GREAT CANADIAN GAMING CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month Periods Ended March 31, 2017 and 2016

(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)

		March 31, 2017	December 31, 2016
Assets			
Current			
Cash and cash equivalents	Note 8	**$ 247.6**	$ 228.7
Accounts receivable		**20.0**	22.9
Land held for sale		**8.1**	8.1
Prepaids, deposits and other assets		**12.0**	11.0
		287.7	270.7
Property, plant and equipment	Note 5	**663.0**	667.7
Intangible assets	Note 5	**78.1**	80.2
Goodwill		**22.2**	22.3
Deferred tax assets		**10.5**	10.7
Cash on deposit with Canada Revenue Agency	Note 6	**29.5**	29.5
Other assets	Note 2	**2.7**	2.6
		$ 1,093.7	$ 1,083.7
Liabilities			
Current			
Accounts payable and accrued liabilities	Note 3	**$ 78.9**	$ 96.4
Income taxes payable		**3.5**	4.6
Other liabilities		**2.5**	2.5
		84.9	103.5
Long-term debt	Note 2	**481.6**	478.3
Deferred credits, provisions and other liabilities	Note 3	**26.3**	28.7
Deferred tax liabilities		**85.0**	83.9
		677.8	694.4
Equity			
Share capital and reserves	Note 3	**314.6**	305.7
Accumulated other comprehensive income		**3.0**	3.2
Retained earnings		**94.3**	76.5
Equity attributable to shareholders of the Company		**411.9**	385.4
Non-controlling interests		**4.0**	3.9
Total equity		**415.9**	389.3
		$ 1,093.7	$ 1,083.7

These financial statements were approved and authorized by the Company's Board of Directors for issue on May 8, 2017.

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

		Three months ended March 31, 2017	2016
Revenues	Note 4	**$ 142.7**	$ 131.5
Expenses			
Human resources		**52.6**	50.7
Property, marketing and administration	Note 4	**42.5**	37.9
Share of profit of equity investment	Note 4	**(0.6)**	(0.6)
Amortization		**14.6**	13.3
Share-based compensation	Note 3	**1.1**	2.1
Impairment reversal of long-lived assets	Note 5	**(0.9)**	-
Interest and financing costs, net		**8.5**	8.7
Business acquisition, restructuring and other		**(0.2)**	3.4
Foreign exchange loss and other		**0.1**	1.1
		117.7	116.6
Earnings before income taxes		**25.0**	14.9
Income taxes	Note 6	**7.1**	4.6
Net earnings		**$ 17.9**	$ 10.3
Net earnings attributable to:			
Shareholders of the Company		**$ 17.8**	$ 10.4
Non-controlling interests		**0.1**	(0.1)
		$ 17.9	$ 10.3
Net earnings		**$ 17.9**	$ 10.3
Other comprehensive 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		**(0.2)**	(1.1)
		(0.2)	(1.0)
Total comprehensive income		**$ 17.7**	$ 9.3
Total comprehensive income attributable to:			
Shareholders of the Company		**$ 17.6**	$ 9.4
Non-controlling interests		**0.1**	(0.1)
		$ 17.7	$ 9.3
Net earnings per common share attributable to shareholders of the Company	Note 7		
Basic		**$ 0.29**	$ 0.16
Diluted		**$ 0.29**	$ 0.16
Weighted average number of common shares (in thousands)			
Basic		**61,323**	64,402
Diluted		**62,417**	65,401

GREAT CANADIAN GAMING CORPORATION
Condensed Interim Consolidated Statements of Changes in Equity
(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, 2016		64,413	$ 266.3	$ 45.1	$ 311.4	$ 3.3	$ 64.5	$ 379.2	$ 0.4	$ 379.6
Share-based compensation	Note 3	-	-	1.3	1.3	-	-	1.3	-	1.3
Exercise of incentive share options		169	1.9	(0.3)	1.6	-	-	1.6	-	1.6
Repurchase of common shares	Note 3	(138)	(0.6)	-	(0.6)	-	(1.5)	(2.1)	-	(2.1)
Net earnings		-	-	-	-	-	10.4	10.4	(0.1)	10.3
Other comprehensive income		-	-	-	-	(1.0)	-	(1.0)	-	(1.0)
Contributions									2.6	2.6
At March 31, 2016		64,444	$ 267.6	$ 46.1	$ 313.7	$ 2.3	$ 73.4	$ 389.4	$ 2.9	$ 392.3
At January 1, 2017		60,792	$ 258.9	$ 46.8	$ 305.7	$ 3.2	$ 76.5	$ 385.4	$ 3.9	$ 389.3
Share-based compensation	Note 3	-	-	1.2	1.2	-	-	1.2	-	1.2
Exercise of incentive share options		738	9.1	(1.4)	7.7	-	-	7.7	-	7.7
Net earnings		-	-	-	-	-	17.8	17.8	0.1	17.9
Other comprehensive loss		-	-	-	-	(0.2)	-	(0.2)	-	(0.2)
At March 31, 2017		**61,530**	**$ 268.0**	**$ 46.6**	**$ 314.6**	**$ 3.0**	**$ 94.3**	**$ 411.9**	**$ 4.0**	**$ 415.9**

[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)

		Three months ended March 31, 2017	2016
Cash Flows from Operating Activities			
Earnings before income taxes		**$ 25.0**	$ 14.9
Adjustments to reconcile earnings before income taxes to cash generated by operating activities:			
Amortization		**14.6**	13.3
Impairment reversal of long-lived assets	Note 5	**(0.9)**	-
Share-based compensation	Note 3	**1.1**	2.1
Interest and financing cost, net		**8.5**	8.7
Foreign exchange loss and other		**0.1**	1.1
Other		**(1.3)**	1.1
Changes in non-cash operating working capital	Note 8	**3.5**	5.2
Income taxes paid		**(6.9)**	(7.3)
Cash generated by operating activities		**43.7**	39.1
Cash Flows from Investing Activities			
Purchase of property, plant and equipment, net of related accounts payable of $12.1 (2016 - $2.4)		**(19.2)**	(8.2)
Acquisition of Ontario East Gaming Bundle, net of cash acquired	Note 11	**-**	(37.8)
Receivable from OLG related to acquisition of Ontario East Gaming Bundle		**-**	(2.7)
HST receivable related to acquisition of Ontario East Gaming Bundle		**-**	(1.3)
Interest income received		**0.5**	0.3
Other		**(0.6)**	(1.0)
Cash used in investing activities		**(19.3)**	(50.7)
Cash Flows from Financing Activities			
Increase in borrowings under credit facilities	Note 2	**3.0**	35.0
Debt financing transaction costs	Note 2	**-**	(1.0)
Proceeds from exercise of incentive share options, net of issuance costs	Note 3	**7.7**	1.6
Repurchase of common shares	Note 3	**-**	(2.1)
Contributions from non-controlling interests		**-**	2.6
Interest paid		**(16.1)**	(16.1)
Cash (used in) generated by financing activities		**(5.4)**	20.0
Effect of foreign exchange on cash and cash equivalents		**(0.1)**	(1.1)
Cash inflow		**18.9**	7.3
Cash and cash equivalents, beginning of period		**228.7**	207.5
Cash and cash equivalents, end of period	Note 8	**$ 247.6**	$ 214.8

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, 2016 ("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 a number of narrow scope amendments to certain IFRSs and IASs which are effective for annual periods beginning on or after January 1, 2017. 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.

Effective January 1, 2018

- 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.

- 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. The Company commenced analysis to determine what, if any, effect the new standard will have on its financial statements.

Effective January 1, 2019

- IFRS 16, *Leases* ("IFRS 16") – 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*. The Company currently has operating lease commitments. The presentation of the majority of these operating leases will change by increasing the "property, plant and equipment", current and long-term lease liability amounts on the Condensed Interim Consolidated Statements of Financial Position. The current presentation of lease expenses on the Condensed Interim Consolidated Statements of Earnings and Other Comprehensive Loss as a component of "property, marketing and administration" expense will change to "amortization" and "interest and financing costs, net". As the "principal" on the lease obligations is repaid, the Condensed Interim Consolidated Statements of Cash Flows will reflect a higher amount of "cash generated by operating activities", which will be offset by an equally higher amount of "cash used in financing activities". The Company's financial covenants on its long-term debt are based on financial measures that will change under IFRS 16. The Company has not made a reasonable quantitative estimate of the impact of the new standard.

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

2. LONG-TERM DEBT

		March 31, 2017		December 31, 2016
Senior Unsecured Notes, net of unamortized transaction costs of $5.6 (2016 - $5.9)	**$**	**444.4**	$	444.1
Non-recourse Revolving Credit Facility, net of unamortized transaction costs of $0.8 (2016 - $0.8)		**37.2**		34.2
	$	**481.6**	$	478.3

As at March 31, 2017, subject to compliance with the related financial covenants, the Company had $323.0 (December 31, 2016 - $323.0) of available undrawn credit on its Senior Secured Revolving Credit Facility after deducting outstanding letters of credit of $27.0 (December 31, 2016 - $27.0).

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 11. 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 March 31, 2017, subject to compliance with the related financial covenants, the Company had $6.5 (December 31, 2016 - $9.0) of available undrawn credit on its Non-recourse Revolving Credit Facility after deducting outstanding letters of credit of $15.5 (December 31, 2016 - $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 March 31, 2017, 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 loss. The fair value of the interest rate swap is calculated based on the market conditions at the time of reporting.

At March 31, 2017, the fair value of the interest rate swap was in a $0.4 (December 31, 2016 - $0.4) asset position and the amount was recorded in “other assets” on the condensed interim consolidated statements of financial position.

c) *Covenants*

As at March 31, 2017, 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 2017, the Company received approval from the TSX to renew a normal course issuer bid for up to 3,995,203 of its common shares, representing approximately 10% of the Company's common shares in the public float. The bid commenced on March 15, 2017 and will end on March 14, 2018, 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 29,676 common shares or 25% of the prior six-month average trading volume of 118,705 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 will be subsequently cancelled.

During the three months ended March 31, 2017, the Company purchased for cancellation nil common shares under the normal course issuer bid which expired on March 13, 2017.

During the three months ended March 31, 2016, the Company purchased, and subsequently cancelled, 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.

b) Share option plan

The changes in the number of share options and their weighted-average exercise price during the three months ended March 31, 2017 and 2016 were as follows:

	March 31, 2017		March 31, 2016	
	Options (1)	**Weighted-Average Exercise Price**	Options (1)	Weighted-Average Exercise Price
Outstanding, beginning of period	**4,226**	**$ 15.77**	5,713	$ 14.38
Granted (2)	**1,599**	**24.07**	-	-
Forfeited	**(127)**	**17.96**	(162)	16.73
Exercised	**(738)**	**10.46**	(169)	9.19
Outstanding, end of period	**4,960**	**$ 19.18**	5,382	$ 14.47

(1) Option information is presented in thousands.

(2) 2017 annual share option grant was in March 2017 and 2016 annual share option grant was in December 2015.

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:

	Three months ended March 31, 2017	2016
Option award fair value	$ 5.28	$ -
Risk-free interest rate	1.02%	-
Expected lives (1)	3.5 years	-
Expected volatility (2)	27.8%	-

(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.

3. SHARE CAPITAL AND RESERVES (Continued)

b) Share option plan (Continued)

The Company recorded equity-settled share-based compensation expense of $1.2 associated with share options for the three months ended March 31, 2017 (2016 - $1.3).

c) Deferred Share Units ("DSUs")

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

	Three months ended March 31,	
Number of Units (in thousands)	**2017**	2016
Outstanding, beginning of period	**217**	219
Issued	**4**	7
Settled in cash	**(15)**	-
Outstanding, end of period	**206**	226

Related to these DSUs, the Company recorded a liability of $1.0 in "accounts payable and accrued liabilities" at March 31, 2017 (December 31, 2016 - $0.3), $4.1 in "deferred credits, provisions and other liabilities" at March 31, 2017 (December 31, 2016 - $5.0), and cash-settled share-based compensation expense of $0.1 for the three months ended March 31, 2017 (2016 - $0.7).

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 $0.4 to employees after they vest in 2018 and $0.4 in 2019. Subsequent to the three months ended March 31, 2017, the Company paid $0.8 on the vesting of RSUs.

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

	Three months ended March 31,	
Number of Units (in thousands)	**2017**	2016
Outstanding, beginning of period	**34**	87
Forfeited	**(3)**	(5)
Outstanding, end of period	**31**	82

Related to these RSUs, the Company recorded a liability of $0.7 in "accounts payable and accrued liabilities" at March 31, 2017 (December 31, 2016 - $0.8), $0.3 in "deferred credits, provisions and other liabilities" at March 31, 2017 (December 31, 2016 - $0.4), and cash-settled share-based compensation recovery of $0.2 for the three months ended March 31, 2017 (2016 - expense of $0.1).

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

4. REVENUES

	Three months ended March 31,	
	2017	2016
Gaming revenues	**$ 103.6**	$ 93.9
Facility Development Commission	**9.3**	9.2
Hospitality, lease and other revenues	**37.1**	35.2
Racetrack revenues	**2.8**	3.1
	152.8	141.4
Less: Promotional allowances	**(10.1)**	(9.9)
	$ 142.7	$ 131.5

Consistent with the presentation for the year ended December 31, 2016, municipal gaming taxes paid in Washington State of $1.2 previously presented as a reduction of "gaming revenues" on the condensed interim consolidated statements of earnings and other comprehensive loss for the three months ended March 31, 2016 have been retrospectively reclassified to “property, marketing and administration expenses”.

Consistent with the presentation for the year ended December 31, 2016, the Company's share of profit of TBC Teletheatre B.C. ("TBC") of $0.6 previously included in “racetrack revenues” for the three months ended March 31, 2016 have been retrospectively reclassified to “share of profit of equity investment” on the condensed interim consolidated statements of earnings and other comprehensive loss. These amounts represent the Company's portion of TBC's net earnings that flow through the shared B.C. Horseracing Industry Fund.

5. IMPAIRMENT OF LONG-LIVED ASSETS

The Company signed Lease Extension Agreements effective March 31, 2017 with Ontario Lottery and Gaming Corporation (“OLG”) to secure lease revenues for its Georgian Downs and Flamboro Downs racetracks for an extended term from April 1, 2018 to March 31, 2023. As a result, Flamboro Downs recorded reversals of impairment at March 31, 2017 for its intangible assets and property, plant, and equipment of $0.6 and $0.3, respectively.

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

6. INCOME TAXES

The Company's income tax expense is as follows:

	Three months ended March 31,	
	2017	2016
Current tax expense	**$ 5.8**	$ 4.6
Deferred tax expense	**1.3**	-
Total tax expense	**$ 7.1**	$ 4.6

The Company's income tax expense for the three months ended March 31, 2017 can be reconciled to earnings before income taxes as follows:

	Three months ended March 31,	
	2017	2016
Applicable federal and provincial statutory income tax rates (1)	**26%**	26%
Earnings before income taxes	**$ 25.0**	$ 14.9
Expected income tax expense for the period	**6.5**	3.9
Effect of:		
Non-deductible share-based compensation	**0.3**	0.3
Impact of different jurisdictional statutory tax rates on earnings of subsidiaries	**0.2**	0.2
Other items	**0.1**	0.2
	$ 7.1	$ 4.6

(1) The applicable federal and provincial statutory income tax rates used for the 2017 and 2016 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.

The Canada Revenue Agency ("CRA") has conducted audits of the Company's and its subsidiaries' Facility Development Commission ("FDC") filing positions of its B.C. operations for the 2009 to 2014 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 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 March 31, 2017, if CRA's most recent view of FDC prevailed, preliminary estimates indicate the Company's consolidated current tax expense would increase $59.1, deferred tax expense would decrease $56.6, and interest and financing costs would increase $9.0, resulting in a one-time $11.5 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 March 31, 2017, 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.

6. INCOME TAXES (Continued)

During 2015, the Company received from CRA notices of reassessment for itself and three of its subsidiaries from CRA related to the income tax treatment of FDC received from BCLC in 2009 and 2010. During 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, 2012, and in some cases 2013. As a part of the notices of reassessment received during 2016, CRA waived $1.1 of interest relating to the 2011 and 2012 taxation years. During the quarter ended March 31, 2017, CRA informed the Company that it plans to issue notices of reassessment related to the income tax treatment of FDC received from BCLC in 2013 and 2014.

The Company strongly 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. Management believes that the Company's and its subsidiaries' 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 vigorously defend their tax filing positions and the five subsidiaries that have received notices of reassessment from CRA for 2009 to 2012 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 any subsequent years, 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 March 31, 2017, the Company and its subsidiaries have deposited a net amount of $29.5 to CRA. This amount is reflected in "cash on deposit with CRA" on the condensed interim consolidated statements of financial position as at March 31, 2017 (December 31, 2016 - $29.5).

7. 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 March 31, **2017**	2016
Shareholders' net earnings	(A)	**$ 17.8**	$ 10.4
Weighted-average number of common shares outstanding [1]	(B)	**61,323**	64,402
Dilutive adjustment for share options [1]		**1,094**	999
Diluted weighted-average number of common shares [1]	(C)	**62,417**	65,401
Shareholders' net earnings per common share			
Basic	(A/B)	**$ 0.29**	$ 0.16
Diluted	(A/C)	**$ 0.29**	$ 0.16

(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 March 31, **2017**	2016
Share options [2]	**1,702**	2,779

(2) Share option information is presented in thousands.

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

8. SUPPLEMENTAL CASH FLOW INFORMATION

a) Cash and cash equivalents

As at March 31, 2017, cash and cash equivalents included $2.2 related to lien holdbacks for construction projects (December 31, 2016 - $1.8) and $2.8 for settling jackpot liabilities (December 31, 2016 - $2.8).

b) Changes in non-cash operating working capital

	Three months ended March 31,			
		2017		2016
Accounts receivable	**$**	**2.7**	$	(1.2)
Prepaids, deposits and other assets		**(0.9)**		(0.1)
Accounts payable and accrued liabilities		**1.7**		6.5
	$	**3.5**	$	5.2

9. 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 March 31, 2017						Three months ended March 31, 2016					
		Revenues		**Adjusted EBITDA**		**Additions to long-lived assets and goodwill**		Revenues		Adjusted EBITDA		Additions to long-lived assets and goodwill
Canada	**$**	**131.8**	**$**	**44.8**	**$**	**7.1**	$	120.1	$	39.7	$	43.0
U.S.		**10.9**		**3.4**		**-**		11.4		3.8		0.2
	$	**142.7**	**$**	**48.2**	**$**	**7.1**	$	131.5	$	43.5	$	43.2

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 March 31,			
		2017		2016
Adjusted EBITDA	**$**	**48.2**	$	43.5
Less:				
Amortization		**14.6**		13.3
Share-based compensation		**1.1**		2.1
Impairment reversal of long-lived assets		**(0.9)**		-
Interest and financing costs, net		**8.5**		8.7
Business development, restructuring and other		**(0.2)**		3.4
Foreign exchange loss and other		**0.1**		1.1
Earnings before income taxes	**$**	**25.0**	$	14.9

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

10. 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 March 31, 2017, the Company's long-term debt instruments had a fair value of $504.1 (December 31, 2016 - $505.8) and a carrying value of $481.7 (December 31, 2016 - $478.3). As at March 31, 2017, the Company's interest rate swap had a carrying value equal to its fair value of $0.4 (December 31, 2016 - $0.4) 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 March 31, 2017, the fair value and carrying value of the Company's contingent future trailing payments was $5.3 (December 31, 2016 - $6.5). The following table reconciles the opening to the ending balances of the trailing payments:

		Trailing payments
Balance at January 1, 2017	$	6.5
Net charge to earnings[1]		(0.7)
Settlement		(0.5)
Balance at March 31, 2017	**$**	**5.3**

(1) The net charge to earnings includes accretion of $0.2 recorded in "interest and financing costs, net" and a decrease in the estimated provision of $0.9 recorded in "business acquisition, 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.

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

11. ACQUISITIONS

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.

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
Purchase Price	$	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.

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 had the last $9.0 of liquidity under OGELP's revolving credit facility and cash generated by OGELP's operations.