GREAT CANADIAN GAMING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2012

As at March 5, 2013

(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, business description, major developments, market update, 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 March 5, 2013.

This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2012 and 2011 ("Annual Financial Statements"). The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 (loss) 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 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 earnings (loss) 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 earnings (loss) 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 on cross-currency interest rate and principal swaps settled in 2012 and amended in 2011, Subordinated Notes redemption costs, previously deferred transaction costs associated with the Term Loan B and Subordinated Notes, equity investment loss, non-recurring severance costs, non-recurring accelerated FDC revenues at Chances Chilliwack, and income taxes recovery on the above items of note. A reconciliation between net earnings (loss) and adjusted net earnings is presented in the "Financial Highlights" section of this MD&A. Adjusted net earnings per common 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, leases, and operational services agreements; 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 2012 (dated March 5, 2013), and as identified in the Company's disclosure record on SEDAR at www.sedar.com.

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

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.

FINANCIAL HIGHLIGHTS

	Fourth Quarter			**Twelve Months of**				
	2012	2011	% Chg	**2012**	2011	% Chg	2010	% Chg
Revenues	**$ 102.8**	$ 95.7	7%	**$ 408.7**	$ 388.2	5%	$ 383.5	1%
EBITDA [(1)]	**$ 37.5**	$ 31.0	21%	**$ 147.6**	$ 138.9	6%	$ 136.4	2%
EBITDA as a % of Revenues	**36.5%**	32.4%		**36.1%**	35.8%		35.6%	
Net earnings (loss)	**$ 2.5**	$ 2.3	9%	**$ (27.6)**	$ 26.2		$ (8.1)	
Net earnings (loss) per common share								
Basic	**$ 0.04**	$ 0.03		**$ (0.36)**	$ 0.32		$ (0.10)	
Diluted	**$ 0.03**	$ 0.03		**$ (0.36)**	$ 0.31		$ (0.10)	
Adjusted net earnings [(1)]	**$ 8.8**	$ 5.6	57%	**$ 45.0**	$ 33.2	36%	$ 29.1	14%
Total assets				**$ 862.7**	$ 976.1	(12%)	$ 946.2	3%
Long-term debt & Derivative liabilities, excluding current portion				**$ 439.9**	$ 398.9	10%	$ 393.4	1%

[(1)] EBITDA and adjusted net earnings are non-IFRS measures and are defined in the "Introduction - Non-IFRS Measures" section of

Revenues

For the three month period ended December 31, 2012 ("fourth quarter of 2012"), the Company recorded revenues of $102.8, a $7.1 increase from the fourth quarter of 2011. This revenue increase was primarily due to the increases at the River Rock Casino Resort ("River Rock") and the Other BC Casinos. River Rock benefited from increases in table drop as well as incremental revenues contributed by 'The Hotel at River Rock', which continues to trend positively since its October 17, 2011 opening. The increase at the Other BC Casinos was primarily due to the commencement of slot operations at the new Chances Chilliwack on November 1, 2012, which also recorded $1.7 of non-recurring accelerated Facility Development Commission ("FDC") revenues related to the previous bingo operations at its predecessor Chilliwack Bingo. These revenue increases were partially offset by declines at Great American Casinos, BC Racinos, and some of our other properties.

For the twelve month period ended December 31, 2012 ("twelve months of 2012"), the Company recorded revenues of $408.7, a $20.5 increase from the twelve months of 2011. This revenue increase was primarily due to River Rock's growth in table drop, slot coin-in, and hospitality revenues. The Other BC Casinos also experienced an increase in revenue, primarily due to both the non-recurring accelerated FDC revenues of $1.7 and the commencement of slot operations at Chances Chilliwack. These increases were partially offset by decreased gaming revenues at Great American Casinos and by decreased racetrack revenues at the BC Racinos.

Revenues in the twelve months of 2011 were $388.2, a $4.7 increase from the twelve months of 2010. This increase was attributable to the performance of both River Rock and the Company's Other BC Casinos. The increase in River Rock's revenues was primarily due to overall improvements in table drop, table hold percentage, and slot coin-in, as well as the opening of that facility's second hotel in October 2011. The increase in the Other BC Casinos' revenues was primarily due to the October 2010 installation of 100 slot machines at the Maple Ridge Community Gaming Centre, as well as the addition of new revenues from the Company's May 2011 acquisition of Chilliwack Bingo. These revenue increases were partially offset by decreased revenues at both Boulevard and the Company's BC Racinos.

EBITDA

EBITDA in the fourth quarter of 2012 was $37.5, a $6.5 increase from the fourth quarter of 2011. This increase was primarily due to increased revenues at River Rock and the Other BC Casinos, which was partially offset by increased operating costs.

EBITDA in the twelve months of 2012 was $147.6, an $8.7 increase from the twelve months of 2011. This increase was primarily due to increased revenues, and was partially offset by increased operating costs, which included non-recurring severance costs of $1.8.

EBITDA for the twelve months of 2011 was 138.9, a $2.5 increase from the twelve months of 2010. The revenues-related improvements at River Rock and the Other BC Casinos were largely offset by the performance of Boulevard and the BC Racinos. EBITDA for the twelve months of 2011 also included $0.8 in pre-opening costs associated with 'The Hotel at River Rock'.

Net earnings (loss)

Net earnings was $2.5 in the fourth quarter of 2012, a $0.2 increase when compared to the fourth quarter of 2011. This increase was primarily due to both the growth in EBITDA in the fourth quarter of 2012 and the impairment of long-lived assets recorded in the fourth quarter of 2011. This increase was largely offset by the $6.9 non-cash impairment charge related to land in Ontario that was written down to its estimated recoverable amount.

Net loss was $27.6 in the twelve months of 2012, compared to net earnings of $26.2 in the twelve months of 2011. During the twelve months of 2012, the Company recognized non-cash impairment charges of $54.0 associated with Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A, non-cash impairment charges of $10.3 related to land in Ontario that was written down to its estimated recoverable amount, a non-recurring expense of $11.0 related to the settlement of a long-standing legal dispute ("Litigation Settlement"), as described in the "Liquidity and Capital Resources – Litigation" section of this MD&A, and non-recurring expenses of $14.4 associated with the debt refinancing and settlement of the related derivative liabilities, as described in the "Capital Resources" 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.

These items were partially offset by lower amortization expense and improved EBITDA.

Net earnings was $26.2 in the twelve months of 2011, when compared to a net loss of $8.1 in the twelve months of 2010. During the twelve months of 2010, the Company recognized non-cash impairment charges of $49.3. The increase in net earnings was primarily due to the decrease in the impairment of long-lived assets and goodwill, lower restructuring and other expenses, and was partially offset by higher amortization expense and interest and financing costs (net of interest income).

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

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

	Fourth Quarter			Twelve Months of				
	2012	2011	% Chg	**2012**	2011	% Chg	2010	% Chg
Net earnings (loss)	**$ 2.5**	$ 2.3	9%	**$ (27.6)**	$ 26.2		$ (8.1)	
Items of note								
Impairment of long-lived assets and goodwill	**6.9**	4.4		**64.3**	4.4		49.3	
Litigation settlement	**-**	-		**11.0**	-		-	
Net losses on cross-currency interest rate and principal swaps settled in 2012 and amended in 2011	**-**	-		**8.1**	5.0		-	
Subordinated Notes redemption costs	**-**	-		**3.9**	-		-	
Previously deferred transaction costs associated with the Term Loan B and Subordinated Notes	**-**	-		**2.4**	-		-	
Equity investment loss	**0.9**	-		**3.5**	-		-	
Non-recurring severance costs	**-**	-		**1.8**	-		-	
Restructuring and other costs	**-**	-		**-**	-		2.3	
One-time non-recurring accelerated FDC revenues at Chances Chilliwack	**(1.7)**	-		**(1.7)**			-	
Income tax expense (recovery) on the above items of	**0.2**	(1.1)		**(20.7)**	(2.4)		(8.4)	
Adjusted net earnings	**$ 8.8**	$ 5.6	57%	**$ 45.0**	$ 33.2	36%	$ 29.1	14%
Adjusted net earnings per common share								
Basic	**$ 0.13**	$ 0.07		**$ 0.59**	$ 0.40		$ 0.35	
Diluted	**$ 0.12**	$ 0.07		**$ 0.58**	$ 0.39		$ 0.34	

After adjusting for the above items of note, the Company's adjusted net earnings increased by 57% in the fourth quarter and by 36% in the twelve months of 2012, when compared to the same periods in 2011. These increases were primarily due to the growth in EBITDA and lower amortization expense. The Company's adjusted net earnings increased by 14% in the twelve months of 2011, when compared to the twelve months of 2010. This increase was primarily due to higher EBITDA and lower income taxes, after adjusting for the items of note.

Financial position

Total assets decreased by $113.4 as at December 31, 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 during 2012, non-cash impairment charges of $64.3 associated with Georgian Downs, Flamboro Downs, and land in Ontario that was written down to its estimated recoverable amount, 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 "Major Developments" section of this MD&A.

Total assets increased by $29.9 as at December 31, 2011, when compared to the total assets as at December 31, 2010. This increase was primarily due to cash generated by operating activities, additions to property, plant and equipment on the Company's major development projects, and the acquisition of Chilliwack Bingo. These increases were partially offset by cash outflows to service financial obligations and amortization of property, plant and equipment and intangible assets.

Long-term debt and derivative liabilities increased by $41.0 as at December 31, 2012, when compared to the long-term debt and derivative liabilities as at December 31, 2011. This increase was primarily due to the net proceeds associated with the debt refinancing.

Long-term debt and derivative liabilities increased by $5.5 as at December 31, 2011, when compared to the long-term debt and derivative liabilities as at December 31, 2010. This increase was primarily due to the increase in long-term debt associated with the weakening Canadian dollar's effect on the underlying U.S. dollar debt. This increase was partially offset by a decrease in the fair value of the Company's cross-currency interest rate swaps.

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

BUSINESS DESCRIPTION

General

Great Canadian Gaming Corporation (the "Company") operates gaming, entertainment, and hospitality facilities in British Columbia, Ontario, Nova Scotia, and Washington State. The Company's 17 gaming properties consist of ten casinos, including one with a Four Diamond hotel resort, four horse racetrack casinos, and three community gaming centres. In Canada, the Company operates its casinos both within managed markets that feature high barriers to entry and under long-term agreements as partners with provincial lottery corporations. As at December 31, 2012, the Company had approximately 4,600 employees.

Information on the Canadian and Washington State gaming industries, regulatory environment and the Company's operating agreements in these jurisdictions are included in the Annual Information Form located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

The Company's principal operating entities as at December 31, 2012 and 2011 were:

Entity	Ownership interest at December 31, 2012 and 2011
Chilliwack Gaming Ltd.	100%
Flamboro Downs Limited	100%
Georgian Downs Limited	100%
Great American Gaming Corporation	100%
Great Canadian Casinos Inc.	100%
Great Canadian Entertainment Centres Ltd.	100%
Hastings Entertainment Inc.	100%
Metropolitan Entertainment Group	100%
Orangeville Raceway Limited	100%
TBC Teletheatre B.C.(1)	50%

(1) The Company accounts for its ownership interest in TBC using the equity method.

Business Strategy

The Company's vision is to be the leading gaming, entertainment and hospitality company in its chosen markets by providing superior entertainment value and exceptional experiences. To achieve this goal, the Company has adopted the strategies as outlined below.

1. **Discover New Growth Opportunities.** Great Canadian is actively seeking opportunities to grow shareholder value. These opportunities may be located within both the Company's existing markets and new jurisdictions, and include property expansions, the implementation of new offerings, the development of new properties or projects, and strategic acquisitions. Depending upon the size, scope, and regulatory requirements associated with these opportunities, the Company may elect to align itself with strategic business partners. As a result, the Company may hold minority positions in new investment vehicles.

2. **Drive Incremental Growth at the Company's Existing Facilities.** The majority of Great Canadian's existing properties operate within mature, highly regulated markets. As a result of this regulation, these markets feature considerable barriers to entry that offer significant advantages and protection for incumbent operators. This regulation also requires that the Company work alongside its Crown corporation partners when expanding or introducing gaming offerings. These partners also oversee any loyalty programs within the Company's existing markets. In order to increase market share, penetrate new demographics, and drive incremental growth within this environment, the Company seeks to provide its patrons with a superior entertainment experience. In pursuit of this goal, the Company actively reinvests in its properties, supports its gaming offerings with premium non-gaming entertainment and hospitality options, and strives to maintain the highest standard of guest service.

3. **Continually Improve Guest Experiences.** Great Canadian believes guest satisfaction to be the primary driver of patron loyalty, particularly within mature markets. As a result, the Company constantly strives to distinguish itself from its peers by providing exceptional guest service across its entire property portfolio. The Company pursues this service vision through staff training, performance recognition, and communication, all of which emphasizes the importance of each employee taking personal responsibility to exceed our guests' expectations.

4. **Continuously Improve the Company's Operating Efficiency and Effectiveness.** Much of Great Canadian's recent success can be attributed to the Company's commitment to operating efficiency. This efficiency has been primarily driven by an integrated corporate structure that centralizes major property functions such as accounting, purchasing, and human resources. This structure has been supported by investments in technology and resources that have allowed the Company to realize operational synergies, business process improvements, and enhanced labour analysis.

5. **Pursue and Promote Exceptional Corporate Culture.** Since its founding, Great Canadian has placed great emphasis on the importance of social responsibility and corporate citizenship. These core values are best reflected in the Company's commitment to developing and assisting the communities in which it operates. The Company is also committed to maintaining an inclusive corporate culture that rewards and recognizes exceptional service and teamwork. The Company mandates a respectful workplace that prioritizes regulatory compliance.

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

Operations

The following table summarizes our Canadian casino operations as at December 31, 2012:

Facility and Location	Year Built/ Renovated	Additional Facilities and Activities	Slot Machines	Table Games	Operational Services Agreements Initial / Renewal Term Expiry Dates[1]
British Columbia					
River Rock Casino Resort, Richmond, BC	2012	2 hotels with 395 rooms, 1,000 seat show theatre, 7 dining options, conference facilities, pool/spa, Racebook[2], marina, 28 touch bet roulette terminals	1,110	112	June 23, 2014 / June 23, 2024
Boulevard Casino, Coquitlam, BC	2005	1,050 seat show theatre, 4 dining options, Racebook[2], 22 touch bet roulette terminals	990	64	November 16, 2015 / November 16, 2025
View Royal Casino, Victoria, BC	2009	2 dining options	601	14	February 28, 2021
Casino Nanaimo, Nanaimo, BC	2011	1 dining option, Racebook[2], 1 electronic table gaming device	406	6	February 28, 2021
Chances Gaming Entertainment, Dawson Creek, BC	2006	Bingo, 1 dining option, 2 electronic table gaming devices	147	-	June 30, 2016/ June 30, 2026
Maple Ridge Community Gaming Centre, Maple Ridge, BC	2010	Bingo, concession, Racebook[2]	100	-	October 31, 2013 / October 31, 2033
Chances Chilliwack[3], Chilliwack, BC	2012	Bingo, 1 dining option, meeting facility, 2 electronic table gaming devices	173	-	October 31, 2022 / October 31, 2032
Hastings Racecourse and Slots Facility (Thoroughbred Racing), Vancouver, BC	2008	3 dining options, concession, Racebook[2]	596	-	October 28, 2017
Fraser Downs Racetrack and Casino (Standardbred Racing), Surrey, BC	2005	4 dining options, 6 touch bet terminals, Racebook[2]	469	22	March 31, 2014 / March 31, 2024
TBC Teletheatre BC[2]	various	21 Racebooks[2]	-	-	-
Ontario					
Georgian Downs (Standardbred Racing)[4], Innisfil, Ontario	2009	4 dining options, concession, meeting facilities, Racebook	1,000	-	March 31, 2013
Flamboro Downs (Standardbred Racing)[4], Flamborough, Ontario	2001	4 dining options, meeting facility, Racebook	800	-	March 31, 2013
Nova Scotia					
Casino Nova Scotia Halifax[5], Halifax, Nova Scotia	2006	2 dining options, entertainment show room, lounge, meeting facilities	569	32	July 1, 2015/ July 1, 2025
Casino Nova Scotia Sydney[5], Sydney, Nova Scotia	2006	1 dining option, lounge	275	11	July 1, 2015/ July 1, 2025
			7,236	261	

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

(2) The Company owns or holds an interest in 23 Racebooks in BC. We own and operate two Racebooks; one at each of Hastings Racecourse and Slots Facility and Fraser Downs Racetrack and Casino. The remaining 21 Racebooks, including those at River Rock Casino & Resort, Casino Nanaimo and Maple Ridge Community Gaming Centre are operated by TBC. TBC also offers Internet and phone racetrack wagering. The Company owns a 50% interest in TBC and the remaining 50% interest is held by two horsemen's associations, the Harness Racing BC Society and the Horsemen's Benevolent and Protective Association.

(3) The Company acquired the assets and undertaking of the Chilliwack Bingo Association in May 2011. Chilliwack Bingo was developed into Chances Chilliwack and commenced slot operations in November 2012, as described in the "Major Developments" section of this MD&A.

(4) Slot machines at Georgian Downs and Flamboro Downs are owned and operated by OLG. The Company is in continuing discussions with OLG to negotiate lease arrangements regarding its existing operations as described in the "Major Developments" section of this MD&A.

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

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

The following table summarizes the Company's consolidated Revenues for the years ended December 31, 2012, 2011, and 2010:

	Twelve Months of		
	2012	2011	2010
Gross Gaming Revenues	**$ 827.9**	$ 787.6	$ 764.6
Facility Development Commission	**35.2**	32.1	30.2
Hospitality and other revenues	**82.6**	70.4	67.5
Racetrack revenues	**15.8**	19.5	23.3
	961.5	909.6	885.6
Less:			
Provincial / state government portion of Gross Gaming Revenues	**(533.0)**	(505.7)	(489.7)
Promotional allowances	**(19.8)**	(15.7)	(12.4)
Revenues	**$ 408.7**	$ 388.2	$ 383.5

The following table summarizes the Company's racetrack operations and the number of actual live race days in 2012, 2011, and 2010:

		Live Race Days		
Property	**Location**	**2012**	2011	2010
Hastings Racecourse and Slot Facility	Vancouver, BC	**67**	69	71
Fraser Downs Racetrack and Casino	Surrey, BC	**79**	74	87
Georgian Downs	Innisfil, ON	**103**	103	106
Flamboro Downs	Flamborough, ON	**188**	195	225

All of our racetrack operations offer simulcast wagering, which allows patrons to place wagers on international and domestic live horse racing events.

British Columbia

Regulatory

In British Columbia, gaming activities are managed and conducted by the British Columbia Lottery Corporation ("BCLC"). BCLC in turn engages service providers, such as the Company, to operate the gaming activities pursuant to operational services agreements. The Company earns a commission based upon its casinos' gaming win, but a significant portion of that gaming win is retained by BCLC. BCLC provides its share of the gaming win to the Province of British Columbia, which then dedicates the funds to many areas. These areas include the consolidated revenue fund for public service programs such as education, the Health Special Account for health care expenditures, and disbursements to charitable organizations.

Since 1997, when BCLC assumed responsibility for casino gaming and introduced slot machines in the BC marketplace, the casino business has developed into BCLC's largest earnings stream. The Company believes that the current market and regulatory environment favours the province's incumbent gaming operators.

BCLC's strategy is to continue to develop casino properties that provide players with an exceptional entertainment experience, while positioning casino gaming as a potential tourism attraction where market demand allows. BCLC is also working closely with service provider partners to provide players with tournaments and services that provide entertaining gaming experiences. In addition, the FDC component of the operational services agreements encourages service providers such as the Company to earn additional commissions by investing capital in the improvement of their gaming facilities.

According to BCLC's annual report for its fiscal year ended March 31, 2012, the Company's facilities represented 37% of the province's slot machines, which produced 39% of the province's win from slot machines, and 47% of the province's table games, which produced 56% of the province's win from table games.

In BC, the strategic direction and business leadership of the local horse racing industry is provided by the B.C. Horse Racing Industry Management Committee ("BCHRIMC"), which also provides a forum for industry participants to cooperate collectively in the development of the industry. The current BCHRIMC members include representatives from both the thoroughbred and standardbred horse associations, the President and Chief Executive Officer of BCLC, representatives from the Government of British Columbia, including the Gaming Policy and Enforcement Branch, and the Vice-President of Business Development for the Company. The Agreement provides for mandatory representation on the Committee of a representative of the major racetracks in the province that are owned by the Company.

Under the direction of the BCHRIMC, as described in the "Business of the Company" section of the Company's 2012 Annual Information Form, the Company's BC horse racing operations shared approximately 42% of a consolidated horse racing industry revenue fund in 2012 (2011 – 50%). This fund includes all revenues generated from horse racing and government grants in the province and which has been established and maintained for the purpose of facilitating financial allocations among industry organizations. Also under the direction of the BCHRIMC, TBC Teletheatre B.C., currently operates on a break-even basis whereby it is allocated and permitted to retain a sufficient portion of its revenues to cover its operating expenses, with any surplus of funds being provided to the consolidated horse racing industry revenue fund. Financial allocations from the consolidated horse racing industry revenue fund may be adjusted by resolution of the BCHRIMC. Under the current financial allocations for 2013, the Company's B.C. horse racing operations are estimated to share approximately 42% of the net revenue generated from horse racing and wagering on horse racing in B.C.

Seasonality

While the Company's BC casinos operate year-round, its racetracks are subject to seasonal variations due to the timing of their respective live racing seasons. Live racing generally operates from April to October at Hastings Racecourse, and from August to May at Fraser Downs. Gaming offerings and Racebooks at both locations operate year-round.

Metro Vancouver and Vancouver Island, where the majority of the Company's BC facilities are located, do not generally experience harsh weather during the summer or winter months. However, occasional extreme weather conditions can produce a negative impact upon short-term attendance at the Company's BC facilities.

Ontario

Regulatory

In Ontario, gaming activities are managed and conducted by the Ontario Lottery and Gaming Corporation ("OLG"). OLG's operations and revenues are organized under four business lines: lotteries, casinos and slots at racetracks, resort casinos, and bingo. In Ontario, the Company operates two racetracks, with slot operations owned and operated by OLG pursuant to site holder agreements. The Company earns a site holder payment based upon the win generated from the OLG slot machines, but a substantial portion of that win is retained by OLG. According to OLG's website, it directs gaming proceeds to Ontario's health care, education, infrastructure, amateur sports, problem gaming prevention, treatment and research, and to charitable organizations and non-profit corporations through the Ontario Trillium Foundation.

In March 2012, the Government of Ontario and OLG decided 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. OLG announced that it continues to engage in lease agreement discussions with site holders across Ontario. As at the date of this MD&A, OLG has announced that it has reached letters of intent for its slots operations with each of its other 12 site holders. The Company is in discussions with OLG to negotiate lease arrangements for OLG's continued operation of slot machines at Georgian Downs and Flamboro Downs beyond March 31, 2013. Based on recent discussions, if leases are agreed, the Company expects these properties' EBITDA will decline as compared to levels realized in 2012. If the Company is unable to enter into lease agreements, further impairments may be recorded against the remaining long-lived assets of these properties, as described in the "Major Developments" section of this MD&A.

Seasonality

The gaming facilities at the Company's Ontario racetracks operate year-round, and are typically subject to seasonal variations associated with extreme weather conditions. Live racing generally operates from March to December at Georgian Downs, and during all months except October at Flamboro Downs. As a result of the termination of the "Slots at Racetracks" program, the full extent of the impact that the change in horse racing business model may have on the Company is not certain.

Nova Scotia

Regulatory

In Nova Scotia, gaming activities are managed and conducted by the Nova Scotia Provincial Lotteries & Casinos Corporation ("NSPLCC", formerly Nova Scotia Gaming Corporation). NSPLCC operates two different gaming models: commercial casinos, of which the Company operates the only two within the province, and ticket and video lotteries. Lottery ticket sales are permitted at various locations, whereas video lottery terminals are permitted in licensed liquor establishments, and on First Nations' land. The Company is a service supplier to NSPLCC and earns a commission based upon its casinos' revenues, a portion of which are retained by the NSPLCC. According to NSPLCC's website, the revenues that it retains are directed to the provincial government's general revenue account to help pay for programs and services that benefit the province's residents. These programs and services include investments in infrastructure, schools, hospitals, and community outreach and prevention programs.

In October 2012, the Company signed the second amended and restated operating contract ("AROC") with NSPLCC, effective October 1, 2012. Under the AROC, the Company is entitled to receive an operator's fee equal to 52.24% of the facilities' total revenues, plus an additional 47.76% of non-gaming revenues after deduction of the capital reserve contribution ("CRC"). The CRC is the greater of 5% of total revenue and $5.0 (adjusted for inflation in each year since 2009). The Company is also entitled to receive an additional operator's fee equal to the lesser of $1.3 or 10% of leased slot machines revenues. Prior to October 1, 2012, the Company received 55.5% of both gross gaming and non-gaming revenues, after deduction of the CRC, as well as $1.0 per year related to the operation of leased slot machines. Prior to October 1, 2012, the $1.0 per year received for the leased slot machines was recorded as a reduction to the related leased slot operating expenses that were part of property, marketing and administration expenses.

Seasonality

Halifax and Sydney, where the Nova Scotia casinos are located, do not generally experience harsh weather during the summer or winter months. However, occasional extreme weather conditions can result in a negative impact on short-term attendance. The gaming industry in Nova Scotia has also historically witnessed a slight increase in business volumes during the summer months, primarily as a result of both tourism and favourable weather conditions.

Washington State

The following table summarizes our Washington gaming operations as at December 31, 2012:

Name	Location	Table Games
Great American Casino Everett	Everett, WA	15
Great American Casino Kent	Kent, WA	14
Great American Casino Lakewood	Lakewood, WA	15
Great American Casino Tukwila	Tukwila, WA	15
		59

Regulatory

In Washington State, gaming operations are regulated by the Washington State Gambling Commission ("WSGC") and fall into three categories: charitable, commercial and tribal. The Company operates four commercial card rooms in the Greater Seattle area.

While the commercial gaming environment in Washington State is highly regulated, it does not feature the significant barriers to entry associated with the Company's Canadian operations. Individual cities or counties within Washington State may choose to restrict card room operations within their jurisdiction, which could result in the closure of certain locations. Washington State card room operations are conducted pursuant to house banked card room licenses that limit the number of table games to fifteen per location. These card room licenses must be renewed annually with WSGC, and the Company's renewals have historically been granted automatically.

MAJOR DEVELOPMENTS

Boulevard Casino

The Company is redeveloping its Boulevard Casino. During the third quarter of 2012, the Company commenced the refresh and repositioning of Boulevard Casino 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 end of the fourth quarter of 2013, to coincide with the completion of the proximate highway construction. The Company anticipates that there will be some disruption to the casino gaming floor, and will endeavor to minimize the effect of the impact on its guests. 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 is being planned to minimize disruption to the casino gaming floor, and the timeline will be announced at a later date. These property redevelopments and modifications remain subject to approvals from BCLC and the local municipality. As at December 31, 2012, the Company has spent approximately $3.1 of an estimated $63.0 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 173 slot machines, two electronic table gaming devices, bingo, dining options, a meeting facility, and approximately 300 parking stalls. The total cost to develop this facility and to acquire adjacent land was $14.2, which 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 second hotel at the River Rock Casino Resort. This hotel, 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. The total construction and equipment cost associated with this project was $23.0, which was $1.0 below the previously estimated cost of $24.0.

During the second quarter of 2012, the Company completed the upgrades to River Rock's first hotel, the 'River Rock Casino Resort Suites.' Enhancements to the 202 guest rooms in this hotel 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 $4.3 for both property enhancements and servicing commitments to the District of Maple Ridge. As at December 31, 2012, the Company incurred $2.6 towards fulfilling servicing commitments related to the construction of the permanent facility. The Company also invested $4.7 towards the purchase of land required for the permanent facility and incurred $3.7 of an estimated $13.8 to prepare the site and develop this facility. The Company anticipates that this permanent facility will reach completion prior to November 2013, and will feature approximately 150 slot machines, dining options, a meeting facility, and improved parking capacity.

Ontario

The termination of the "Slots at Racetracks" program effective March 31, 2013, as described in the "Business Description" section of this MD&A, will have a negative effect on the future revenues of Georgian Downs and Flamboro Downs. 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 recorded in the first quarter of 2012 impairments of goodwill, intangible assets, and property, plant and equipment of $3.2, $8.2, and $13.2, respectively. The Company also recorded in the first quarter of 2012 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 ("CGU"). 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 modernization of gaming in Ontario. OLG stated that as a result of the feedback from the RFI, and to enable OLG to more effectively manage the gaming market in Ontario, OLG is grouping many of the 29 Gaming Zones into Gaming Bundles where each bundle represents a separate bidding opportunity. In November 2012, OLG initiated the request for pre-qualifications ("RFPQ") process to pre-qualify service providers for eligibility to participate in the request for proposals process for the Gaming Bundles. 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.

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 (the "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, it was recommended that operating costs incurred by the racetracks would be publicly funded, subject to an expert external review. Similarly, the Panel recommended that public funding be provided 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. The Company is in discussions with OLG to negotiate lease arrangements that would facilitate the continued operation of these properties beyond March 31, 2013. Based on recent discussions, if leases are agreed, the Company expects these properties' EBITDA will decline as compared to levels realized in 2012. If the Company is unable to enter into lease agreements, further impairments may be recorded against the remaining long-lived assets of these properties. As at December 31, 2012, the carrying values of the intangible assets and property, plant and equipment associated with Georgian Downs were $15.6 and $29.7, respectively. As at December 31, 2012, the carrying values of the intangible assets and property, plant and equipment associated with Flamboro Downs were $11.8 and $7.4, respectively.

Casino Nova Scotia

In October 2012, the Company and NSPLCC signed the AROC, as described in the "Business Description – Operations – Nova Scotia – Regulatory" section of this MD&A. Under the AROC, approximately $1.0 per year, which was previously received as a contribution toward reducing leased slot expenses throughout the year, is now considered part of the operator's fee revenues each month.

Investment in PDX Entertainment Company

During the twelve months ended December 31, 2012, the Company acquired a 38% minority equity interest in PDX Entertainment Company ("PDX") for $3.5. PDX pursued the opportunity to build and operate an entertainment and gaming complex in Wood Village, Oregon. The proposed development required 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 have changed the state constitution to permit private-sector casino gaming in Oregon. The ballot measures were voted on November 6, 2012, and the constituents did not support the amendment to the state constitution as proposed. The Company's investment in PDX was fully expensed as at December 31, 2012.

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.

On July 21, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement ("Credit Agreement") which covers the terms of its Revolving Credit Facility. Consequently, the Company's previous undrawn $200.0 Revolving Credit Facility was increased to a maximum limit of $350.0 and extended to July 21, 2016. On July 24, 2012, the Company further extended the maturity of its $350.0 Revolving Credit Facility by one year to July 21, 2017.

Issuer Bids

In January 2012, the Company commenced a normal course issuer bid that authorized the Company to purchase up to 5,811,197 of its common shares. For the year ended December 31, 2012, the Company purchased for cancellation 3,657,210 common shares at a weighted-average price per share of $8.15 under its normal course issuer bid, which expired on January 26, 2013.

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 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. At the time of the repurchase, the paid-up capital per common share for the purposes of the *Income Tax Act (Canada)* was $3.79.

For the year ended December 31, 2011, the Company purchased 1,479,600 common shares at a volume weighted-average price of $7.16 under its normal course issuer bid, which expired on January 26, 2012.

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 consolidated statements of changes in equity.

Subsequent to December 31, 2012, the Company received approval from the Toronto Stock Exchange ("TSX") to commence another normal course issuer bid for up to 4,511,644 of its common shares, representing approximately 10% of the Company's common shares in the public float. The bid commenced on January 30, 2013 and will end on January 29, 2014, or earlier if the number of shares approved for purchase in the issuer bid have been obtained. Pursuant to TSX policies, daily purchases made by the Company will not exceed 29,761 common shares or 25% of the prior six-month average trading volume of 119,045 common shares on the TSX. Purchases will be by way of open market purchases through the facilities of the TSX, and other Canadian market places, and payment for the shares will be in accordance with the TSX's by-laws and rules. Any shares purchased by the Company will be subsequently cancelled.

MARKET UPDATE

British Columbia

Extension of Operating Agreement for Hastings Racecourse and Slots Facility

On October 24, 2012, the Company reached an agreement with the City of Vancouver for a two-year extension to the operating agreement at Hastings Racecourse and Slots Facility until at least November 2014 on substantially the same terms. This two-year period affords the horse racing industry, under the leadership of the BCHRIMC, 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.

Competition

One of the Company's direct competitors, Paragon Gaming LLC ("Paragon"), operates the Edgewater Casino in downtown Vancouver. Paragon has received approval to redevelop the Edgewater Casino. This redevelopment would relocate its current facility to a new location within the same area of downtown Vancouver. Paragon's previous redevelopment plans included increased gaming capacity from 500 slot machines and 55 table games to a maximum of 1,500 slot machines and 150 table games; however, the proposed expanded gaming capacity was not approved by the City of Vancouver in March 2011. As of the date of this MD&A, an application for development of the new location has not been announced.

One of the Company's direct competitors, Gateway Casinos and Entertainment Limited ("Gateway"), sought to relocate the approved community gaming centre in the Newton neighbourhood of Surrey, BC, to an alternate site, closer to the US border in South Surrey and to develop it into a casino resort. In January 2013, after a public hearing process, the City of Surrey council voted against the relocation and development of the casino resort in South Surrey, BC.

In October 2012, the City of Surrey approved the installation of 150 temporary slot machines in the existing Newton bingo hall, which commenced operations in November 2012. The operation of the temporary slot machines will be limited to: 18 calendar months from the date of activation, or the date on which permanent slot machines are activated in a new Newton community gaming centre, whichever occurs first. As of the date of this MD&A, this has not created a material impact on the Company's business.

Online Gaming

In July 2010, BCLC expanded its existing gaming website to provide British Columbia residents with the ability to wager on casino-style games online. Although this form of gaming does represent a competitive entertainment option within the provincial market, BCLC has stated that its online offerings will seek to encourage patrons to visit the province's physical gaming properties. To date, online gaming has created no discernible impact upon the Company's business.

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the consolidated operating results for the three month and twelve month periods ended December 31, 2012, with comparatives for the prior periods.

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**71.4**	68.4	4%	**294.9**	281.9	5%
Facility Development Commission	**10.7**	8.5	26%	**35.2**	32.1	10%
Hospitality and other revenues	**21.9**	18.9	16%	**82.6**	70.4	17%
Racetrack revenues	**3.5**	4.5	(22%)	**15.8**	19.5	(19%)
	107.5	100.3	7%	**428.5**	403.9	6%
Less: Promotional allowances	**(4.7)**	(4.6)	2%	**(19.8)**	(15.7)	26%
Revenues	**102.8**	95.7	7%	**408.7**	388.2	5%
Human resources	**40.8**	39.1	4%	**163.8**	154.9	6%
Property, marketing and administration	**24.5**	25.6	(4%)	**97.3**	94.4	3%
	65.3	64.7	1%	**261.1**	249.3	5%
EBITDA	**37.5**	31.0	21%	**147.6**	138.9	6%
Human resources as a % of Revenues before Promotional allowances	**38.0%**	39.0%		**38.2%**	38.4%	
EBITDA as a % of Revenues	**36.5%**	32.4%		**36.1%**	35.8%	
Amortization	**12.9**	14.8		**51.6**	58.5	
Share-based compensation	**0.2**	0.6		**3.6**	4.9	
Impairment of long-lived assets	**6.9**	4.4		**61.1**	4.4	
Impairment of goodwill	**-**	-		**3.2**	-	
Interest and financing costs, net	**8.4**	7.7		**37.0**	29.5	
Litigation settlement	**-**	-		**11.0**	-	
Equity investment loss and other	**2.4**	0.9		**5.1**	1.6	
Foreign exchange loss and other	**(0.2)**	(0.9)		**6.8**	3.2	
Income taxes	**4.4**	1.2		**(4.2)**	10.6	
Net earnings (loss)	**$ 2.5**	$ 2.3	9%	**$ (27.6)**	$ 26.2	
Net earnings (loss) per common share						
Basic	**$ 0.04**	$ 0.03		**$ (0.36)**	$ 0.32	
Diluted	**$ 0.03**	$ 0.03		**$ (0.36)**	$ 0.31	
Weighted average number of common shares (in thousands)						
Basic	**70,346**	82,161		**76,814**	82,670	
Diluted	**71,605**	83,651		**76,814**	84,210	

(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

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
REVENUES						
Casinos						
River Rock Casino Resort	**$ 39.6**	$ 34.1	16%	**$ 159.5**	$ 138.3	15%
Boulevard Casino	**14.4**	14.3	1%	**57.9**	57.9	0%
Vancouver Island Casinos	**10.1**	10.4	(3%)	**39.2**	39.5	(1%)
Other BC Casinos	**6.1**	3.3	85%	**15.3**	11.5	33%
Nova Scotia Casinos	**10.4**	9.7	7%	**41.8**	41.9	0%
Great American Casinos	**5.3**	5.8	(9%)	**21.6**	22.7	(5%)
	85.9	77.6	11%	**335.3**	311.8	8%
Racinos						
BC Racinos	**8.9**	9.6	(7%)	**40.1**	42.0	(5%)
Georgian Downs	**3.9**	4.0	(3%)	**15.8**	16.1	(2%)
Flamboro Downs	**4.1**	4.5	(9%)	**17.5**	18.3	(4%)
	16.9	18.1	(7%)	**73.4**	76.4	(4%)
Total Revenues	**$ 102.8**	$ 95.7	7%	**$ 408.7**	$ 388.2	5%
EBITDA						
Casinos						
River Rock Casino Resort	**$ 18.8**	$ 13.5	39%	**$ 79.4**	$ 64.8	23%
Boulevard Casino	**5.1**	5.3	(4%)	**21.1**	23.0	(8%)
Vancouver Island Casinos	**5.7**	6.1	(7%)	**21.6**	22.5	(4%)
Other BC Casinos	**3.4**	1.5	127%	**7.1**	4.9	45%
Nova Scotia Casinos	**3.1**	2.1	48%	**11.4**	11.2	2%
Great American Casinos	**0.6**	1.0	(40%)	**2.6**	4.5	(42%)
	36.7	29.5	24%	**143.2**	130.9	9%
Racinos						
BC Racinos	**1.6**	2.6	(38%)	**7.3**	10.9	(33%)
Georgian Downs	**2.4**	2.1	14%	**9.5**	9.3	2%
Flamboro Downs	**1.9**	2.1	(10%)	**7.8**	8.1	(4%)
	5.9	6.8	(13%)	**24.6**	28.3	(13%)
Corporate & Other	**(5.1)**	(5.3)	4%	**(20.2)**	(20.3)	0%
Total EBITDA	**$ 37.5**	$ 31.0	21%	**$ 147.6**	$ 138.9	6%

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

Casinos

River Rock Casino Resort

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**26.2**	22.5	16%	**108.4**	94.4	15%
Facility Development Commission	**3.9**	3.3	18%	**15.8**	14.0	13%
Hospitality and other revenues	**11.4**	10.1	13%	**43.3**	35.7	21%
Revenues before Promotional allowances	**41.5**	35.9	16%	**167.5**	144.0	16%
Less: Promotional allowances	**(1.9)**	(1.8)	6%	**(8.0)**	(5.8)	38%
Revenues	**39.6**	34.1	16%	**159.5**	138.3	15%
Human resources	**13.0**	12.7	2%	**51.2**	47.3	8%
Property, marketing and administration	**7.8**	7.9	(1%)	**28.9**	26.2	10%
EBITDA	**$ 18.8**	$ 13.5	39%	**$ 79.4**	$ 64.8	23%
Human resources as a % of Revenues before Promotional allowances	**31.3%**	35.4%		**30.6%**	32.8%	
EBITDA as a % of Revenues	**47.5%**	39.6%		**49.8%**	46.9%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Table Drop	$ 233.4	$ 205.3	$ 189.0	$ 219.6	$ 169.4	$ 175.9	$ 178.4	$ 181.3	$ 176.7	
Table Hold	$ 41.7	$ 42.0	$ 40.9	$ 53.3	$ 32.5	$ 39.2	$ 39.1	$ 34.5	$ 34.4	
Table Hold %	17.9%	20.5%	21.6%	24.3%	19.2%	22.3%	21.9%	19.0%	19.5%	20.7%
Poker Rake	$ 1.2	$ 1.0	$ 1.1	$ 1.1	$ 1.2	$ 1.1	$ 1.1	$ 1.2	$ 1.5	
Slot Coin-In	$ 521.7	$ 518.1	$ 519.6	$ 493.4	$ 522.8	$ 490.9	$ 477.3	$ 448.2	$ 448.5	
Slot Win	$ 34.9	$ 35.2	$ 34.6	$ 33.9	$ 34.5	$ 34.1	$ 34.3	$ 30.3	$ 31.6	
Slot Win/Slot/Day[1,2]	$ 345	$ 349	$ 355	$ 372	$ 375	$ 376	$ 384	$ 339	$ 348	
Slot Win %	6.7%	6.8%	6.7%	6.9%	6.6%	6.9%	7.2%	6.8%	7.0%	6.8%

(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 16% in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This improvement was primarily due to growth in table drop of 38%, attributable to the continued benefit of the property redevelopments, enhancements, and associated increase in player demand at River Rock. The increase in table drop was partially offset by a lower table hold percentage, when compared to the fourth quarter of 2011.

Gaming revenues increased by 15% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to the growth in table drop of 20% and an improvement in slot coin-in of 6%.

Hospitality and other revenues increased by 13% in the fourth quarter and 21% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These increases were primarily due to both the increase in food and beverage revenues and incremental revenues generated by the new hotel tower, which opened on October 17, 2011.

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. On a combined basis, River Rock's average daily hotel revenue per available room ("REVPAR") was $96 dollars in the fourth quarter of 2012, compared to $91 dollars in the fourth quarter of 2011. This increase was due to a 6.0 percentage point increase in the average hotel occupancy rate to 63%, partially offset by a 3% decrease in the average daily room rate ("ADR") to $152 dollars. For the twelve months of 2012, River Rock's REVPAR was $102 dollars, compared to $122 dollars in the twelve months of 2011. This decrease was due to a 4.7 percentage point decrease in average hotel occupancy rate to 69%, and a 10% decrease in ADR to $148 dollars.

Promotional allowance in the fourth quarter of 2012 was relatively consistent with the fourth quarter of 2011. Promotional allowance increased by $2.2 in the twelve months of 2012, when compared to the twelve months of 2011. This increase was 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 in the fourth quarter of 2012 were relatively consistent with the fourth quarter of 2011. Human resources expenses increased by 8% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to incremental staffing costs associated with the new hotel tower, improvements in food and beverage volumes, and growth in player demand. Human resources expenses also included non-recurring severance costs of $0.4 in the twelve months of 2012.

Property, marketing and administration expenses in the fourth quarter of 2012 were relatively consistent with the fourth quarter of 2011. Property, marketing and administration expenses increased by 10% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to incremental operating costs associated with the new hotel tower, growth in food and beverage volumes, and inflationary cost increases.

EBITDA

EBITDA increased by 39% in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This increase was due to River Rock's revenue increase. EBITDA increased by 23% in the twelve months of 2012, when compared to the twelve months of 2011. This improvement was primarily due to the increase in River Rock's revenues, and was partly offset by increased operating expenses.

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

Boulevard Casino

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**10.6**	10.8	(2%)	**43.3**	44.1	(2%)
Facility Development Commission	**1.7**	1.8	(6%)	**7.1**	7.2	(1%)
Hospitality and other revenues	**2.6**	2.3	13%	**9.7**	8.7	11%
Revenues before Promotional allowances	**14.9**	14.9	0%	**60.1**	60.0	0%
Less: Promotional allowances	**(0.5)**	(0.6)	(17%)	**(2.2)**	(2.1)	5%
Revenues	**14.4**	14.3	1%	**57.9**	57.9	0%
Human resources	**6.2**	5.8	7%	**24.9**	23.4	6%
Property, marketing and administration	**3.1**	3.2	(3%)	**11.9**	11.5	3%
EBITDA	**$ 5.1**	$ 5.3	(4%)	**$ 21.1**	$ 23.0	(8%)
Human resources as a % of Revenues before Promotional allowances	**41.6%**	38.9%		**41.4%**	39.0%	
EBITDA as a % of Revenues	**35.4%**	37.1%		**36.4%**	39.7%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Table Drop	$ 41.6	$ 40.9	$ 42.1	$ 42.0	$ 41.6	$ 39.7	$ 40.3	$ 39.3	$ 45.8	
Table Hold	$ 8.2	$ 8.4	$ 8.4	$ 9.0	$ 8.4	$ 8.6	$ 8.5	$ 8.7	$ 8.9	
Table Hold %	19.7%	20.5%	20.0%	21.4%	20.2%	21.7%	21.1%	22.1%	19.4%	20.7%
Poker Rake	$ 1.0	$ 0.7	$ 0.9	$ 1.2	$ 1.1	$ 1.4	$ 1.0	$ 1.1	$ 1.3	
Slot Coin-In	$ 385.5	$ 391.3	$ 414.6	$ 400.4	$ 400.6	$ 392.1	$ 394.4	$ 372.8	$ 380.8	
Slot Win	$ 26.7	$ 27.2	$ 28.5	$ 26.6	$ 26.7	$ 27.2	$ 28.0	$ 26.5	$ 27.8	
Slot Win/Slot/Day[(1)]	$ 292	$ 302	$ 315	$ 298	$ 289	$ 294	$ 305	$ 289	$ 292	
Slot Win %	6.9%	6.9%	6.9%	6.6%	6.7%	6.9%	7.1%	7.1%	7.3%	6.9%

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

Revenues

Revenues at Boulevard were relatively consistent in the fourth quarter and twelve months of 2012, when compared to the same 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 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 fourth quarter and twelve 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 the growth in food and beverage volumes. Human resources expenses also included non-recurring severance costs of $0.4 in the twelve months of 2012.

Property, marketing and administration expenses were relatively consistent in the fourth quarter of 2012, when compared to the fourth quarter of 2011. Property, marketing and administration expenses increased by 3% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to both incremental operating costs associated with the growth in food and beverage volumes and increased marketing costs intended to attract new guests.

EBITDA

EBITDA decreased by 4% in the fourth quarter and 8% in the twelve 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)

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**7.6**	7.7	(1%)	**31.0**	31.3	(1%)
Facility Development Commission	**1.9**	2.4	(21%)	**5.9**	6.3	(6%)
Hospitality and other revenues	**1.0**	0.8	25%	**4.1**	3.6	14%
Revenues before Promotional allowances	**10.5**	10.9	(4%)	**41.0**	41.2	0%
Less: Promotional allowances	**(0.4)**	(0.5)	(20%)	**(1.8)**	(1.7)	6%
Revenues	**10.1**	10.4	(3%)	**39.2**	39.5	(1%)
Human resources	**3.0**	2.9	3%	**12.2**	11.8	3%
Property, marketing and administration	**1.4**	1.4	0%	**5.4**	5.2	4%
EBITDA	**$ 5.7**	$ 6.1	(7%)	**$ 21.6**	$ 22.5	(4%)
Human resources as a % of Revenues before Promotional allowances	**28.6%**	26.6%		**29.8%**	28.6%	
EBITDA as a % of Revenues	**56.4%**	58.7%		**55.1%**	57.0%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Table Drop	$ 12.5	$ 13.0	$ 12.4	$ 13.0	$ 11.6	$ 11.7	$ 11.7	$ 12.9	$ 12.8	
Table Hold	$ 2.9	$ 2.8	$ 2.9	$ 2.7	$ 2.5	$ 2.6	$ 2.6	$ 2.8	$ 2.9	
Table Hold %	23.2%	21.5%	23.4%	20.8%	21.6%	22.2%	22.2%	21.7%	22.7%	22.2%
Slot Coin-In	$ 379.8	$ 390.0	$ 397.2	$ 378.1	$ 381.4	$ 386.6	$ 394.1	$ 365.4	$ 375.3	
Slot Win	$ 26.9	$ 28.3	$ 27.8	$ 27.1	$ 27.5	$ 28.9	$ 28.8	$ 27.0	$ 28.5	
Slot Win/Slot/Day(1)	$ 289	$ 305	$ 303	$ 295	$ 296	$ 311	$ 318	$ 293	$ 309	
Slot Win %	7.1%	7.3%	7.0%	7.2%	7.2%	7.5%	7.3%	7.4%	7.6%	7.3%

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

Revenues

Revenues at the Vancouver Island Casinos decreased by 3% in the fourth quarter and 1% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to lower FDC revenues. As at December 31, 2012, the majority of the eligible expenditures approved by BCLC for the accelerated FDC project at Casino Nanaimo were reimbursed. The decreases in FDC revenues were partially offset by the growth in food and beverage revenues.

Expenses

Human resources expenses in the fourth quarter of 2012 were relatively consistent with the fourth quarter of 2011. Human resources expenses in the twelve months of 2012 increased by 3%, when compared to the twelve months of 2011. This increase was primarily due to both the growth in food and beverage volumes and non-recurring severance costs of $0.2.

Property, marketing and administration expenses in the fourth quarter of 2012 were consistent with the fourth quarter of 2011. Property, marketing and administration expenses increased by 4% in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to incremental operating costs associated with the growth in food and beverage volumes.

EBITDA

EBITDA decreased by 7% in the fourth quarter and 4% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to the decrease in FDC revenues and increases 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 Chances Chilliwack (formerly Chilliwack Bingo))

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**3.0**	2.5	20%	**10.3**	8.7	18%
Facility Development Commission	**2.6**	0.4	550%	**3.5**	1.6	119%
Hospitality and other revenues	**0.7**	0.5	40%	**2.0**	1.6	25%
Revenues before Promotional allowances	**6.3**	3.4	85%	**15.8**	11.9	33%
Less: Promotional allowances	**(0.2)**	(0.1)	100%	**(0.5)**	(0.4)	25%
Revenues	**6.1**	3.3	85%	**15.3**	11.5	33%
Human resources	**1.6**	1.1	45%	**5.0**	4.1	22%
Property, marketing and administration	**1.1**	0.7	57%	**3.2**	2.5	28%
EBITDA	**$ 3.4**	$ 1.5	127%	**$ 7.1**	$ 4.9	45%
Human resources as a % of Revenues before Promotional allowances	**25.4%**	32.4%		**31.6%**	34.5%	
EBITDA as a % of Revenues	**55.7%**	45.5%		**46.4%**	42.6%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Slot Coin-In	$ 165.3	$ 107.3	$ 107.9	$ 114.1	$ 118.7	$ 102.4	$ 104.5	$ 98.4	$ 95.3	
Slot Win	$ 10.6	$ 7.0	$ 7.1	$ 7.6	$ 7.4	$ 6.9	$ 7.0	$ 6.6	$ 6.1	
Slot Win/Slot/Day[(1)]	$ 315	$ 296	$ 305	$ 327	$ 316	$ 294	$ 300	$ 283	$ 260	
Slot Win %	6.4%	6.5%	6.6%	6.7%	6.2%	6.7%	6.7%	6.7%	6.4%	6.5%

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

Revenues

Revenues at the Company's Other BC Casinos increased by 85% in the fourth quarter and 33% in the twelve months of 2012, when compared to the same periods in 2011. These increases were primarily due to the non-recurring accelerated FDC revenues of $1.7 related to the previous bingo operations at Chilliwack Bingo. These revenue increases were also attributable to the incremental revenues associated with the commencement of slot operations at Chances Chilliwack on November 1, 2012.

Expenses

Human resources expenses increased by 45% in the fourth quarter and 22% in the twelve months of 2012 when compared to the same periods in 2011. These increases were primarily due to the incremental costs associated with Chances Chilliwack, which commenced slot operations on November 1, 2012.

Property, marketing and administration expenses increased by 57% in the fourth quarter and 28% in the twelve months of 2012 when compared to the fourth quarter and twelve months of 2011. These increases were primarily due to the incremental costs associated with Chances Chilliwack. Property, marketing and administration expenses in the fourth quarter and twelve months of 2012 also include $0.2 of non-recurring pre-operating costs related to Chances Chilliwack.

EBITDA

EBITDA increased by 127% in the fourth quarter and 45% in the twelve months of 2012, when compared to the same periods in 2011. These increases were primarily due to both the non-recurring accelerated FDC revenues and the growth in gaming revenues. These increases were partially offset by the increase in operating expenses.

Labour Relations

As at December 31, 2012, a collective agreement between Chilliwack Gaming Limited and National Automobile, Aerospace, Transportation and General Workers Union of Canada, ("CAW-Canada"), Local 3000, governed the wages and working conditions for employees working in the Bingo division, except management and those excluded by the Labour Relations Code of BC (the "Code"). A collective agreement with a three-year term covering January 1, 2012 through December 31, 2014, was ratified by the parties on July 10, 2012.

However, subsequent to December 31, 2012, the BC Labour Relations Board cancelled the Certification held by CAW-Canada for employees working in the Bingo division after considering the results of a February 2013 union member vote to decertify.

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

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

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**9.0**	9.2	(2%)	**39.2**	39.6	(1%)
Hospitality and other revenues	**2.0**	1.1	82%	**5.7**	4.6	24%
Revenues before Promotional allowances	**11.0**	10.3	7%	**44.9**	44.2	2%
Less: Promotional allowances	**(0.6)**	(0.6)	0%	**(3.1)**	(2.3)	35%
Revenues	**10.4**	9.7	7%	**41.8**	41.9	0%
Human resources	**4.2**	4.2	0%	**17.1**	16.9	1%
Property, marketing and administration	**3.1**	3.4	(9%)	**13.3**	13.8	(4%)
EBITDA	**$ 3.1**	$ 2.1	48%	**$ 11.4**	$ 11.2	2%
Human resources as a % of Revenues before Promotional allowances	**38.2%**	40.8%		**38.1%**	38.2%	
EBITDA as a % of Revenues	**29.8%**	21.6%		**27.3%**	26.7%	

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Average
Table Drop	$ 10.9	$ 10.4	$ 9.8	$ 10.5	$ 11.0	$ 11.4	$ 11.8	$ 10.0	$ 11.5	
Table Hold	$ 2.5	$ 1.9	$ 1.9	$ 2.3	$ 2.2	$ 2.4	$ 2.3	$ 2.1	$ 2.2	
Table Hold %	22.9%	18.3%	19.4%	21.9%	20.0%	21.1%	19.5%	21.0%	19.1%	20.3%
Poker Rake	$ 0.5	$ 0.5	$ 0.4	$ 0.4	$ 0.5	$ 0.6	$ 0.5	$ 0.5	$ 0.4	
Slot Coin-In	$ 193.7	$ 228.3	$ 206.2	$ 192.6	$ 193.5	$ 231.2	$ 205.2	$ 181.6	$ 200.2	
Slot Win	$ 14.8	$ 18.3	$ 16.1	$ 15.2	$ 15.0	$ 18.5	$ 16.2	$ 14.4	$ 15.6	
Slot Win/Slot/Day(1)	$ 185	$ 227	$ 205	$ 191	$ 185	$ 225	$ 198	$ 176	$ 190	
Slot Win %	7.6%	8.0%	7.8%	7.9%	7.8%	8.0%	7.9%	7.9%	7.8%	7.9%

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

Revenues

Gaming revenues at the Nova Scotia Casinos in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011 despite a decrease in the Company's percentage of gaming revenues earned from NSPLCC as a result of the AROC amendment on October 1, 2012, as described in the "Business Description – Operations – Nova Scotia – Regulatory" section of this MD&A. The decrease in the Company's share of gaming revenues was offset by an increase in operator's fee associated with leased slots that was previously received as a contribution towards slot leases under property, marketing and administrative expenses.

Hospitality and other revenues increased by 82% in the fourth quarter and 24% in the twelve months of 2012 when compared to the same periods in 2011. These increases were primarily due to the increase in the Company's operator's fee related to non-gaming revenues as a result of the AROC amendment. In addition, hospitality and other revenues in the fourth quarter of 2011 included a $0.2 non-recurring reduction associated with sales taxes due on fees previously earned for providing automated banking machine services to guests.

Promotional allowances in the fourth quarter of 2012 were relatively consistent with the fourth quarter of 2011. Promotional allowances increased by $0.8 in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due the change in direct marketing efforts and strategies.

Expenses

Human resources expenses in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011.

Property, marketing and administration expenses decreased by 9% in the fourth quarter and 4% in the twelve months of 2012, when compared to the same periods in 2011. These declines were primarily due to reduced marketing expenses that were partially offset by a $0.3 increase in slot lease expenses since operator's fees received from NSPLCC related to leased slots were included in gaming revenues in the fourth quarter of 2012, but were previously received as a contribution to the cost of slot leases under property, marketing and administration expenses.

EBITDA
EBITDA increased by 48% in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This increase was primarily due to higher revenues and lower operating costs. EBITDA in the twelve months of 2012 was relatively consistent with the twelve months of 2011.

Labour Relations
A collective agreement between Casino Nova Scotia Halifax and Service Employees International Union ("SEIU"), Local 2, governs wages and working conditions of the Main Unit including all full-time and regular part-time employees of Casino Nova Scotia Halifax excluding office and clerical workers, human resource employees, surveillance employees, security employees, supervisors and those above the rank of supervisor. A new collective agreement with a three-year term covering February 1, 2012 through January 31, 2015 was ratified by both parties on April 3, 2012.

A collective agreement between Casino Nova Scotia Halifax and SEIU, Local 2, governs wages and working conditions of the Security Unit including all full-time and regular part-time employees in the security department of Casino Nova Scotia Halifax, excluding supervisors and those above the rank of supervisor. A new collective bargaining agreement with a three-year term covering February 1, 2012 through January 31, 2015 was ratified by both parties on May 1, 2012.

Great American Casinos

Results in U.S. Dollars (in millions)

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**4.4**	4.8	(8%)	**18.1**	19.7	(8%)
Hospitality and other revenues	**1.6**	1.4	14%	**5.8**	4.9	18%
Revenues before Promotional allowances	**6.0**	6.2	(3%)	**23.9**	24.6	(3%)
Less: Promotional allowances	**(0.7)**	(0.5)	40%	**(2.3)**	(1.8)	28%
Revenues	**5.3**	5.7	(7%)	**21.6**	22.8	(5%)
Human resources	**3.1**	3.2	(3%)	**12.8**	12.5	2%
Property, marketing and administration	**1.6**	1.6	0%	**6.2**	6.0	3%
EBITDA	**$ 0.6**	$ 0.9	(33%)	**$ 2.6**	$ 4.3	(40%)
Human resources as a % of Revenues before Promotional allowances	**51.7%**	51.6%		**53.6%**	50.8%	
EBITDA as a % of Revenues	**11.3%**	15.8%		**12.0%**	18.9%	

	Q4 2012	**Q3 2012**	**Q2 2012**	**Q1 2012**	**Q4 2011**	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Average**
Table Drop	$ 34.5	$ 31.6	$ 33.2	$ 35.5	$ 35.5	$ 31.7	$ 31.6	$ 31.2	$ 31.1	
Table Hold	$ 5.1	$ 4.7	$ 5.1	$ 5.4	$ 5.4	$ 5.2	$ 5.8	$ 5.9	$ 5.4	
Table Hold %	14.7%	14.9%	15.4%	15.2%	15.2%	16.4%	18.4%	18.9%	17.4%	16.2%

Results in Canadian Dollars

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Revenues	**$ 5.3**	$ 5.8	(9%)	**$ 21.6**	$ 22.7	(5%)
EBITDA	**$ 0.6**	$ 1.0	(40%)	**$ 2.6**	$ 4.5	(42%)

Discussion in U.S. Dollars

Revenues

Revenues at Great American Casinos decreased by 7% in the fourth quarter and 5% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to adverse competitive conditions, as well as 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.

Promotional allowances increased by $0.2 in the fourth quarter and $0.5 in the twelve months of 2012, when compared to the prior periods in 2011. These increases were primarily due to increased incentives associated with direct marketing efforts and complimentary food, beverage, and other items provided to guests in this highly competitive market.

Expenses

Human resources and property, marketing and administration expenses in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011.

EBITDA
Great American Casinos' EBITDA decreased by 33% in the fourth quarter and 40% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to 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 decreased by 3% in the fourth quarter and increased by 1% in the twelve months of 2012, when compared to the same 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)

	Fourth Quarter			**Twelve Months of**		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**4.8**	4.7	2%	**20.1**	19.2	5%
Facility Development Commission	**0.6**	0.6	0%	**2.9**	3.0	(3%)
Racetrack revenues	**2.4**	3.3	(27%)	**11.3**	14.6	(23%)
Hospitality and other revenues	**1.5**	1.5	0%	**7.6**	6.9	10%
Revenues before Promotional allowances	**9.3**	10.1	(8%)	**41.9**	43.7	(4%)
Less: Promotional allowances	**(0.4)**	(0.5)	(20%)	**(1.8)**	(1.7)	6%
Revenues	**8.9**	9.6	(7%)	**40.1**	42.0	(5%)
Human resources	**4.3**	3.9	10%	**19.5**	17.5	11%
Property, marketing and administration	**3.0**	3.1	(3%)	**13.3**	13.6	(2%)
EBITDA	**$ 1.6**	$ 2.6	(38%)	**$ 7.3**	$ 10.9	(33%)
Human resources as a % of Revenues before Promotional allowances	**46.2%**	38.6%		**46.5%**	40.0%	
EBITDA as a % of Revenues	**18.0%**	27.1%		**18.2%**	26.0%	

	Q4 2012	**Q3 2012**	**Q2 2012**	**Q1 2012**	**Q4 2011**	**Q3 2011**	**Q2 2011**	**Q1 2011**	**Q4 2010**	**Average**
Table Drop	$ 7.1	$ 7.0	$ 7.2	$ 6.4	$ 6.0	$ 6.5	$ 6.1	$ 7.0	$ 7.3	
Table Hold	$ 1.7	$ 1.4	$ 1.4	$ 1.4	$ 1.3	$ 1.5	$ 1.3	$ 1.3	$ 1.5	
Table Hold %	24.2%	20.0%	19.4%	21.9%	21.7%	23.1%	21.3%	18.6%	20.5%	21.1%
Poker Rake	$ 0.1	$ 0.5	$ 0.3	$ 0.2	$ -	$ -	$ -	$ -	$ -	
Slot Coin-In	$ 227.3	$ 239.4	$ 246.3	$ 234.7	$ 240.4	$ 241.8	$ 228.4	$ 219.0	$ 218.7	
Slot Win	$ 16.5	$ 17.9	$ 18.4	$ 17.6	$ 17.3	$ 18.4	$ 17.8	$ 17.2	$ 17.2	
Slot Win/Slot/Day[(1)]	$ 169	$ 184	$ 191	$ 183	$ 179	$ 189	$ 185	$ 179	$ 176	
Slot Win %	7.3%	7.5%	7.5%	7.5%	7.2%	7.6%	7.8%	7.9%	7.9%	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 fourth quarter and 5% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These increases were primarily due to the incremental revenues from new poker room at Fraser Downs Racetrack and Casino, which opened on March 7, 2012, and growth in table games.

Racetrack revenues decreased by 27% in the fourth quarter and 23% in the twelve months of 2012, when compared to the same 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 10% in the fourth quarter and 11% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These increases were primarily due to increased staffing levels to service the increase in gaming volumes, which included increased play from the new poker room at Fraser Downs Racetrack and Casino. Human resources expenses in the twelve months of 2012 also included non-recurring severance costs of $0.5.

Property, marketing and administration expenses were relatively consistent in the fourth quarter and twelve months of 2012, when compared to the same periods in 2011.

EBITDA

EBITDA decreased by 38% in the fourth quarter and 33% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to the decreases in racetrack revenues and increases in human resources expenses.

Labour Relations

A collective agreement between Hastings Entertainment Inc. and UNITE HERE!, Local 40, with a term covering April 1, 2008 through December 31, 2010, governs wages and working conditions of "employees engaged in the food and beverage dispensing at the Hastings Park Racecourse". Collective bargaining for a renewal collective agreement commenced on January 20, 2011.

A collective agreement between Hastings Entertainment Inc. and Canadian Office and Professional Employees Union ("COPE"), Local 378, with a term covering August 1, 2008 through July 31, 2011, and subsequently extended by mutual agreement to July 31, 2012, governs wages and working conditions of "Employees of Hastings Entertainment Inc., Hastings Park Racecourse employed at Exhibition Park except those excluded by the Code, employed by Hastings Entertainment Inc." On July 6, 2012, the parties agreed to "hold collective bargaining in abeyance until November 2012 due to the process of renewing the operating agreement for Hastings Racecourse and Slots Facility with the City of Vancouver". Collective bargaining for a renewal collective agreement commenced on February 25, 2013.

Recent Development

As described in the "Market Update" 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

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**3.0**	3.1	(3%)	**12.6**	12.7	(1%)
Racetrack revenues	**0.4**	0.4	0%	**1.6**	1.7	(6%)
Hospitality and other revenues	**0.5**	0.5	0%	**1.6**	1.7	(6%)
Revenues	**3.9**	4.0	(3%)	**15.8**	16.1	(2%)
Human resources	**0.7**	0.7	0%	**2.6**	2.6	0%
Property, marketing and administration	**0.8**	1.2	(33%)	**3.7**	4.2	(12%)
EBITDA	**$ 2.4**	$ 2.1	14%	**$ 9.5**	$ 9.3	2%
Human resources as a % of Revenues before Promotional allowances	**17.9%**	17.5%		**16.5%**	16.1%	
EBITDA as a % of Revenues	**61.5%**	52.5%		**60.1%**	57.8%	

Revenues
Revenues in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011. Revenues included the effect of a change in the way OLG calculates gross gaming revenues under IFRS, which has reduced the related site holder payments. The Company estimates that this resulted in a negative annual impact of $0.3 for Georgian Downs, and has entered into arbitration with OLG to resolve this matter.

Expenses
Human resources expenses in the fourth quarter and twelve months of 2012 were consistent with the same periods in 2011.

Property, marketing and administration expenses decreased by 33% in the fourth quarter and 12% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to lower property taxes, utilities, and marketing expenses.

EBITDA
EBITDA increased by 14% in the fourth quarter and 2% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These increases were primarily due to decreased property, marketing and administration expenses.

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

Recent Development
As described in the "Major 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 in discussions with OLG to negotiate a lease arrangement that would facilitate the continued operation of Georgian Downs beyond March 31, 2013. Based on recent discussions, if a lease is agreed, the Company expects Georgian Downs' EBITDA will decline as compared to levels realized in 2012. If the Company is unable to enter into a lease agreement, further impairments may be recorded against the remaining long-lived assets of Georgian Downs.

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

Flamboro Downs

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Gaming revenues	**2.8**	3.0	(7%)	**12.0**	12.4	(3%)
Racetrack revenues	**0.7**	0.8	(13%)	**2.9**	3.2	(9%)
Hospitality and other revenues	**0.6**	0.7	(14%)	**2.6**	2.7	(4%)
Revenues	**4.1**	4.5	(9%)	**17.5**	18.3	(4%)
Human resources	**1.2**	1.2	0%	**5.0**	5.1	(2%)
Property, marketing and administration	**1.0**	1.2	(17%)	**4.7**	5.1	(8%)
EBITDA	**$ 1.9**	$ 2.1	(10%)	**$ 7.8**	$ 8.1	(4%)
Human resources as a % of Revenues before Promotional allowances	**29.3%**	26.7%		**28.6%**	27.9%	
EBITDA as a % of Revenues	**46.3%**	46.7%		**44.6%**	44.3%	

<u>*Revenues*</u>
Revenues at Flamboro Downs decreased by 9% in the fourth quarter and 4% in the twelve months of 2012, when compared to the same periods in 2011. These decreases included the effect of a change in the way OLG calculates gross gaming revenues under IFRS, which has reduced the related site holder payments. The Company estimates that this resulted in a negative annual impact of $0.3 for Flamboro Downs, and has entered into arbitration with OLG to resolve this matter.

<u>*Expenses*</u>
Human resources expenses in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011.

Property, marketing and administration expenses decreased by 17% in the fourth quarter and 8% in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These decreases were primarily due to cost-efficiency initiatives.

<u>*Labour Relations*</u>
A collective agreement between Flamboro Downs Limited and Service Employees International Union ("SEIU"), Local 2, with a term covering January 1, 2011 through December 31, 2013, governs wages and working conditions of employees in the Mutuels, Maintenance & Janitorial, Security, Food & Beverage departments.

<u>*Recent Development*</u>
As described in the "Major 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 in discussions with OLG to negotiate a lease arrangement that would facilitate the continued operation of Flamboro Downs beyond March 31, 2013. Based on recent discussions, if a lease is agreed, the Company expects Flamboro Downs' EBITDA will decline as compared to levels realized in 2012. If the Company is unable to enter into a lease agreement, further impairments may be recorded against the remaining long-lived assets of Flamboro Downs.

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

Corporate & Other

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Human resources	**$ 3.5**	3.4	3%	**$ 13.5**	13.9	(3%)
Property, marketing and administration	**1.6**	1.9	(16%)	**6.7**	6.4	5%
EBITDA	**$ (5.1)**	$ (5.3)	4%	**$ (20.2)**	$ (20.3)	0%

EBITDA
Corporate & Other EBITDA in the fourth quarter and twelve months of 2012 were relatively consistent with the same periods in 2011.

Discussion of Items Excluded from EBITDA

Amortization

Amortization decreased by $1.9 in the fourth quarter and $6.9 in the twelve months of 2012, when compared to the fourth quarter and twelve 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 net increase in amortization expense associated with the impairment of Georgian Downs and Flamboro Downs as described in the "Major Developments" section of this MD&A.

Share-Based Compensation

Share-based compensation of $0.2 in the fourth quarter of 2012 (2011 - $0.6) consists of equity-settled share-based compensation of $0.4 (2011 - $0.5) and a decrease in the fair-value of the cash-settled share-based compensation of $0.2 (2011 - increase of $0.1). Share-based compensation decreased by $0.4 in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This decrease was primarily due to a lower average number of unvested share options outstanding and a decrease in share price during the fourth quarter of 2012, when compared to the fourth quarter of 2011.

Share-based compensation of $3.6 in the twelve months of 2012 (2011 - $4.9) comprises equity-settled share-based compensation of $2.2 (2011 - $3.9) and cash-settled share-based compensation of $1.4 (2011 - $1.0). Share-based compensation decreased by $1.3 in the twelve months of 2012, when compared to the twelve months 2011. This decrease was primarily due to a lower average number of unvested share options outstanding, offset by an increase in share price during the twelve months of 2012, when compared to the twelve months of 2011.

Equity Investment Loss and Other

Equity investment loss and other increased by $1.5 in the fourth quarter and $3.5 in the twelve 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 "Major Developments" section of this MD&A, and the increase in provision related to the contingent future trailing payments for the Chilliwack Bingo acquisition. These increases were partially offset by decreased business development expenses.

Litigation Settlement

The litigation settlement of $11.0 in the twelve months of 2012 related 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 $0.7 in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This increase was primarily due to the increase in long-term debt related to the debt refinancing as described in the "Capital Resources" section of this MD&A.

Interest and financing costs, net of interest income increased by $7.5 in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to 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 twelve months of 2012 as part of the debt refinancing, as described in the "Capital Resources" section of this MD&A. This increase was also due to the increase in long-term debt related to the debt refinancing.

Impairment of Long-Lived Assets
In the fourth quarter of 2012, the Company recorded a $6.9 impairment of long-lived assets related to land in Ontario that was written down to its estimated recoverable amount.

In the twelve months of 2012, the Company recorded a non-cash impairment charge of $50.8 associated with the early termination notice of the site holder agreements for Georgian Downs and Flamboro Downs, as described in the "Major Developments" section of this MD&A, as well as a non-cash impairment charge of $10.3 related to land in Ontario that was written down to its estimated recoverable amount.

Impairment of long-lived assets was $4.4 in the fourth quarter and twelve months of 2011. This non-cash impairment charge was associated with declines and uncertainty in the economic outlook of Hastings Racecourse and Slots Facility.

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 the early termination notice of the site holder agreement for Georgian Downs, as described in the "Major Developments" section of this MD&A.

Foreign Exchange Loss and Other
Foreign exchange loss and other expenses increased by $0.7 in the fourth quarter and $3.6 in the twelve months of 2012, when compared to the fourth quarter and twelve months of 2011. These non-cash variances were primarily due to the settlement of the cross-currency interest rate and principal swaps in the twelve months of 2012, and the discontinuation of hedge accounting for a portion of the cash flows in the twelve months of 2011 as described in the "Capital Resources" section of this MD&A.

Income Taxes
Income taxes increased by $3.2 in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This increase was primarily due to higher earnings before income taxes and was partially offset by a corporate income tax rate that was 1.5 percentage points lower in 2012, when compared to 2011.

Income taxes decreased by $14.8 in the twelve months of 2012, when compared to the twelve months of 2011. This decrease was 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

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010
Revenues	$ 102.8	$ 101.8	$ 101.3	$ 102.8	$ 95.7	$ 101.0	$ 99.5	$ 92.0	$ 97.2
EBITDA	$ 37.5	$ 35.8	$ 35.3	$ 39.0	$ 31.0	$ 38.6	$ 37.8	$ 31.5	$ 35.0
EBITDA as a % of Revenues	36.5%	35.2%	34.8%	37.9%	32.4%	38.2%	38.0%	34.2%	36.0%
Net earnings (loss)	$ 2.5	$ (0.9)	$ 2.7	$ (31.9)	$ 2.3	$ 7.9	$ 10.3	$ 5.7	$ (29.5)
Net earnings (loss) per common share									
Basic	$ 0.04	$ (0.01)	$ 0.03	$ (0.39)	$ 0.03	$ 0.10	$ 0.12	$ 0.07	$ (0.36)
Diluted	$ 0.03	$ (0.01)	$ 0.03	$ (0.39)	$ 0.03	$ 0.09	$ 0.12	$ 0.07	$ (0.36)

The Company's revenues trend reflects year-over-year growth in gaming revenues as well as hospitality and other revenues. Gaming revenues have increased primarily due to improvements at River Rock, incremental revenues from the acquisition of Chilliwack Bingo in May 2011, and the commencement of slot machine operations at Chances Chilliwack in November 2012. 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 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 earnings (loss) trend reflects the items noted above, as well as certain impairment charges, equity investment losses, business development expenses, litigation settlement costs, expenses associated with the debt refinancing and settlement of the related derivative liabilities, and the 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 December 31, 2012, the Company had:

- Relatively low levels of receivables of which the majority are due from: sales tax rebates from the federal government, racetrack operators, 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;
- $320.1 of available credit on its Revolving Credit Facility, subject to compliance with the related financial covenants;
- 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 "Capital Resources" 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

	As at December 31,							
		2012		2011	% Chg		2010	% Chg
Cash and cash equivalents	**$**	**116.2**	$	134.7	(14%)	$	50.9	165%
Short-term investments		**-**		-			53.0	(100%)
Other current assets		**18.7**		22.6	(17%)		16.8	35%
Property, plant and equipment		**621.3**		663.6	(6%)		663.0	0%
Other long-term assets		**106.5**		155.2	(31%)		162.5	(4%)
Total Assets	**$**	**862.7**	$	976.1	(12%)	$	946.2	3%
Current liabilities	**$**	**63.8**	$	64.9	(2%)	$	60.8	7%
Long-term debt & Derivative liabilities (excluding current portion)		**439.9**		398.9	10%		393.4	1%
Other long-term liabilities		**78.7**		89.9	(12%)		90.9	(1%)
Total Liabilities		**582.4**		553.7	5%		545.1	2%
Shareholders' equity		**280.3**		422.4	(34%)		401.1	5%
Total Liabilities and Shareholders' equity	**$**	**862.7**	$	976.1	(12%)	$	946.2	3%

Total Assets
Total assets decreased by $113.4 as at December 31, 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, and the amortization of property, plant and equipment and intangible assets. 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 "Capital Resources" section of this MD&A.

Total assets increased by $29.9 as at December 31, 2011, when compared to the total assets as at December 31, 2010. This increase was primarily due to cash generated by operating activities, additions to property, plant and equipment on the Company's major development projects, and the acquisition of Chilliwack Bingo. These increases were partially offset by cash outflows to service financial obligations and amortization of property, plant and equipment and intangible assets.

Total Liabilities
Total liabilities increased by $28.7 as at December 31, 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 "Capital Resources" 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.

Total liabilities increased by $8.6 as at December 31, 2011, when compared to the total liabilities as at December 31, 2010. This increase was primarily due to the increase in long-term debt associated with the weakening Canadian dollar's effect on the underlying U.S. dollar debt, and an increase in current liabilities associated with the construction related activities described in the "Major Developments" section of this MD&A. This increase was partially offset by a decrease in the fair value of the Company's cross-currency interest rate and principal swaps relating to the Term Loan B and Subordinated Notes.

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

Shareholders' equity
Shareholders' equity decreased by $142.1 as at December 31, 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 $27.6. This decrease was partially offset by share options exercised of $7.9, other comprehensive income of $5.5, and equity-settled share-based compensation of $2.2.

Shareholders' equity increased by $21.3 as at December 31, 2011, when compared to shareholders' equity as at December 31, 2010. This increase was primarily due to net earnings of $26.2, equity-settled share-based compensation of $3.9, and share options exercised of $3.4. These increases were partially offset by the repurchased common shares of $10.6 and the decrease in accumulated other comprehensive income of $1.6.

Cash Flows

	Fourth Quarter			Twelve Months of		
	2012	2011	% Chg	**2012**	2011	% Chg
Net cash generated by operating activities	**$ 38.0**	$ 31.1	22%	**$ 123.4**	$ 121.0	2%
Cash (used in) generated by investing activities	**(5.3)**	(5.5)	4%	**(27.4)**	1.5	
Cash used in financing activities	**-**	(1.9)	100%	**(114.9)**	(39.5)	(191%)
Effect of foreign exchange on cash and cash equivalents	**0.3**	(0.1)		**0.4**	0.8	(50%)
Cash inflow (outflow)	**$ 33.0**	$ 23.6	40%	**$ (18.5)**	$ 83.8	

Net cash generated by operating activities was higher in the fourth quarter of 2012, when compared to the fourth quarter of 2011. This increase was primarily due to higher in EBITDA in the fourth quarter of 2012. Net cash generated by operating activities was higher in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to increased EBITDA and lower income tax instalment payments in the twelve months of 2012, which was largely offset by the cash payment associated with the Litigation Settlement of $11.0 in July 2012, as described in the "Litigation" section of this MD&A.

Cash used in investing activities in the fourth quarter and twelve months of 2012 were 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 used in investing activities in the fourth quarter of 2011 was primarily due to the development of the third hotel tower at River Rock, the development of both the Chances Chilliwack community gaming centre and the permanent Maple Ridge community gaming centre. Cash generated by investing activities in the twelve months of 2011 was primarily offset by cash used in capital expenditures, which included the third hotel tower at River Rock and the Chances Chilliwack community gaming centre.

Cash used in financing activities in the fourth quarter of 2012 was primarily related to bank charges and other fees of $0.7, which was offset by cash received of $0.7 from the exercise of share options. Cash used in financing activities in the fourth quarter of 2011 was primarily related to interest payments of $3.7 and the quarterly debt repayment on the Term Loan B, which was partially offset by common shares issued for cash of $2.4. Cash used in financing activities was higher in the twelve months of 2012, when compared to the twelve months of 2011. This increase was primarily due to the repurchase of common shares of $130.1 in the twelve months of 2012. This increase was partially offset by the net proceeds associated with the debt refinancing, as described in the "Capital Resources" section of this MD&A.

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

Capital Resources

Long-Term Debt and Capital Structure

	December 31, 2012	December 31, 2011
Senior Unsecured Notes, net of unamortized transaction costs of $10.1 (2011 - $nil)	**$ 439.9**	$ -
Term Loan B, net of unamortized transaction costs of $nil (2011 - $1.1)	**-**	163.7
Senior Subordinated Notes and unamortized premium of $nil (2011 - $0.8), net of unamortized transaction costs of $nil (2011 - $2.7)	**-**	170.9
	439.9	334.6
Less: current portion	**-**	2.0
	$ 439.9	$ 332.6

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. The net proceeds were $439.5 after transaction costs of $10.5. The use of proceeds included repayment of the US$161.1 Term Loan B, repurchase or redemption of the US$170.0 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. 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 debt 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 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.

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 consolidated statements of earnings (loss) over the term of the Senior Unsecured Notes using the effective interest method.

On July 21, 2011, the Company completed an amendment of its February 14, 2007 Credit and Guarantee Agreement ("Credit Agreement") which covers the terms of its Revolving Credit Facility. Consequently, the Company's previous undrawn $200.0 Revolving Credit Facility was increased to a maximum limit of $350.0 and extended to July 21, 2016. On July 24, 2012, the Company further extended the maturity of its $350.0 Revolving Credit Facility by one year to July 21, 2017.

Transaction costs associated with refinancing the Revolving Credit Facility of $2.8 during the year ended December 31, 2011 and $0.5 during the year ended December 31, 2012 are included in the "other assets" line of the consolidated statements of financial position and will be amortized through the "interest and financing costs, net" line of the consolidated statements of earnings (loss) over the term of the Revolving Credit Facility using the effective interest method.

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

As a result of this debt refinancing, 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 consolidated statements of earnings (loss).

As at December 31, 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	3.02
Senior Secured Debt to Adjusted EBITDA ratio (1)	< 3.50	0.00
Interest Coverage ratio (1)	> 2.25	5.04
Fixed Charge Coverage ratio (2)	> 2.00	5.05

(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 December 31, 2012 were as follows:

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

Cross-Currency Interest Rate and Principal Swap Agreements

In 2007, 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 that year. 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".

On July 24, 2012, as part of the long-term 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" was 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 year ended December 31, 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. As a result, the Company recorded a $0.8 gain in the fourth quarter and $5.0 loss in the twelve months of 2011 as "foreign exchange loss and other" on the consolidated statements of earnings (loss) during the year ended December 31, 2011.

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

Outstanding Share Data

As at December 31, 2012, there were 70,436,319 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 year ended December 31, 2012.

As at December 31, 2012, there were 4,492,850 share options outstanding at a weighted-average exercise price of $7.08. Subsequent to December 31, 2012, the Company granted 1,425,000 share options at an exercise price of $9.11.

As at March 5, 2013, there were 70,543,819 common shares outstanding and 5,557,016 share options outstanding.

Capital Spending and Development

Under its operating agreements in BC, the Company earns a commission on capital investments as a percentage of Gross Gaming Revenues. Under its operating agreement in Nova Scotia, the Company is reimbursed for the majority of its capital projects. 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 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 the Gross Gaming Revenues from gaming activities. BCLC provides for an accelerated FDC equal to 2% of the Gross Gaming Revenues towards site-specific reimbursements of new gaming redevelopments. The accelerated FDC is limited to the initial redevelopment of a property and continues to be received until the approved eligible costs of the redevelopment are recovered.

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:

	Year ended December 31,	
	2012	2011
Opening Approved Amounts	**$ 424.4**	$ 445.0
Additional Approved Amounts	**22.8**	11.5
FDC receipts	**(35.2)**	(32.1)
Closing Approved Amounts	**$ 412.0**	$ 424.4

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 NSPLCC 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 fourth quarter and twelve months of 2012, the Company's maintenance capital expenditures net of related accounts payable totalled $0.5 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 $5.3 and $16.2 during the fourth quarter of 2012 and the twelve months of 2012 were primarily related to the recently opened Chances Chilliwack, the permanent Maple Ridge community gaming centre, the redevelopment of Boulevard, and upgrades at River Rock's first two hotel towers. For the upcoming twelve months of 2013, the Company estimates that development capital expenditures and maintenance capital expenditures net of related accounts payable will total approximately $20 and $10, respectively.

Contingencies

The Company has issued letters of credit to guarantee performance primarily under gaming cash floats, construction contracts, and provincial gaming corporation payables in the aggregate amount of $29.9 as at December 31, 2012 (2011 - $32.3).

Litigation

In 2005, as part of the acquisition of Georgian Downs, the Company entered into an agreement that provided a consultant a deemed contribution for a notional equity interest in Georgian Downs as consideration for certain consulting services for its operations in the Province of Ontario. On July 30, 2007, the Company terminated the agreement and tendered the sum of $1.6 being the full amount that the Company determined to be validly due and payable to the consultant. The consultant and the Company had significantly different views as to the consultant's monetary entitlement under the agreement. On June 29, 2012, the Company settled this legal dispute and made a total cash payment of $11.0, which was recorded as a "litigation settlement" expense in the consolidated statements of earnings (loss) for the year ended December 31, 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.

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

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.

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

Commitments

The Company expects the following maturities of its financial liabilities (including interest), operating leases and other contractual commitments:

	Expected payments by period as at December 31, 2012				
	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 60.4	$ -	$ -	$ -	$ 60.4
Income taxes payable	0.5	-	-	-	0.5
Senior Unsecured Notes	29.8	59.6	59.6	599.1	748.1
Provisions	1.0	1.7	0.6	6.5	9.8
Operating leases	5.6	4.6	3.0	8.1	21.3
Other contractual commitments	5.6	1.9	0.2	0.6	8.3
Total	$ 102.9	$ 67.8	$ 63.4	$ 614.3	$ 848.4

Operating leases include a ground lease with the City of Surrey, BC for Fraser Downs Racetrack and Casino, an operating agreement with the City of Vancouver, BC for Hastings Racecourse and Slots Facility, property leases for the Company's head office, and a ground lease with the City of Sydney, NS for Casino Nova Scotia Sydney.

Other contractual commitments include the acquisition of property, plant and equipment of $1.0 (2011 – $3.3), various service contracts of $4.6 (2011 – $7.4), and amounts committed to NSPLCC to fund responsible gaming programs of $2.7 (2011 – $3.9).

Expected payments related to facility development projects are not reflected in this table unless they are contractually committed.

Future Cash Requirements

Management believes that the Company's 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:

	Fourth Quarter		Twelve Months of	
	2012	2011	**2012**	2011
Human resources [1]	**$ 0.6**	$ 0.2	**$ 2.3**	$ 2.9
Share-based compensation [2]	**-**	0.2	**2.3**	2.8
Total	**$ 0.6**	$ 0.4	**$ 4.6**	$ 5.7

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

(2) Share-based compensation includes equity and cash settled share-based compensation.

As at December 31, 2012, the liabilities of the Company included amounts due to key management personnel of $0.9 (2011 - $1.0) in "accounts payable and accrued liabilities" and $2.2 (2011 - $0.8) in "deferred credits, provisions and other liabilities" in the consolidated statements of financial position.

Business Development Costs

Certain business development costs of $1.1 previously presented as "property, marketing and administration" on the consolidated statements of earnings (loss) 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 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 consolidated financial statements.

Recent Accounting Pronouncements

The IASB 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. These standards are not expected to have a material impact on the Company's consolidated financial statements.

The IASB also issued the following new and revised accounting pronouncements, which are not expected to have a material impact on the Company's 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.

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 Annual Financial Statements. The Company's Annual Financial Statements contain a summary of its 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 estimates used in determining the recorded amounts in the Company's Annual Financial Statements include the following:

- *Impairment of long-lived assets and goodwill*

  The determination of a long-lived asset or goodwill impairment requires significant estimates and assumptions to determine the recoverable amount of an asset and/or CGU, wherein the recoverable amount is the higher of fair value less costs to sell and value in use. The value in use method involves estimating the net present value of future cash flows derived from the use of the asset and/or CGU, discounted at an appropriate rate.

  The 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, economic trends, and consider past communications with relevant stakeholders of the Company. These key assumptions include the future revenue levels and EBITDA margin as a percentage of revenues. The assumptions are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. Significant changes in the key assumptions utilized in the estimate of future cash flows could result in an impairment loss or reversal of an impairment loss.

- *Estimated useful lives of long-lived assets*

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

- *Fair value of net assets acquired in business combinations*

  The cost of an acquired business ("purchase price") is assigned to the identifiable tangible and intangible assets purchased and liabilities assumed on the basis of their fair values at the date of acquisition. The identification of assets purchased and liabilities assumed and the valuation thereof is specialized and judgmental. Where appropriate, the Company engages business valuators to assist in the valuation of tangible and intangible assets acquired. Any excess of purchase price over the fair value of the identifiable tangible and intangible assets purchased and liabilities assumed is allocated to goodwill.

  When a business combination involves contingent consideration, an amount equal to the fair value of the contingent consideration is recorded as a liability at the time of acquisition. The key assumptions utilized in determining fair value may include probabilities associated with the occurrence of specified future events, financial projections of the acquired business, the timing of future cash flows, and the appropriate discount rate.

- *Fair value of assets acquired in business transactions with non-monetary consideration*

  The Company measures the fair value of assets acquired in business transactions with non-monetary consideration at the fair value of the asset given up or the fair value of the asset received, whichever is more reliably measurable. Measurement of fair value is based on an analysis of pertinent information that may include third-party asset appraisals, market values evidenced from similar transactions, and discounted cash flows.

- *Equity-settled share-based compensation*

  The Company estimates the cost of equity-settled share-based compensation using the Black-Scholes option pricing model. The model takes into account an estimate of the expected life of the option, the current price of the underlying common share, the expected volatility, an estimate of future dividends on the underlying common share, the risk-free rate of return expected for an instrument with a term equal to the expected life of the option, and the expected forfeiture rate.

- *Income taxes*

  Deferred tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of certain assets and liabilities, as well as undeducted tax losses. Estimation is required for the timing of the reversal of these temporary differences and the tax rate applied. The carrying amounts of assets and liabilities are based on amounts recorded in the financial statements and are subject to the accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of undeducted tax losses are based on the applicable income tax legislation, regulations and interpretations. The timing of the reversal of the temporary differences and the timing of deduction of tax losses are based on estimations of the Company's future financial results.

  Changes in the expected operating results, enacted tax rates, legislation or regulations, and the Company's interpretations of income tax legislation will result in adjustments to the expectations of future timing difference reversals and may require material deferred tax adjustments.

- *Contingencies*

  Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company and its subsidiaries. The adequacy of provisions is regularly assessed as new information becomes available.

  The Company does not record contingent assets.

The judgments used in applying the Company's significant accounting policies include the following:

- *Hedge accounting*

  The Company designated its cross-currency interest rate and principal swaps as cash flow hedges, and assessed the effectiveness of its hedging instruments at each reporting period up to their settlement on July 24, 2012, as described in the "Capital Resources" section of this MD&A. The fair values of the Company's cross-currency interest rate and principal swaps were based on credit risk adjusted discounted cash flows that require assumptions regarding the U.S. dollar exchange rate and discount rates, which were based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and U.S.

  The Company applied hedge accounting as it believed this was more representative of the economic substance of the underlying transactions. If the Company chooses to revoke this designation at a future period, the changes in fair value of the cross-currency interest rate and principal swaps would have been recorded in the consolidated statements of earnings (loss).

- *Determination of CGUs*

  The Company's assets are grouped into CGUs based on their ability to generate separate identifiable cash flows. The determination of CGUs involves an assessment regarding the interdependency of cash inflows, and the Company's organizational structure.

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 floating interest rate risk is the Revolving Credit Facility.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance a) that material information about the Company and its subsidiaries would have been made known to them and b) regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The Chief Executive Officer and Chief Financial Officer have evaluated and conclude that the Company's disclosure controls and procedures are adequately designed and effective for providing reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would have been made known to them as of the end of the fiscal year ended December 31, 2012.

As well, as of the end of the fiscal year ended December 31, 2012, the Chief Executive Officer and Chief Financial Officer have evaluated and concluded that the Company's internal controls over financial reporting, designed under the Committee of Sponsoring Organizations of the Treadway Commission's internal control integrated framework, are adequately designed and effective for providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

During 2012 there was no change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Definitions of Other Terms Used in the MD&A

Gross Gaming Revenues – the amounts wagered on gaming activities, less the payout or prizes to winning customers.

Provincial / State Government Portion of Gross Gaming Revenues – the amounts paid to provincial or state governments related to gaming activities.

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 amounts paid to BCLC (provincial government portion is 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 amounts paid to BCLC (provincial government portion is 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 – effective October 1, 2012, gaming revenues are approximately equal to 52.24% of the gross gaming revenues, after deduction of the capital reserve contribution ("CRC"). The CRC is the greater of 5% of total revenue and $5.0 (adjusted for inflation in each year since 2009). The Company is also entitled to receive additional Operator Fees equal to the lesser of $1.3, or 10% of leased slot machine revenues. Prior to October 1, 2012, gaming revenues were approximately equal to 55.5%, after deduction of the CRC, as described in the "Business Description" section of this MD&A.

- Slot commissions in Ontario – slot machine commissions represent 10% of the gross gaming revenues 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 revenues, 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). BCLC also provides for an accelerated FDC amount towards site-specific reimbursements of new gaming redevelopments. Generally, the FDC percentage is 3% or 5% of gross gaming win from casinos, racetracks and community gaming centres.

- Hospitality and other revenues – food and beverage revenues, hotel revenues, and other revenues such as: 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 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

	Q4 2012	Q3 2012	Q2 2012	Q1 2012	Q4 2011
Gaming Revenues					
River Rock Casino Resort	$ 26.2	$ 26.1	$ 25.8	$ 30.4	$ 22.5
Boulevard Casino	10.6	10.6	11.1	11.1	10.8
Vancouver Island Casinos	7.6	7.9	7.8	7.6	7.7
Other BC Casinos	3.0	2.3	2.5	2.4	2.5
Nova Scotia Casinos	9.0	11.0	9.8	9.6	9.2
Great American Casinos	4.4	4.3	4.5	4.8	4.9
BC Racinos	4.8	5.1	5.2	4.9	4.7
Georgian Downs	3.0	3.4	3.2	3.0	3.1
Flamboro Downs	2.8	3.1	3.0	3.0	3.0
	71.4	**73.8**	**72.9**	**76.8**	**68.4**
Facility Development Commission					
River Rock Casino Resort	3.9	3.8	3.8	4.4	3.3
Boulevard Casino	1.7	1.7	1.7	1.8	1.8
Vancouver Island Casinos	1.9	1.3	1.3	1.4	2.4
Other BC Casinos	2.6	0.1	0.4	0.4	0.4
BC Racinos	0.6	0.7	0.7	0.9	0.6
	10.7	**7.6**	**7.9**	**8.9**	**8.5**
Hospitality and Other Revenues					
River Rock Casino Resort	11.4	11.5	11.3	9.2	10.1
Boulevard Casino	2.6	2.2	2.5	2.4	2.3
Vancouver Island Casinos	1.0	1.1	1.1	1.0	0.8
Other BC Casinos	0.7	0.4	0.4	0.5	0.5
Nova Scotia Casinos	2.0	1.3	1.2	1.3	1.1
Great American Casinos	1.6	1.4	1.4	1.4	1.4
BC Racinos	1.5	2.5	2.2	1.4	1.5
Georgian Downs	0.5	0.4	0.5	0.2	0.5
Flamboro Downs	0.6	0.7	0.6	0.6	0.7
Corporate & Other	-	-	-	-	-
	21.9	**21.5**	**21.2**	**18.0**	**18.9**
Racetrack Revenues					
BC Racinos	2.4	3.1	3.2	2.7	3.3
Georgian Downs	0.4	0.4	0.4	0.3	0.4
Flamboro Downs	0.7	0.8	0.7	0.8	0.8
	3.5	**4.3**	**4.3**	**3.8**	**4.5**
Promotional Allowances	(4.7)	(5.4)	(5.0)	(4.7)	(4.6)
Revenues	**$ 102.8**	**$ 101.8**	**$ 101.3**	**$ 102.8**	**$ 95.7**
EBITDA					
River Rock Casino Resort	$ 18.8	$ 19.0	$ 19.2	$ 22.7	$ 13.5
Boulevard Casino	5.1	4.8	5.5	5.8	5.3
Vancouver Island Casinos	5.7	5.3	5.5	5.1	6.1
Other BC Casinos	3.4	0.8	1.3	1.3	1.5
Nova Scotia Casinos	3.1	3.5	2.6	2.5	2.1
Great American Casinos	0.6	0.5	0.5	0.8	1.0
BC Racinos	1.6	1.8	2.0	1.9	2.6
Georgian Downs	2.4	2.5	2.4	2.2	2.1
Flamboro Downs	1.9	2.2	1.9	1.8	2.1
Corporate & Other	(5.1)	(4.6)	(5.6)	(5.1)	(5.3)
	$ 37.5	**$ 35.8**	**$ 35.3**	**$ 39.0**	**$ 31.0**