	$ 1.4	$ 1.4	$ 1.3	$ 1.5	$ 1.3	$ 1.3	$ 1.5	$ 1.4	
Table Hold %	20.0%	19.4%	21.9%	21.7%	23.1%	21.3%	18.6%	20.5%	21.9%	20.8%
Poker Rake	$ 0.5	$ 0.3	$ 0.2	$ -	$ -	$ -	$ -	$ -	$ -	
Slot Coin-In	$ 239.4	$ 246.3	$ 234.7	$ 240.4	$ 241.8	$ 228.4	$ 219.0	$ 218.7	$ 222.2	
Slot Win	$ 17.9	$ 18.4	$ 17.6	$ 17.3	$ 18.4	$ 17.8	$ 17.2	$ 17.2	$ 17.8	
Slot Win/Slot/Day[(1)]	$ 184	$ 191	$ 183	$ 179	$ 189	$ 185	$ 179	$ 176	$ 184	
Slot Win %	7.5%	7.5%	7.5%	7.2%	7.6%	7.8%	7.9%	7.9%	8.0%	7.6%

[(1)] Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues at the BC Racinos increased by 2% in the third quarter and 5% in the first nine months of 2012, when compared to the third quarter and first nine months of 2011. These increases were primarily due to incremental revenues from the new poker room at Fraser Downs Racetrack and Casino, which opened on March 7, 2012.

Racetrack revenues decreased by 21% in the third quarter and 22% in the first nine months of 2012, when compared to the same prior periods in 2011. These decreases were primarily due to the reduction in the Company's allocated share of the consolidated horse racing industry revenues from 50% to 42% as of January 1, 2012, as well as an overall decrease in the consolidated BC horse racing industry revenues.

Expenses

Human resources expenses increased by 15% in the third quarter and 13% in the first half of 2012, when compared to the third quarter and first nine months of 2011. These increases were primarily due to increased staffing levels necessitated by the increase in gaming volumes, including those arising from play in the new poker room at Fraser Downs Racetrack and Casino, as well as non-recurring severance costs of $0.2 and $0.5 in the third quarter and first nine months of 2012, respectively.

Property, marketing and administration expenses were relatively consistent in the third quarter and first nine months of 2012, when compared to the same prior periods in 2011.

EBITDA
EBITDA decreased by 44% in the third quarter and 34% in the first nine months of 2012, when compared to the third quarter and first nine months of 2011. These decreases were primarily due to the decreases in racetrack revenues and increases in human resources expenses.

Recent Development
As described in the "Recent Developments" section of this MD&A, the Company has 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 on substantially the same terms.

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

Georgian Downs

	Third Quarter			First Nine Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**$ 3.4**	$ 3.4	0%	**$ 9.6**	$ 9.5	1%
Racetrack revenues	**0.4**	0.5	(20%)	**1.2**	1.3	(8%)
Hospitality and other revenues	**0.4**	0.5	(20%)	**1.1**	1.1	0%
Revenues	**4.2**	4.4	(5%)	**11.9**	11.9	0%
Human resources	**0.7**	0.7	0%	**1.9**	1.9	0%
Property, marketing and administration	**1.0**	1.1	(9%)	**2.9**	3.0	(3%)
EBITDA	**$ 2.5**	$ 2.6	(4%)	**$ 7.1**	$ 7.0	1%
Human resources as a % of Revenues before Promotional allowances	**16.7%**	15.9%		**16.0%**	16.0%	
EBITDA as a % of Revenues	**59.5%**	59.1%		**59.7%**	58.8%	

Revenues, Expenses, and EBITDA

Revenues, Expenses, and EBITDA at Georgian Downs in the third quarter and first nine months of 2012 were relatively consistent with the same periods in 2011.

Recent Development

As described in the "Recent Developments" section of this MD&A, the Company has received notice from OLG regarding the early termination of Georgian Downs' site holder agreement effective March 31, 2013. The Company is continuing discussions with OLG to determine both the future of this property and other potential opportunities that may arise from the continued modernization of gaming in Ontario.

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

Flamboro Downs

	Third Quarter			First Nine Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**$ 3.1**	$ 3.2	(3%)	**$ 9.2**	$ 9.3	(1%)
Racetrack revenues	**0.8**	0.8	0%	**2.3**	2.4	(4%)
Hospitality and other revenues	**0.7**	0.7	0%	**2.0**	2.0	0%
Revenues	**4.6**	4.7	(2%)	**13.5**	13.7	(1%)
Human resources	**1.2**	1.3	(8%)	**3.8**	3.8	0%
Property, marketing and administration	**1.2**	1.2	0%	**3.7**	3.9	(5%)
EBITDA	**$ 2.2**	$ 2.2	0%	**$ 6.0**	$ 6.0	0%
Human resources as a % of Revenues before Promotional allowances	**26.1%**	27.7%		**28.1%**	27.7%	
EBITDA as a % of Revenues	**47.8%**	46.8%		**44.4%**	43.8%	

Revenues, Expenses, and EBITDA

Revenues, Expenses, and EBITDA at Flamboro Downs in the third quarter and first nine months of 2012 were relatively consistent with the same periods in 2011.

Recent Development

As described in the "Recent Developments" section of this MD&A, the Company has received notice from OLG regarding the early termination of Flamboro Downs' site holder agreement effective March 31, 2013. The Company is continuing discussions with OLG to determine both the future of this property and other potential opportunities that may arise from the continued modernization of gaming in Ontario.

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

Corporate & Other

	Third Quarter			First Nine Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Revenues	**$ -**	$ -		**$ -**	$ 0.1	(100%)
Human resources	**3.5**	3.6	(3%)	**10.0**	10.5	(5%)
Property, marketing and administration	**1.1**	1.4	(21%)	**5.0**	4.6	9%
EBITDA	**$ (4.6)**	$ (5.0)	8%	**$ (15.0)**	$ (15.0)	0%

EBITDA
Corporate & Other EBITDA increased by 8% in the third quarter of 2012, when compared to the third quarter of 2011. This increase was primarily due to the legal costs incurred in the third quarter of 2011 associated with the litigation, as described in the "Liquidity and Capital Resources – Litigation" section of this MD&A, that was settled in the second quarter of 2012.

Corporate & Other EBITDA in the first nine months of 2012 was consistent with the first nine months of 2011.

Discussion of Items Excluded from EBITDA

Amortization
Amortization decreased by $1.9 in the third quarter and $5.0 in the first nine months of 2012, when compared to the third quarter and first nine months of 2011. These decreases were primarily due to the impairment of Hastings Racecourse and Slot Facility's property, plant and equipment at December 31, 2011. These decreases were partially offset by the increase in amortization expense associated with the impairment of Georgian Downs and Flamboro Downs as described in the "Recent Developments" section of this MD&A.

Share-Based Compensation
Share-based compensation decreased by $0.3 in the third quarter and $0.9 in the first nine months of 2012, when compared to the prior periods in 2011. These decreases were primarily due to a decrease in equity-settled share-based compensation related to a lower average number of unvested share options outstanding during the third quarter and first nine months of 2012. These decreases were partially offset by the increases in cash-settled share-based compensation, that were due to the increases in the share price during the third quarter of 2012 and first nine months of 2012.

Share-based compensation of $0.6 in the third quarter of 2012 (2011 - $0.9) comprises equity-settled share-based compensation of $0.4 (2011 - $0.9) and cash-settled share-based compensation of $0.2 (2011 - $nil). Share-based compensation of $3.4 in the first nine months of 2012 (2011 - $4.3) comprises equity-settled share-based compensation of $1.9 (2011 - $3.4) and cash-settled share-based compensation of $1.5 (2011 - $0.9).

Equity Investment Loss and Other
Equity investment loss and other increased by $1.8 in the third quarter and $2.0 in the first nine months of 2012. These increases were primarily due to the equity investment loss arising from the Company's investment in PDX, as described in the "Recent Developments" section of this MD&A. These increases were partially offset by decreased business development expenses.

Litigation Settlement
The litigation settlement of $11.0 in the first nine months of 2012 relates to the settlement of a long-standing legal dispute with a former Ontario-based consultant, as described in the "Liquidity and Capital Resources – Litigation" section of this MD&A.

Interest and Financing Costs, net
Interest and financing costs, net of interest income, increased by $6.2 in the third quarter and $6.8 in the first nine months of 2012, when compared to the third quarter and first nine months of 2011. Interest and financing costs in the third quarter of 2012 include non-recurring expenses of $3.9 associated with the Subordinated Notes redemption and $2.4 in previously deferred financing transaction costs related to the Subordinated Notes and Term Loan B, which were expensed during the third quarter of 2012 as part of the debt refinancing, as described in the "Recent Developments" section of this MD&A.

Impairment of Long-Lived Assets
Impairment of long-lived assets was $54.2 in the first nine months of 2012. This non-cash impairment charge was associated with the early termination notice of the site holder agreements for Georgian Downs and Flamboro Downs, as described in the "Recent Developments" section of this MD&A.

Impairment of Goodwill
A $3.2 goodwill impairment was recorded in the first quarter of 2012. This non-cash impairment charge reflects the full write-off of goodwill associated with Georgian Downs, as described in the "Recent Developments" section of this MD&A.

Foreign Exchange Loss and Other
Foreign exchange loss and other expenses in the third quarter of 2012 increased by $3.8 in the third quarter and $2.9 in the first nine months of 2012, when compared to the same prior periods in 2011. Foreign exchange loss and other expenses includes the $8.1 of accumulated losses on derivatives designated as cash flow hedges that were reclassified from "accumulated other comprehensive loss" on the final settlement of the Company's cross-currency interest rate and principal swaps, as described in the "Capital Resources" section of this MD&A.

Income Taxes
Income taxes decreased by $3.6 in the third quarter and $18.0 in the first nine months of 2012, when compared to the third quarter and first nine months of 2011. These decreases were primarily due to lower (loss) earnings before income taxes and a corporate income tax rate that was 25.0% in 2012, compared to 26.5% in 2011.

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

CONSOLIDATED QUARTERLY RESULTS TREND

	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Revenues	$ 101.8	$ 101.3	$ 102.8	$ 95.7	$ 101.0	$ 99.5	$ 92.0	$ 97.2	$ 96.3
EBITDA	$ 35.8	$ 35.3	$ 39.0	$ 31.0	$ 38.6	$ 37.8	$ 31.5	$ 35.0	$ 35.0
EBITDA as a % of Revenues	35.2%	34.8%	37.9%	32.4%	38.2%	38.0%	34.2%	36.0%	36.3%
Net (loss) earnings	$ (0.9)	$ 2.7	$ (31.9)	$ 2.3	$ 7.9	$ 10.3	$ 5.7	$ (29.5)	$ 6.2
Net (loss) earnings per common share									
Basic	$ (0.01)	$ 0.03	$ (0.39)	$ 0.03	$ 0.10	$ 0.12	$ 0.07	$ (0.36)	$ 0.07
Diluted	$ (0.01)	$ 0.03	$ (0.39)	$ 0.03	$ 0.09	$ 0.12	$ 0.07	$ (0.36)	$ 0.07

The Company's revenues trend reflects year-over-year growth. Gaming revenues have increased primarily due to improvements at River Rock, as well as incremental revenues from the acquisition of Chilliwack Bingo in May 2011. Hospitality and other revenues have experienced increases primarily attributable to the new hotel tower at River Rock, which opened in October 2011, as well as improvements in its food and beverage offerings. However, there has been an overall declining trend in horse racing industry revenues. The Company's allocated share of the consolidated horse racing industry revenues in BC was reduced from 50% to 42%, effective January 1, 2012.

Although the Company continues to focus on operating efficiencies, both EBITDA and EBITDA as a percentage of revenues reflect fluctuations in table hold percentages, in addition to the non-recurring severance costs and the start-up costs for the new hotel at River Rock, which opened in October 2011.

The net (loss) earnings trend reflects the items noted above, as well as certain impairment charges, restructuring and other costs, equity investment losses, business development expenses, litigation settlement costs, expenses associated with the debt refinancing and settlement of the related derivative liabilities, and related income tax effects.

LIQUIDITY AND CAPITAL RESOURCES

The Company manages liquidity risks by closely monitoring its capital structure and operating costs, regularly monitoring forecast and actual cash flows, taking a conservative approach to capital investment, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within its Revolving Credit Facility.

As at September 30, 2012, the Company had:

- Relatively low levels of receivables of which the majority of these are due from: sales tax rebates from the federal government, racetrack operators, the Nova Scotia Gaming Corporation (a branch of that province's government), and other provincial gaming corporations, and financial institutions;
- Low exposure to foreign currency exchange rate movements and low exposure to floating interest rate changes since it has relatively low levels of foreign denominated assets and liabilities and has fixed interest rates with its Canadian dollar denominated Senior Unsecured Notes;
- $318.0 of available credit on its Revolving Credit Facility;
- Ability to access additional debt capacity within the limitations established by the covenants on its existing credit and debt facilities; and
- Counterparties to its existing debt and credit facilities that are primarily major financial institutions that have minimum grade "A" credit ratings.

On July 24, 2012, the Company completed a refinancing of its long-term debt and settled the related derivative liabilities, as described in the "Recent Developments" section of this MD&A.

On August 21, 2012, the Company accepted for purchase 10,000,000 validly tendered common shares to a substantial issuer bid at a purchase price of $10.00 per share for a total of $100.0.

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

Financial Position

		September 30 2012		December 31, 2011
Cash and cash equivalents	**$**	**83.2**	$	134.7
Other current assets		**22.5**		22.6
Property, plant and equipment		**632.3**		663.6
Other long-term assets		**111.2**		155.2
Total Assets	**$**	**849.2**	$	976.1
Current liabilities	**$**	**57.4**	$	64.9
Long-term debt & Derivative liabilities (excluding current portion)		**439.7**		398.9
Other long-term liabilities		**75.6**		89.9
Total Liabilities		**572.7**		553.7
Shareholders' equity		**276.5**		422.4
Total Liabilities and Shareholders' equity	**$**	**849.2**	$	976.1

Total Assets
Total assets decreased by $126.9 in the first nine months of 2012, when compared to the total assets as at December 31, 2011. This decrease was primarily due to the cash outflow of $130.1 to repurchase common shares, non-cash impairment charges associated with both Georgian Downs and Flamboro Downs, and the amortization of property, plant and equipment and intangibles. These decreases were partially offset by cash generated by operating activities, additions to property, plant and equipment, and net proceeds of $31.7 associated with the debt refinancing, as described in the "Recent Developments" section of this MD&A.

Total Liabilities
Total liabilities increased by $19.0 in the first nine months of 2012, when compared to the total liabilities as at December 31, 2011. This increase was primarily due to the increase in long-term debt related to the debt refinancing, as described in the "Recent Developments" section of this MD&A. This increase was partially offset by the decrease in deferred tax liabilities associated with the impairments of Georgian Downs' and Flamboro Downs' long-lived assets and a decrease in current liabilities associated with the timing of trade payables.

Shareholders' equity
Shareholders' equity decreased by $145.9 in the first nine months 2012, when compared to shareholders' equity as at December 31, 2011. This decrease was primarily due to the common shares repurchased under the substantial issuer bid and normal course issuer bid totalling $130.1, and a net loss of $30.1. This decrease was partially offset by share options exercised of $7.2, other comprehensive income of $5.2, and equity-settled share-based compensation of $1.9.

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

Cash Flows

	Third Quarter			First Nine Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Net cash generated by operating activities	**$ 20.1**	$ 33.3	(40%)	**$ 85.4**	$ 89.9	(5%)
Cash (used in) generated by investing activities	**(6.1)**	22.0		**(22.1)**	7.0	
Cash used in financing activities	**(70.6)**	(24.1)	(193%)	**(114.9)**	(37.6)	(206%)
Effect of foreign exchange on cash and cash equivalents	**(0.2)**	0.8		**0.1**	0.9	(89%)
Cash (outflow) inflow	**$ (56.8)**	$ 32.0		**$ (51.5)**	$ 60.2	

Net cash generated by operating activities was lower in the third quarter of 2012, when compared to the third quarter of 2011. This decrease was primarily due to the timing of the cash payment associated with the Litigation Settlement of $11.0 in July 2012, as described in the "Liquidity and Capital Resources" section of this MD&A, as well as lower EBITDA in the third quarter of 2012. Net cash generated by operating activities was lower in the first nine months of 2012, when compared to the first nine months of 2011. This decrease was primarily due to the cash payment associated with the Litigation Settlement. This decrease was partially offset by both increased EBITDA and lower income tax instalment payments in the first nine months of 2012.

Cash used in investing activities in the third quarter and first nine months of 2012 was primarily due to the development of both the Chances Chilliwack community gaming centre and the permanent Maple Ridge community gaming centre, the redevelopment of Boulevard, and upgrades at River Rock's first two hotel towers. Cash generated by investing activities in the third quarter and first nine months of 2011 was primarily due to the maturity of short-term investments, and was partially offset by cash used in both the development of the third hotel tower at River Rock and the acquisition of Chilliwack Bingo.

Cash used in financing activities was higher in the third quarter and first nine months of 2012, when compared to the same periods in 2011. These increases were primarily due to the repurchase of common shares of $100.3 in the third quarter and $130.1 in the first nine months of 2012. These increases were partially offset by the net proceeds associated with the debt refinancing, as described in the "Recent Developments" section of this MD&A.

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

Capital Resources

Long-Term Debt and Equity

As at September 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	3.10
Senior Secured Debt to Adjusted EBITDA ratio (1)	< 3.50	0.00
Interest Coverage ratio (1)	> 2.25	4.89
Fixed Charge Coverage ratio (2)	> 2.00	4.81

(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.

The Company's independent credit ratings as at September 30, 2012 were as follows:

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

On July 24, 2012, the Company completed a refinancing of its long-term debt and settled the related derivative liabilities, as described in the "Recent Developments" section of this MD&A.

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

Cross-Currency Interest Rate and Principal Swap Agreements

The Company entered into cross-currency interest rate and principal swaps to hedge the U.S. dollar exchange rate and interest rate risks associated with the Term Loan B and Subordinated Notes issued in 2007. The Company designated these cross-currency interest rate and principal swaps as cash flow hedges, wherein the effective portion of the swap was recorded in "other comprehensive income". As at June 30, 2012, the cross-currency interest rate and principal swaps 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.

On July 24, 2012, as part of a long-term debt refinancing, as described in the "Recent Developments" section of this MD&A, the Company settled all of its cross-currency interest rate and principal swaps. Accordingly, the accumulated $8.1 loss on derivatives designated as cash flow hedges, within "accumulated other comprehensive loss" has been reclassified to "foreign exchange loss and other", which reflects the fair value changes of the underlying elements of the cross-currency interest rate and principal swaps.

During the three months ended September 30, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement. In connection with this amendment, the Company discontinued hedge accounting for a portion of the cash flows associated with the Term Loan B and Subordinated Notes cross-currency interest rate and principal swaps, and recognized foreign exchange losses of $5.0 during the three months ended September 30, 2011.

Outstanding Share Data

As at September 30, 2012, there were 70,256,619 common shares issued and outstanding compared to 82,476,558 as at December 31, 2011. This decrease was primarily due to the purchase and cancellation of common shares under the Company's issuer bids during the nine months ended September 30, 2012. As at September 30, 2012, there were 4,651,717 share options outstanding at a weighted-average exercise price of $6.93.

As at November 6, 2012, there were 70,295,019 common shares outstanding and 4,610,817 share options outstanding.

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

Capital Spending and Development

The majority of the Company's capital expenditures on gaming operations in British Columbia and Nova Scotia are eligible for reimbursement by the provincial gaming authorities. In British Columbia, through the Facility Development Commission ("FDC") program, BCLC provides commissions for approved capital and operating expenditures related to the development or improvement of gaming properties as defined in the operating services agreements. Currently, the FDC percentage is 3% of gross gaming win from casinos, racetracks and community gaming centres. In addition, BCLC introduced an accelerated FDC program in 2006 that provides an additional 2% of gross gaming win towards site-specific reimbursements of new gaming redevelopments. BCLC currently permits only one accelerated FDC eligible project to be submitted per facility.

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

	Nine months ended September 30,	
	2012	2011
Opening Approved Amounts	**$ 424.4**	$ 445.0
Additional Approved Amounts	**1.3**	3.4
FDC receipts	**(24.5)**	(23.5)
Closing Approved Amounts	**$ 401.2**	$ 424.9

The differences between the FDC Approved Amounts and the additions to property, plant and equipment are primarily due to the difference in timing between when the expenditures are incurred, when the invoices are received, and when they are submitted to BCLC for approval.

Approved expenditures incurred to improve or maintain the two Nova Scotia casinos facilities are reimbursed by NSGC from a Capital Reserve Account ("CRA"). The Company is required to make contributions to the CRA equal to 5% of the annual gross operational revenues from the two Nova Scotia casinos with a minimum contribution of approximately $5.0 per year adjusted for inflation since April 2010. If the CRA is in a deficit balance, the amount owed to the Company accrues interest at a rate of bank prime plus 2% per annum.

During the third quarter and first nine months of 2012, the Company's maintenance capital expenditures net of related accounts payable totalled $1.3 and $3.3. Maintenance capital expenditures were primarily related to various property upgrades and information technology. Development capital expenditures net of related accounts payable of $5.0 and $16.2 during the third quarter of 2012 and the first nine months of 2012 were primarily related to the recently opened Chances Chilliwack community gaming centre, the permanent Maple Ridge community gaming centre, the redevelopment of Boulevard, and upgrades at River Rock's first two hotel towers. For the upcoming remaining three months of 2012, the Company estimates that development capital expenditures and maintenance capital expenditures net of related accounts payable will total approximately $6 and $3, respectively.

Contingencies

We have issued letters of credit to guarantee performance primarily under gaming cash floats, construction contracts, and provincial gaming corporation payables in the aggregate amount of $32.0 as at September 30, 2012 (December 31, 2011 - $32.3).

Litigation

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 in June 2012.

The settlement of this dispute permits the Company to focus on managing the business and to cease incurring the ongoing legal fees and other costs associated with this dispute.

Guarantees and Indemnifications

The Company may provide guarantees and indemnifications in conjunction with transactions in the normal course of operations. These are recorded as liabilities when reasonable estimates of the obligations can be made. Guarantees and indemnifications that the Company has provided include obligations to indemnify:

- directors and officers of the Company and its subsidiaries for potential liability while acting as a director or officer of the Company, together with various expenses associated with defending and settling such suits or actions due to association with the Company, the risk of which is mitigated by the Company's directors' and officers' liability insurance;
- certain vendors of acquired companies or properties for obligations that may or may not have been known at the date of the transaction;
- certain financial institutions for costs that they may incur as a result of representations made in our debt and equity offering documents; and
- lessors of leased properties for personal injury claims that may arise at the facilities we operate.

Commitments

There were no material changes outside of the Company's ordinary course of business that affected the Company's contractual obligations for the first nine months of 2012, with the exception of the Company's debt refinancing, as described in the "Recent Developments" section of this MD&A, and the settlement with a former Ontario-based consultant, as described above.

Future Cash Requirements

Management believes that our current operational requirements and major development plans can be funded from existing cash and cash equivalents, cash generated from operations, and existing capacity on our Revolving Credit Facility. If future circumstances dictate an increased cash requirement and we elect not to delay, limit, or eliminate some of our plans, we may raise additional funds through the refinancing of existing debt, the issuance of additional debt that fits within the limitations established by the covenants on our existing credit and debt facilities, the issuance of hybrid debt-equity securities, or additional equity securities. If the Company needs to access the capital markets for additional financial resources, we believe we will be able to do so at prevailing market rates.

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

OTHER FINANCIAL INFORMATION

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:

	Third Quarter		First Nine Months of	
	2012	2011	**2012**	2011
Human resources [1]	**$ 0.6**	$ 1.0	**$ 1.7**	$ 2.7
Share-based compensation [2]	**0.4**	0.6	**2.3**	2.6
Total	**$ 1.0**	$ 1.6	**$ 4.0**	$ 5.3

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

[2] Share-based compensation includes equity and cash settled share-based compensation.

As at September 30, 2012, the liabilities of the Company included amounts due to key management personnel of $0.2 in "accounts payable and accrued liabilities" and $2.3 in "deferred credits, provisions and other liabilities" in the condensed interim consolidated statements of financial position.

Business Development Costs

Business development costs previously presented as "property, marketing and administration" on the condensed interim consolidated statements of earnings (loss) of $1.1 for the twelve months ended December 31, 2011, have been retrospectively reclassified to "equity investment loss 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.

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:

Effective for annual periods beginning on or after January 1, 2013:

- *IAS 1, Presentation of Financial Statements* – amended to clarify the requirements for comparative information in the 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.

- *IAS 16, Property, Plant and Equipment ("IAS 16")* – amended to clarify the classification of servicing equipment.

- *IAS 32, Financial Instruments: Presentation* – amended to clarify that the tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12.

- *IAS 34, Interim Financial Reporting* – amended to clarify the requirements for segment information related to total assets and total liabilities.

- *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, 2015:

- *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.

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* ("IAS 27 (2008)"), 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.

Critical Accounting Estimates and Judgments

The Company's reported financial position and results of operations are dependent on the selection of accounting policies that are based on IFRS and accounting estimates that underlie the preparation of the Company's Condensed Financial Statements. The audited consolidated financial statements for the year ended December 31, 2011 ("Annual Financial Statements") contain a summary of the Company's significant accounting policies and accounting estimates. Estimates by their nature are subject to risks, uncertainties and assumptions, which could cause the Company's financial position and operating results to differ materially from those presented in the Company's Annual Financial Statements. Future changes in accounting estimates will be applied on a prospective basis.

The critical accounting estimates and judgments that are the most judgmental or material to the Company's Audited Financial Statements are those relating to the impairment of long-lived assets and goodwill, estimated useful lives of long-lived assets, the fair value of net assets acquired in business combinations, the fair value of assets acquired in business transactions with non-monetary consideration, equity-settled share-based compensation, income taxes, contingencies, hedge accounting, control over a subsidiary, and determination of cash generating units. The Company's critical accounting estimates and judgments are further detailed in Note 3 of the Company's Annual Financial Statements.

Financial Instruments and Other Instruments

The Company's risk management strategy is to minimize exposure to currencies other than the Canadian dollar and, with the exception of revolving lines of credit, to fix substantially all of its floating interest rate debt. The financial instruments that give rise or may give rise to the most significant exposure to foreign currency and floating interest rate risk are the Term Loan B, the Subordinated Notes, and the Revolving Credit Facility.

The Company entered into a series of cross-currency interest rate and principal swaps to hedge the currency and interest rate risks associated with the Term Loan B and the Subordinated Notes. Refer to the "Capital Resources" section of this MD&A for information on the Company's long-term debt and the hedging activities used to manage the foreign currency and interest rate risks associated therewith.

Definitions of Other Terms Used in the MD&A

Gross gaming win – the amount wagered on gaming activities, less the payout or prizes to winning customers.

Racebook – an off-racetrack betting facility for pari-mutuel wagering on live horse races displayed by television broadcasts operated by the Company or TBC.

Revenues – the sum of the following:

- Casino gaming in BC – gaming revenues are net of commissions paid to BCLC (commissions are 60% of the win on most table games and 75% of the slot machine win) and are net of accruals for anticipated payouts of progressive slot machine jackpots and progressive table game payouts.

- Bingo and slots at a community gaming centre in BC – gaming revenues are net of commissions paid to BCLC (commissions are 75% of the win on slots, and 40% to 75% of the weekly bingo win) and are net of prizes.

- Horse racing in BC and Ontario – Racetrack revenues represent the Company's share of total wagering less amounts returned as winning wagers, provincial and federal taxes, and includes the host track share of wagering on the Company's races simulcast to other associations.

- Casino gaming in Washington – gaming revenues are net of county gaming taxes at various rates ranging from 10% to 11% for card and progressive jackpot games, 5% on pull-tabs and 2% on amusement games.

- Casino gaming in Nova Scotia – gaming revenues are approximately equal to 52.725% of the gross gaming win.

- Slot commissions in Ontario – slot machine commissions represent 10% of the gross gaming win from slot machines, all of which are operated by OLG.

- Facility Development Commission ("FDC") – revenues earned from BCLC as a fixed percentage of gross gaming win, subject to the Company incurring sufficient Approved Amounts (a defined term in the casino operating service agreements and generally consists of approved capital and operating expenditures related to the development or improvement of gaming properties). Specifically, BCLC's program permits a 3% FDC commission on gross gaming win from casinos, racetracks and community gaming centres and provides an additional, accelerated 2% of gross gaming win towards site-specific reimbursements of new gaming redevelopments.

- Hospitality and other revenues:

  - Food and beverage revenues – revenues are recorded at the retail price at the time of service. Food and beverage revenues in Nova Scotia are generally recorded at retail price less the 47.275% revenue retained by the NSGC.

  - Hotel revenues – revenues are recognized as services are performed.

  - Other revenues – ATM commissions, theatre revenues, advertising revenues, and other income from ancillary services.

  - Promotional allowances – the retail value of promotional allowances furnished to guests without charge, which have been included in gaming revenues or hospitality and other revenues, are deducted.

Additional Information

Additional information relating to the Company, including the Company's latest Condensed Financial Statements, Annual Financial Statements, and Annual Information Form, can be located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

Shareholders of the Company may obtain a copy of the Company's TSX Form 12 Notice of Intention to Make a Normal Course Issuer Bid as filed with and as accepted by the TSX, at no charge, by contacting the Company.

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

SUPPLEMENTAL FINANCIAL INFORMATION

Consolidated Quarterly Results Trend

	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011
Gaming Revenues					
River Rock Casino Resort	$ 26.1	$ 25.8	$ 30.4	$ 22.5	$ 24.6
Boulevard Casino	10.6	11.1	11.1	10.8	11.3
Vancouver Island Casinos	7.9	7.8	7.6	7.7	8.0
Other BC Casinos	2.3	2.5	2.4	2.5	2.4
Nova Scotia Casinos	11.0	9.8	9.6	9.2	11.3
Great American Casinos	4.3	4.5	4.8	4.9	4.5
BC Racinos	5.1	5.2	4.9	4.7	5.0
Georgian Downs	3.4	3.2	3.0	3.1	3.4
Flamboro Downs	3.1	3.0	3.0	3.0	3.2
	73.8	**72.9**	**76.8**	**68.4**	**73.7**
Facility Development Commission					
River Rock Casino Resort	3.8	3.8	4.4	3.3	3.7
Boulevard Casino	1.7	1.7	1.8	1.8	1.8
Vancouver Island Casinos	1.3	1.3	1.4	2.4	1.3
Other BC Casinos	0.1	0.4	0.4	0.4	0.4
BC Racinos	0.7	0.7	0.9	0.6	0.9
	7.6	**7.9**	**8.9**	**8.5**	**8.1**
Hospitality and Other Revenues					
River Rock Casino Resort	11.5	11.3	9.2	10.1	8.5
Boulevard Casino	2.2	2.5	2.4	2.3	2.1
Vancouver Island Casinos	1.1	1.1	1.0	0.8	1.0
Other BC Casinos	0.4	0.4	0.5	0.5	0.4
Nova Scotia Casinos	1.3	1.2	1.3	1.1	1.3
Great American Casinos	1.4	1.4	1.4	1.4	1.2
BC Racinos	2.5	2.2	1.4	1.5	2.2
Georgian Downs	0.4	0.5	0.2	0.5	0.5
Flamboro Downs	0.7	0.6	0.6	0.7	0.7
Corporate & Other	-	-	-	-	-
	21.5	**21.2**	**18.0**	**18.9**	**17.9**
Racetrack Revenues					
BC Racinos	3.1	3.2	2.7	3.3	3.9
Georgian Downs	0.4	0.4	0.3	0.4	0.5
Flamboro Downs	0.8	0.7	0.8	0.8	0.8
	4.3	**4.3**	**3.8**	**4.5**	**5.2**
Promotional Allowances	(5.4)	(5.0)	(4.7)	(4.6)	(3.9)
Revenues	**$ 101.8**	**$ 101.3**	**$ 102.8**	**$ 95.7**	**$ 101.0**
EBITDA					
River Rock Casino Resort	$ 19.0	$ 19.2	$ 22.7	$ 13.5	$ 17.8
Boulevard Casino	4.8	5.5	5.8	5.3	5.9
Vancouver Island Casinos	5.3	5.5	5.1	6.1	5.6
Other BC Casinos	0.8	1.3	1.3	1.5	1.2
Nova Scotia Casinos	3.5	2.6	2.5	2.1	4.3
Great American Casinos	0.5	0.5	0.8	1.0	0.8
BC Racinos	1.8	2.0	1.9	2.6	3.2
Georgian Downs	2.5	2.4	2.2	2.1	2.6
Flamboro Downs	2.2	1.9	1.8	2.1	2.2
Corporate & Other	(4.6)	(5.6)	(5.1)	(5.3)	(5.0)
	$ 35.8	**$ 35.3**	**$ 39.0**	**$ 31.0**	**$ 38.6**