GREAT CANADIAN GAMING CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month and Nine Month Periods Ended September 30, 2016 and 2015

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

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

		September 30, 2016	December 31, 2015
Assets			
Current			
Cash and cash equivalents	Note 7	**$ 195.9**	$ 207.5
Accounts receivable		**24.0**	7.3
Income taxes receivable		**-**	0.4
Prepaids, deposits and other assets		**11.2**	8.1
		231.1	223.3
Property, plant and equipment		**658.5**	638.2
Intangible assets		**82.9**	81.4
Goodwill		**22.1**	22.6
Deferred tax assets		**10.2**	9.6
Cash on deposit with Canada Revenue Agency	Note 5	**29.5**	20.2
Other assets	Note 2	**3.6**	2.8
		$ 1,037.9	$ 998.1
Liabilities			
Current			
Accounts payable and accrued liabilities	Note 3, 7	**$ 73.3**	$ 66.6
Income taxes payable		**2.8**	-
Other liabilities		**2.9**	2.9
		79.0	69.5
Long-term debt	Note 2	**478.0**	443.0
Deferred credits, provisions and other liabilities	Note 3	**27.0**	25.9
Deferred tax liabilities		**83.0**	80.1
		667.0	618.5
Equity			
Share capital and reserves	Note 3	**302.3**	310.2
Accumulated other comprehensive income		**2.5**	3.3
Retained earnings		**62.1**	65.7
Equity attributable to shareholders of the company		**366.9**	379.2
Non-controlling interests		**4.0**	0.4
Total equity		**370.9**	379.6
		$ 1,037.9	$ 998.1

These financial statements were approved and authorized by the Company's Board of Directors for issue on November 7, 2016.

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

		Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Revenues	Note 4	**$ 151.2**	$ 116.3	**$ 422.3**	$ 337.4
Expenses					
Human resources		**50.7**	40.4	**151.3**	121.7
Property, marketing and administration		**37.6**	28.4	**109.3**	80.2
Amortization		**13.8**	9.8	**41.1**	28.9
Share-based compensation	Note 3	**2.5**	(0.1)	**5.1**	3.7
Interest and financing costs, net		**9.0**	8.1	**26.3**	23.8
Restructuring and other		**0.8**	2.0	**5.1**	4.8
Foreign exchange (gain) loss and other		**(0.6)**	(2.1)	**0.2**	(3.9)
		113.8	86.5	**338.4**	259.2
Earnings before income taxes		**37.4**	29.8	**83.9**	78.2
Income taxes	Note 5	**9.8**	8.0	**22.8**	21.2
Net earnings		**$ 27.6**	$ 21.8	**$ 61.1**	$ 57.0
Net earnings attributable to:					
Shareholders of the company		**$ 26.9**	$ 21.8	**$ 60.1**	$ 57.0
Non-controlling interests		**0.7**	-	**1.0**	-
		$ 27.6	$ 21.8	**$ 61.1**	$ 57.0
Net earnings per common share attributable to shareholders of the company	Note 6				
Basic		**$ 0.45**	$ 0.33	**$ 0.96**	$ 0.83
Diluted		**$ 0.44**	$ 0.32	**$ 0.95**	$ 0.81
Weighted average number of common shares (in thousands)					
Basic		**60,346**	66,396	**62,281**	68,375
Diluted		**61,447**	67,772	**63,267**	70,017

GREAT CANADIAN GAMING CORPORATION

Condensed Interim Consolidated Statements of Comprehensive Income

(Unaudited - Expressed in millions of Canadian dollars)

	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Net earnings	**$ 27.6**	$ 21.8	**$ 61.1**	$ 57.0
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net earnings				
Current period changes in fair values of derivatives designated as cash flow hedges, net of taxes	**-**	-	**0.1**	-
Unrealized effect of foreign currency translation of foreign operations	**0.3**	0.8	**(0.9)**	1.6
Other comprehensive income (loss)	**0.3**	0.8	**(0.8)**	1.6
Total comprehensive income	**$ 27.9**	$ 22.6	**$ 60.3**	$ 58.6
Total Comprehensive income attributable to:				
Shareholders of the company	**$ 27.2**	$ 22.6	**$ 59.3**	$ 58.6
Non-controlling interests	**0.7**	-	**1.0**	-
	$ 27.9	$ 22.6	**$ 60.3**	$ 58.6

GREAT CANADIAN GAMING CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited Expressed in millions of Canadian dollars)

		Share Capital Number [1]	Share Capital Amount	Reserves	Share Capital and Reserves	Accumulated Other Comprehensive Income	Retained Earnings	Equity Attributable To Shareholders	Non-Controlling Interests	Total Equity
At January 1, 2015		68,814	$ 277.4	$ 41.4	$ 318.8	$ 1.1	$ 80.4	$ 400.3	$ -	$ 400.3
Share-based compensation	Note 3	-	-	3.7	3.7	-	-	3.7	-	3.7
Exercise of incentive stock options		1,056	11.1	(2.2)	8.9	-	-	8.9	-	8.9
Repurchase of common shares	Note 3	(3,608)	(15.1)	-	(15.1)	-	(66.5)	(81.6)	-	(81.6)
Net earnings		-	-	-	-	-	57.0	57.0	-	57.0
Other comprehensive income		-	-	-	-	1.6	-	1.6	-	1.6
Contributions		-	-	-	-	-	-	-	2.5	2.5
At September 30, 2015		66,262	$ 273.4	$ 42.9	$ 316.3	$ 2.7	$ 70.9	$ 389.9	$ 2.5	$ 392.4
At January 1, 2016		64,413	$ 266.3	$ 43.9	$ 310.2	$ 3.3	$ 65.7	$ 379.2	$ 0.4	$ 379.6
Share-based compensation	Note 3	-	-	2.9	2.9	-	-	2.9	-	2.9
Exercise of incentive stock options	Note 3	1,092	11.7	(2.0)	9.7	-	-	9.7	-	9.7
Repurchase of common shares	Note 3	(4,807)	(20.5)	-	(20.5)	-	(63.7)	(84.2)	-	(84.2)
Net earnings		-	-	-	-	-	60.1	60.1	1.0	61.1
Other comprehensive loss		-	-	-	-	(0.8)	-	(0.8)	-	(0.8)
Contributions	Note 10a	-	-	-	-	-	-	-	2.6	2.6
At September 30, 2016		**60,698**	**$ 257.5**	**$ 44.8**	**$ 302.3**	**$ 2.5**	**$ 62.1**	**$ 366.9**	**$ 4.0**	**$ 370.9**

[1] Number of shares presented in thousands.

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

		Nine months ended September 30, 2016	2015
Cash Flows from Operating Activities			
Earnings before income taxes		**$ 83.9**	$ 78.2
Adjustments to reconcile earnings before income taxes to cash generated by operating activities:			
Amortization		**41.1**	28.9
Share-based compensation	Note 3	**5.1**	3.7
Interest and financing cost, net		**26.3**	23.8
Foreign exchange loss (gain) and other		**0.2**	(3.9)
Other		**(0.9)**	0.1
Changes in non-cash operating working capital	Note 7	**(8.2)**	(4.4)
Income taxes paid		**(17.3)**	(25.9)
Cash generated by operating activities		**130.2**	100.5
Cash Flows from Investing Activities			
Purchase of property, plant and equipment, net of related accounts payable of $4.5 (2015 - $0.3)		**(21.4)**	(11.0)
Acquisition of Bingo Esquimalt		**(0.4)**	-
Acquisition of Ontario Gaming East Bundle, net of cash acquired	Note 10	**(37.8)**	-
Casino New Brunswick acquisition deposit	Note 10	**-**	(2.5)
HST receivable related to acquisition of Ontario East Gaming Bundle		**(1.3)**	-
Interest income received		**1.0**	2.2
Amounts deposited with Canada Revenue Agency		**(9.3)**	(20.2)
Other		**(1.5)**	(0.1)
Cash used in investing activities		**(70.7)**	(31.6)
Cash Flows from Financing Activities			
Increase in borrowings under credit facilities	Note 2	**35.0**	-
Debt financing transaction costs	Note 2	**(1.1)**	(1.0)
Proceeds from exercise of incentive share options, net of issuance costs		**9.7**	8.9
Repurchase of common shares	Note 3	**(84.2)**	(81.6)
Contributions from non-controlling interests		**2.6**	0.5
Interest paid		**(32.9)**	(32.1)
Cash used in financing activities		**(70.9)**	(105.3)
Effect of foreign exchange on cash and cash equivalents		**(0.2)**	2.6
Cash outflow		**(11.6)**	(33.8)
Cash and cash equivalents, beginning of period		**207.5**	330.6
Cash and cash equivalents, end of period	Note 7	**$ 195.9**	$ 296.8

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

1. BASIS OF PRESENTATION

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. Certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015 ("Annual Financial Statements").

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed interim consolidated financial statements are disclosed in Note 3 of the Company's Annual Financial Statements.

These condensed interim consolidated financial statements were prepared using the same accounting policies as set out in the Company's Annual Financial Statements, except as described below.

The Company has adopted the amendments to IFRSs included in the Annual Improvements 2012-2014 cycle and a number of narrow scope amendments to certain IFRSs and IASs which are effective for annual periods beginning on or after January 1, 2016. The amendments did not have an impact on the Company's unaudited condensed interim consolidated financial statements.

Accounting standards issued but not yet effective
The IASB issued the following new accounting standards which the Company does not plan to early adopt. The Company is still assessing the impact of these new standards.

- IFRS 9*, Financial Instruments ("IFRS 9")* – replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces amendments to classification and measurement for financial assets, a new expected loss impairment model and a new hedge accounting model. It is effective for annual periods beginning on or after January 1, 2018.

- IFRS 15, *Revenue from Contracts with Customers* – provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various other matters. New disclosures about revenue are also introduced. It is effective for annual periods beginning on or after January 1, 2018.

- IFRS 16, *Leases* – specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with lessor accounting substantially unchanged from its predecessor, IAS 17*, Leases*. It is effective for annual periods beginning on or after January 1, 2019.

2. LONG-TERM DEBT

	September 30, 2016	December 31, 2015
Senior Unsecured Notes, net of unamortized transaction costs of $6.1 (2015 - $7.0)	**$ 443.9**	$ 443.0
Non-recourse Revolving Credit Facility, net of unamortized transaction costs of $0.9 (2015 - $nil)	**34.1**	-
	$ 478.0	$ 443.0

As at September 30, 2016, subject to compliance with the related financial covenants, the Company has $323.0 (December 31, 2015 - $322.6) of available undrawn credit on its Senior Secured Revolving Credit Facility after deducting outstanding letters of credit of $27.0 (December 31, 2015 - $27.4).

2. LONG-TERM DEBT (Continued)

a) Non-recourse Revolving Credit Facility of Ontario Gaming East Limited Partnership ("OGELP") subsidiary

On January 11, 2016, the Company's OGELP subsidiary arranged a $60.0 revolving credit facility for the acquisition of the assets and operations of certain casinos in Ontario from the Ontario Lottery and Gaming Corporation ("OLG") as described in Note 10a. The Non-recourse Revolving Credit Facility Credit Agreement ("Non-recourse Credit Agreement"), which expires on January 11, 2020, is non-recourse to Great Canadian Gaming Corporation and its other subsidiaries, other than the Company's historic investment in the OGELP subsidiary, which may not be recovered in the event of default of OGELP. OGELP's assets are pledged as collateral on the facility. The counterparties to this credit facility are major financial institutions with minimum "A" credit ratings.

As at September 30, 2016, subject to compliance with the related financial covenants, OGELP has $9.0 of available undrawn credit on its Non-recourse Revolving Credit Facility after deducting $35.0 of debt borrowed and outstanding letters of credit of $16.0.

Transaction costs associated with the issuance of the Non-recourse Revolving Credit Facility totalling $1.1 are amortized through the "interest and financing costs, net" line of the condensed interim consolidated statements of earnings over the term of the Non-recourse Revolving Credit Facility using the straight-line method.

b) Interest rate swap

On January 19, 2016, the Company's OGELP subsidiary entered into an interest rate swap that effectively converted the floating interest rate on the debt borrowed from its Non-recourse Revolving Credit Facility into fixed interest rate debt. As at September 30, 2016, the interest rate swap had a notional principal of $35.0 and matures on January 10, 2020. OGELP receives interest based on a 3-month Canadian Dealer Offered Rate and pays interest at 0.813% per annum.

OGELP designated the interest rate swap as a cash flow hedge of the interest rate exposure on the debt. OGELP has evaluated the interest rate swap and assessed it as an effective hedge of the cash flows associated with the Non-recourse Revolving Credit Facility. Accordingly, the change in fair values of the swap, net of income taxes, has been recorded in other comprehensive income. The fair value of the interest rate swap is calculated based on the market conditions at the time of reporting.

At September 30, 2016, the fair value of the interest rate swap was in a $0.1 asset position and the amount was recorded in "other assets" on the condensed interim consolidated statements of financial position.

c) Covenants

As at September 30, 2016, the Company was in compliance with its financial covenants under the terms of its Senior Secured Revolving Credit Facility, Senior Unsecured Notes and Non-recourse Revolving Credit Facility.

3. SHARE CAPITAL AND RESERVES

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

a) Share repurchases

In March 2016, the Company received approval from the TSX to commence a normal course issuer bid for up to 5,312,609 of its common shares, representing approximately 10% of the Company's common shares in the public float. The bid commenced on March 14, 2016 and will end on March 13, 2017, or earlier if the number of shares sought in the issuer bid has been obtained. The Company will not purchase shares during its self-imposed blackout periods and reserves the right to terminate the bid earlier. Pursuant to TSX policies, daily purchases made by the Company will not exceed 21,107 common shares or 25% of the prior six-month average trading volume of 84,426 common shares on the TSX, subject to certain prescribed exceptions. Purchases will be made 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 rules. No purchases will be made other than by means of open market transactions during the term of the normal course issuer bid and conducted at the market price at the time of acquisition. All shares purchased by the Company are subsequently cancelled.

During the nine months ended September 30, 2016, the Company purchased for cancellation 138,240 common shares at a weighted-average price per share of $15.23 under the normal course issuer bid which expired on February 25, 2016 and purchased for cancellation 4,668,925 common shares at a volume weighted-average price per share of $17.57 under the issuer bid which commenced on March 14, 2016. The purchase price for the nine months ended September 30, 2016 was $84.2 or $17.50 per share. All shares purchased by the Company were cancelled.

During the nine months ended September 30, 2015, the Company purchased, and subsequently cancelled, 3,400,000 common shares from a company controlled by the Estate of Ross J. McLeod, a former director and officer of the Company. The purchase price was $77.7 or $22.85 per share. During the same period, the Company also purchased for cancellation 208,160 common shares at a weighted-average price per share of $18.58 under the normal course issuer bid which expired on February 25, 2016.

b) Share option plan

The changes in the number of share options and their weighted-average exercise price during the nine months ended September 30, 2016 and 2015 were as follows:

	September 30, 2016		**September 30, 2015**	
	Options [1]	**Weighted-Average Exercise Price**	**Options [1]**	**Weighted-Average Exercise Price**
Outstanding, beginning of period	**5,713**	**$ 14.38**	4,123	$ 10.17
Granted	**142**	**21.71**	1,534	20.13
Forfeited	**(428)**	**17.31**	(286)	16.97
Exercised	**(1,092)**	**8.87**	(1,056)	8.44
Outstanding, end of period	**4,335**	**$ 15.71**	4,315	$ 13.68

[1] Option information is presented in thousands.

3. SHARE CAPITAL AND RESERVES (Continued)

b) Share option plan (Continued)

One hundred and thirty thousand options were granted during the three months ended September 30, 2016 (2015 - twenty-five thousand).

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

	Nine months ended September 30,	
	2016	2015
Option award fair value	**$ 4.45**	$ 4.17
Risk-free interest rate	**0.6%**	1.2%
Expected lives [1]	**3.5 years**	3.5 years
Expected volatility [2]	**27.3%**	25.8%
Dividend yield	**0.0%**	0.0%

[1] Estimated based on the Company's vesting policy and historical exercise pattern.

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

The Company recorded equity-settled share-based compensation expense of $0.9 associated with share options for the three months ended September 30, 2016 (2015 - $1.1) and $2.9 for the nine months ended September 30, 2016 (2015 - $3.7).

c) Deferred Share Units ("DSUs")

The changes in DSUs provided to non-employee directors of the Company were as follows:

Number of Units (in thousands)	**September 30, 2016**	September 30, 2015
Outstanding, beginning of period	**219**	212
Issued	**13**	7
Settled in cash	**(15)**	-
Outstanding, end of period	**217**	219

Related to these DSUs, the Company recorded a liability of $4.7 in "deferred credits, provisions and other liabilities" at September 30, 2016 (December 31, 2015 - $3.5), $0.3 in "accounts payable and accrued liabilities" at September 30, 2016 (December 31, 2015 - $nil) and cash-settled share-based compensation expense of $1.0 for the three months ended September 30, 2016 (2015 - recovery of $1.1) and $1.6 for the nine months ended September 30, 2016 (2015 - recovery of $0.3).

d) Restricted Share Units ("RSUs")

Effective January 1, 2014, the Company introduced an employee incentive program that contains the opportunity for eligible employees to be awarded cash-settled RSUs if they exceed certain business targets for a prior fiscal year. RSUs granted vest in two equal tranches, one on each of the two anniversary dates following the date of grant. Assuming both a constant market price for the Company's common shares and no award forfeitures, these RSUs would result in cash settlement payments of $0.9 to employees after they vest in 2017, $0.7 in 2018 and $0.7 in 2019. During the nine months ended September 30, 2016, the Company paid $0.8 on the vesting of RSUs.

The changes in RSUs provided to employees of the Company were as follows:

Number of Units (in thousands)	**September 30, 2016**	September 30, 2015
Outstanding, beginning of period	**87**	-
Issued	**2**	99
Forfeited	**(9)**	(12)
Settled in cash	**(41)**	-
Outstanding, end of period	**39**	87

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

3. SHARE CAPITAL AND RESERVES (Continued)

d) Restricted Share Units ("RSUs") (Continued)

Related to these RSUs, the Company recorded a liability of $0.3 in "deferred credits, provisions and other liabilities" at September 30, 2016 (December 31, 2015 - $0.5), $0.7 in "accounts payable and accrued liabilities" at September 30, 2016 (December 31, 2015 - $0.7), and cash-settled share-based compensation expense of $0.6 for the three months ended September 30, 2016 (2015 - recovery of $0.1) and $0.6 for the nine months ended September 30, 2016 (2015 - $0.3).

4. REVENUES

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Gaming revenues	**$ 108.3**	$ 78.4	**$ 299.8**	$ 228.2
Facility Development Commission	**9.8**	9.4	**28.4**	28.0
Hospitality, lease and other revenues	**40.0**	31.9	**112.8**	89.4
Racetrack revenues	**4.2**	3.8	**11.8**	11.0
	162.3	123.5	**452.8**	356.6
Less: Promotional allowances	**(11.1)**	(7.2)	**(30.5)**	(19.2)
	$ 151.2	$ 116.3	**$ 422.3**	$ 337.4

Theatre cost of goods sold of $2.5 and $4.7 previously presented as a reduction of "revenues" on the condensed interim consolidated statements of earnings for the three and nine months ended September 30, 2015, respectively, have been retrospectively reclassified to "property, marketing and administration expenses" from "hospitality, lease and other revenues". This revised presentation provides more useful comparative information regarding the Company's operating financial performance.

5. INCOME TAXES

The Company's income tax expense is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Current tax expense	**$ 9.2**	$ 6.0	**$ 20.5**	$ 17.9
Deferred tax expense	**0.6**	2.0	**2.3**	3.3
Total tax expense	**$ 9.8**	$ 8.0	**$ 22.8**	$ 21.2

The Company's income tax expense for the three and nine month periods ended September 30, 2016 can be reconciled to earnings before income taxes as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Applicable federal and provincial statutory income tax rates (1)	**26%**	26%	**26%**	26%
Earnings before income taxes	**$ 37.4**	$ 29.8	**$ 83.9**	$ 78.2
Expected income tax expense for the period	**9.7**	7.7	**21.8**	20.3
Effect of:				
Non-deductible share-based compensation	**0.2**	0.2	**0.7**	0.9
Impact of different jurisdictional statutory tax rates on earnings of subsidiaries	**0.2**	0.2	**0.6**	0.5
Other items	**(0.3)**	(0.1)	**(0.3)**	(0.5)
	$ 9.8	$ 8.0	**$ 22.8**	$ 21.2

(1) The applicable federal and provincial statutory income tax rates used for the 2016 and 2015 reconciliations above is the income tax rate payable by corporate entities in the province of British Columbia on taxable profits under tax law in that jurisdiction.

5. INCOME TAXES (Continued)

The Canada Revenue Agency ("CRA") conducted audits of the Company's and its subsidiaries' Facility Development Commission ("FDC") filing positions of its B.C. operations for the 2009 to 2012 years. CRA has taken the view that FDC was received by the Company and its subsidiaries during 2009 and subsequent years as service fee income and should be included in taxable income when received. For income tax purposes, the Company and its subsidiaries treat the reimbursement by the British Columbia Lottery Corporation ("BCLC") of the approved gaming related property, plant and equipment costs as a reduction in the capital cost of the asset. CRA's current position is inconsistent with the results of CRA's findings in their previous audits of the Company's Great Canadian Casinos Inc. subsidiary for the 2000 and 2001 taxation years.

If CRA's more recent view prevails, it would accelerate the timing of when the Company and its subsidiaries recognize taxable income, but would also increase the tax depreciation deduction (capital cost allowance) that they could recognize in prior and future years.

Based on the FDC received from BCLC between January 1, 2009 to September 30, 2016, if CRA's most recent view of FDC prevailed, preliminary estimates indicate the Company's consolidated current tax expense would increase $56.3, deferred tax expense would decrease $52.7, and interest and financing costs would increase $8.2, resulting in a one-time $11.8 decrease in net earnings and a corresponding decrease to basic net earnings per share of approximately $0.19/share. If CRA's most recent view of FDC prevails, the Company expects that the effect of the estimated $7.5 annual increase in current income taxes that would arise from applying the combined federal and provincial income tax rate on future FDC reimbursements, assuming they were consistent with those received in the last 12 months ended September 30, 2016, would be substantially offset by a decrease in deferred income taxes and would consequently have no material effect on net earnings or net earnings per common share going forward.

During 2015, the Company received from CRA notices of reassessment for itself and three of its subsidiaries related to the income tax treatment of FDC received from BCLC in 2009 and 2010. During the nine months ended September 30, 2016, the Company and five of its subsidiaries received notices of reassessment related to the income tax treatment of FDC received from BCLC in 2011 and 2012. As part of the notices of reassessment received during the nine months ended September 30, 2016, CRA has waived $1.1 of interest relating to the 2011 and 2012 taxation years.

The Company disagrees with the CRA's current view of FDC and CRA's adjustments to the taxable income of it and its subsidiaries in respect of FDC. The Company believes that its tax filing positions with respect to FDC will prevail and consequently the Company and its subsidiaries have not accrued for additional income tax liabilities, income tax expenses, and interest as a result of the reassessments received from CRA. The Company and its subsidiaries intend to defend their tax filing positions and the three subsidiaries that have received notices of reassessment from CRA for 2009 and 2010 have filed notices of objection with CRA's Appeals Division. The Company and its subsidiaries plan to file notices of objection to CRA's Appeals Division to each notice of reassessment received for 2011, 2012, and subsequent years as received, where appropriate. In order to file a notice of objection, the Company and its subsidiaries are required to pay at least 50% of the amounts reassessed and will record a corresponding income tax receivable from CRA until the dispute is resolved. As at September 30, 2016, the Company and its subsidiaries have deposited a net amount of $29.5 to CRA. This amount is reflected in "cash on deposit with Canada Revenue Agency" on the condensed interim consolidated statements of financial position as at September 30, 2016 (December 31, 2015 - $20.2).

6. NET EARNINGS PER COMMON SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

		Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Shareholders' net earnings	(A)	**$ 26.9**	$ 21.8	**$ 60.1**	$ 57.0
Weighted-average number of common shares outstanding [(1)]	(B)	**60,346**	66,396	**62,281**	68,375
Dilutive adjustment for share options [(1)]		**1,101**	1,376	**986**	1,642
Diluted weighted-average number of common shares [(1)]	(C)	**61,447**	67,772	**63,267**	70,017
Shareholders' net earnings per common share					
Basic	(A/B)	**$ 0.45**	$ 0.33	**$ 0.96**	$ 0.83
Diluted	(A/C)	**$ 0.44**	$ 0.32	**$ 0.95**	$ 0.81

(1) Share information is presented in thousands.

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

	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Options [(1)]	**929**	1,386	**1,777**	1,386

(1) Option information is presented in thousands.

7. SUPPLEMENTAL CASH FLOW INFORMATION

a) Cash and cash equivalents

	September 30, 2016	December 31, 2015
Cash in banks	**$ 172.6**	$ 188.6
Cash floats	**23.3**	18.9
	$ 195.9	$ 207.5

As at September 30, 2016, cash and cash equivalents included $0.3 related to future payments for construction projects (December 31, 2015 - $0.5), $3.7 for settling jackpot liabilities (December 31, 2015 - $3.2) and $nil of restricted cash used to secure an outstanding letter of credit (December 31, 2015 - $5.0).

b) Changes in non-cash operating working capital

	Nine months ended September 30, 2016	2015
Accounts receivable	**$ (15.4)**	$ (0.6)
Prepaids, deposits and other assets	**(2.5)**	(1.2)
Accounts payable and accrued liabilities	**9.7**	(2.6)
	$ (8.2)	$ (4.4)

Chip liability of $5.5 previously presented as “cash and cash equivalents” on the consolidated statements of financial position as at September 30, 2015 has been retrospectively reclassified to “accounts payable and accrued liabilities”. This revised presentation provides more useful comparative information regarding the Company’s cash position and operating financial performance.

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

8. SEGMENT INFORMATION

The Company's management considers each of its gaming properties to be an operating segment since it reviews their operating results, assesses their performance, and makes resource allocations decisions on a property-by-property basis. The Company has aggregated these operations as one reportable segment based on their similar overall economic characteristics, types of customers, types of services and products provided, the regulatory environment in which they operate and their management and reporting structure. In coming to the determination that the overall economic characteristics are similar, management considered long-term average measures such as gaming revenue as a percentage of revenues, average slot win percentage, average table hold percentage, revenue growth and Adjusted EBITDA as a percentage of revenues.

The Company conducts its business in two geographic areas: Canada and the United States ("U.S."). Revenues, Adjusted EBITDA and additions to long-lived assets and goodwill attributable to these geographic locations are as follows:

	Three months ended September 30, 2016			Three months ended September 30, 2015		
	Revenues	**Adjusted EBITDA**	**Additions to long-lived assets and goodwill**	Revenues	Adjusted EBITDA	Additions to long-lived assets and goodwill
Canada	**$ 142.9**	**$ 60.7**	**$ 11.6**	$ 108.1	$ 45.6	$ 3.7
U.S.	**8.3**	**2.2**	**0.1**	8.2	1.9	0.1
	$ 151.2	**$ 62.9**	**$ 11.7**	$ 116.3	$ 47.5	$ 3.8

	Nine months ended September 30, 2016			Nine months ended September 30, 2015		
	Revenues	**Adjusted EBITDA**	**Additions to long-lived assets and goodwill**	Revenues	Adjusted EBITDA	Additions to long-lived assets and goodwill
Canada	**$ 395.7**	**$ 153.3**	**$ 63.3**	$ 313.0	$ 129.3	$ 10.2
U.S.	**26.6**	**8.4**	**0.4**	24.4	6.2	0.4
	$ 422.3	**$ 161.7**	**$ 63.7**	$ 337.4	$ 135.5	$ 10.6

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2016	2015	**2016**	2015
Adjusted EBITDA	**$ 62.9**	$ 47.5	**$ 161.7**	$ 135.5
Less:				
Amortization	**13.8**	9.8	**41.1**	28.9
Share-based compensation	**2.5**	(0.1)	**5.1**	3.7
Interest and financing costs, net	**9.0**	8.1	**26.3**	23.8
Restructuring and other	**0.8**	2.0	**5.1**	4.8
Foreign exchange (gain) loss and other	**(0.6)**	(2.1)	**0.2**	(3.9)
Earnings before income taxes	**$ 37.4**	$ 29.8	**$ 83.9**	$ 78.2

Property, plant and equipment, goodwill, and total assets attributable to each geographic location are as follows:

	As at September 30, 2016			As at December 31, 2015		
	Property, plant and equipment	**Goodwill**	**Total assets**	Property, plant and equipment	Goodwill	Total assets
Canada	**$ 644.9**	**$ 13.5**	**$ 1,003.8**	$ 623.5	$ 13.5	$ 960.3
U.S.	**13.6**	**8.6**	**34.1**	14.7	9.1	37.8
	$ 658.5	**$ 22.1**	**$ 1,037.9**	$ 638.2	$ 22.6	$ 998.1

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

9. FAIR VALUE MEASUREMENTS

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short term nature.

The Company does not hold any Level 1 financial assets or liabilities that are based on unadjusted quoted prices trading in active markets.

The Company's long-term debt instruments are Level 2 financial instruments as they are estimated based on quoted prices that are observable for similar instruments or on the current rates offered to the Company for debt of the same maturity. As at September 30, 2016, the Company's long-term debt instruments had a fair value of $505.3 (December 31, 2015 - $450.0) and a carrying value of $478.0 (December 31, 2015 - $443.0). As at September 30, 2016, the Company's interest rate swap had a carrying value equal to its fair value of $0.1 (December 31, 2015 - $nil) as described in Note 2.

The Company's contingent future trailing payments are recurring Level 3 financial instruments as they require management to make assumptions regarding the measurement of fair value using significant inputs that are not based on observable market data. As at September 30, 2016, the fair value and carrying value of the Company's contingent future trailing payments was $5.1 (December 31, 2015 - $4.3). The following table reconciles the opening to the ending balances of the trailing payments:

		Trailing payments
Balance at January 1, 2016	$	4.3
Net charge to earnings[(1)]		1.1
Settlement		(0.3)
Balance at September 30, 2016	**$**	**5.1**

(1) The net charge to earnings includes accretion of $0.4 recorded in "interest and financing costs, net" and an increase in the estimated provision of $0.7 recorded in "restructuring and other" on the condensed interim consolidated statements of earnings.

The valuation technique used in the determination of the fair value measurement of contingent future trailing payments is the discounted cash flow approach. The valuation model considers the present value of the cash flows expected to be paid as trailing payments. The key unobservable inputs are the estimated future slot revenues at Chances Chilliwack and the discount rate. The estimated fair value of this liability increases with higher estimated future slot revenues and lower discount rates. The calculation of the fair value of the contingent future trailing payments is performed by the Company at the end of each reporting period.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 2 and Level 3 financial instruments during the period.

10. ACQUISITIONS

a) Ontario East Gaming Bundle (the "East Gaming Bundle")

On January 11, 2016, OGELP, a partnership in which the Company owns a 90.5% interest, signed a 20-year casino operating and services agreement with OLG. Under the business transition and asset purchase agreement, OGELP acquired certain of OLG's gaming assets in the East Gaming Bundle, including OLG Casino Thousand Islands, the slot operations within leased space at Kawartha Downs near the City of Peterborough and a new build opportunity to service the City of Belleville and the municipality of Quinte West. The purchase price for such assets was $46.9 of cash consideration, including net working capital of $9.5.

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

10. ACQUISITIONS (Continued)

a) Ontario East Gaming Bundle (the "East Gaming Bundle") (Continued)

The preliminary fair value of the identifiable assets acquired and liabilities assumed as at January 11, 2016 were as follows:

Assets acquired		
Cash	$	9.1
Prepaids, deposits and other assets		0.7
Property, plant and equipment (1)		28.2
Intangible assets (2)		9.2
Total assets acquired	$	47.2
Liabilities assumed		
Accounts payable and accrued liabilities	$	0.3
Total liabilities assumed	$	0.3
Net assets acquired	$	46.9

(1) Of the $28.2 of property, plant and equipment acquired, $0.5 was assigned to land, $22.1 was assigned to buildings, building improvements and leasehold improvements with useful lives between 5 to 40 years and $5.6 was assigned to equipment with useful lives between 1 to 5 years.

(2) Intangible assets of $9.2 relates to the casino operating and services agreement with OLG which expires on March 31, 2036 and will be amortized on a straight-line basis over that period.

The revenues and earnings before income taxes of the East Gaming Bundle for the period from January 11, 2016 to September 30, 2016 were $51.2 and $11.2, respectively.

The initial accounting for the acquisition of the East Gaming Bundle has only been provisionally determined at the end of the reporting period. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the fair value of the identifiable assets acquired and liabilities assumed, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

On completion of the acquisition, OGELP had approximately $32.0 in partner capital contributions and a $60.0 revolving credit facility arranged on a non-recourse basis to the Company and the minority partner's parent company. The acquisition was funded with $11.9 of cash from partners' capital and $35.0 of debt borrowed on the revolving credit facility. OGELP also issued $16.0 letters of credit to secure performance under the casino operating and services agreement and development project, which further reduced the available borrowing capacity on the OGELP's revolving credit facility. In addition to the cash from initial partner capital contributions remaining subsequent to the acquisition, OGELP has the last $9.0 of liquidity under OGELP's revolving credit facility and cash generated by OGELP's operations. As at September 30, 2016, OGELP has contractual commitments for the acquisition of property, plant and equipment of $23.7.

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

10. ACQUISITIONS (Continued)

b) Casino New Brunswick

On October 1, 2015, the Company, through a wholly owned subsidiary, completed the acquisition of 100% of the assets and operations of Casino New Brunswick ("CNB"). CNB is located in Moncton, New Brunswick, and operates a casino with a hotel and a multi-use theatre and convention space under a Casino Service Provider Agreement with New Brunswick Lotteries and Gaming Corporation ("NBLGC") which expires on December 31, 2030. The $97.3 purchase price consisted of cash consideration of $95.5 and post-closing adjustments of $1.8.

The final fair value of the identifiable assets acquired and liabilities assumed as at October 1, 2015 were as follows:

Assets acquired		
Cash	$	3.7
Prepaids, deposits and other assets		1.4
Property, plant and equipment (1)		75.0
Intangible assets (2)		20.7
Total assets acquired	$	100.8
Liabilities assumed		
Accounts payable and accrued liabilities	$	3.5
Total liabilities assumed	$	3.5
Net assets acquired	$	97.3

(1) Of the $75.0 of property, plant and equipment acquired, $5.4 was assigned to land, $60.7 was assigned to buildings, building improvements and leasehold improvements with useful lives between 5 to 30 years and $8.9 was assigned to equipment with useful lives between 1 to 5 years.

(2) Intangible assets of $20.7 relates to the gaming operating agreement with NBLGC which expires on December 31, 2030 and will be amortized on a straight-line basis over that period.

The revenues and net earnings of CNB for the period from October 1, 2015 to December 31, 2015 were $10.8 and $1.1, respectively.

c) Bingo Esquimalt

On July 21, 2016, the Company completed the acquisition of 100% of the assets and operations of Bingo Esquimalt, a commercial bingo hall located on Vancouver Island, British Columbia, which operates under a Bingo Operational Services Agreement ("BOSA") with BCLC. The $0.4 purchase price represented the fair value of the intangible asset related to the BOSA, which will be amortized on a straight-line basis until it expires on May 31, 2021.