GREAT CANADIAN GAMING CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

		September 30, 2017	December 31, 2016
Assets			
Current			
Cash and cash equivalents	Note 8	**$ 289.4**	$ 228.7
Accounts receivable		**26.6**	22.9
Land held for sale		**8.1**	8.1
Prepaids, deposits and other assets		**12.6**	11.0
		336.7	270.7
Property, plant and equipment	Note 5	**659.8**	667.7
Intangible assets	Note 5	**73.6**	80.2
Goodwill		**21.7**	22.3
Deferred tax assets		**10.0**	10.7
Cash on deposit with Canada Revenue Agency	Note 6	**29.5**	29.5
Other assets	Note 2	**2.9**	2.6
		$ 1,134.2	$ 1,083.7
Liabilities			
Current			
Accounts payable and accrued liabilities	Note 3	**$ 77.3**	$ 96.4
Income taxes payable		**1.3**	4.6
Other liabilities		**2.5**	2.5
		81.1	103.5
Long-term debt	Note 2	**482.3**	478.3
Deferred credits, provisions and other liabilities	Note 3	**28.2**	28.7
Deferred tax liabilities		**87.7**	83.9
		679.3	694.4
Equity			
Share capital and reserves	Note 3	**316.3**	305.7
Accumulated other comprehensive income		**1.9**	3.2
Retained earnings		**131.4**	76.5
Equity attributable to shareholders of the Company		**449.6**	385.4
Non-controlling interests		**5.3**	3.9
Total equity		**454.9**	389.3
		$ 1,134.2	$ 1,083.7

These condensed interim consolidated financial statements were approved and authorized by the Company's Board of Directors for issuance on November 7, 2017.

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

		Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Revenues	Note 4	**$ 159.6**	$ 151.4	**$ 463.3**	$ 423.4
Expenses					
Human resources		**54.4**	50.7	**161.6**	151.3
Property, marketing and administration	Note 4	**43.3**	38.6	**130.1**	112.4
Share of profit of equity investment	Note 4	**(0.8)**	(0.8)	**(2.1)**	(2.0)
Amortization		**14.3**	13.8	**42.9**	41.1
Share-based compensation	Note 3	**3.3**	2.5	**5.9**	5.1
Impairment reversal of long-lived assets	Note 5	**-**	-	**(0.9)**	-
Interest and financing costs, net		**8.6**	9.0	**25.7**	26.3
Business acquisition, restructuring and other		**(0.3)**	0.8	**1.0**	5.1
Foreign exchange loss (gain) and other		**0.1**	(0.6)	**0.1**	0.2
		122.9	114.0	**364.3**	339.5
Earnings before income taxes		**36.7**	37.4	**99.0**	83.9
Income taxes	Note 6	**9.2**	9.8	**26.2**	22.8
Net earnings		**$ 27.5**	$ 27.6	**$ 72.8**	$ 61.1
Net earnings attributable to:					
Shareholders of the Company		**$ 26.9**	$ 26.9	**$ 71.4**	$ 60.1
Non-controlling interests		**0.6**	0.7	**1.4**	1.0
		$ 27.5	$ 27.6	**$ 72.8**	$ 61.1
Net earnings		**$ 27.5**	$ 27.6	**$ 72.8**	$ 61.1
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		**0.2**	-	**0.3**	0.1
Unrealized gain (loss) of foreign currency translation of foreign operations		**(0.8)**	0.3	**(1.6)**	(0.9)
		(0.6)	0.3	**(1.3)**	(0.8)
Total comprehensive income		**$ 26.9**	$ 27.9	**$ 71.5**	$ 60.3
Total comprehensive income attributable to:					
Shareholders of the Company		**$ 26.3**	$ 27.2	**$ 70.1**	$ 59.3
Non-controlling interests		**0.6**	0.7	**1.4**	1.0
		$ 26.9	$ 27.9	**$ 71.5**	$ 60.3
Net earnings per common share attributable to shareholders of the Company	Note 7				
Basic		**$ 0.44**	$ 0.45	**$ 1.17**	$ 0.96
Diluted		**$ 0.43**	$ 0.44	**$ 1.14**	$ 0.95
Weighted average number of common shares (in thousands)					
Basic		**60,880**	60,346	**61,254**	62,281
Diluted		**62,257**	61,447	**62,377**	63,267

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

		Share Capital			Share Capital	Accumulated Other		Equity Attributable	Non-	
		Number [1]	Amount	Reserves	and Reserves	Comprehensive Income	Retained Earnings	To Shareholders	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	-	-	2.9	2.9	-	-	2.9	-	2.9
Exercise of incentive share options		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 income		-	-	-	-	(0.8)	-	(0.8)	-	(0.8)
Contributions		-	-	-	-	-	-	-	2.6	2.6
At September 30, 2016		60,698	$ 257.5	$ 46.0	$ 303.5	$ 2.5	$ 60.9	$ 366.9	$ 4.0	$ 370.9
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	-	-	3.8	3.8	-	-	3.8	-	3.8
Exercise of incentive share options		930	12.5	(1.9)	10.6	-	-	10.6	-	10.6
Repurchase of common shares	Note 3	(859)	(3.8)	-	(3.8)	-	(16.5)	(20.3)	-	(20.3)
Net earnings		-	-	-	-	-	71.4	71.4	1.4	72.8
Other comprehensive loss		-	-	-	-	(1.3)	-	(1.3)	-	(1.3)
At September 30, 2017		**60,863**	**$ 267.6**	**$ 48.7**	**$ 316.3**	**$ 1.9**	**$ 131.4**	**$ 449.6**	**$ 5.3**	**$ 454.9**

[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, 2017	2016
Cash Flows from Operating Activities			
Earnings before income taxes		**$ 99.0**	$ 83.9
Adjustments to reconcile earnings before income taxes to cash generated by operating activities:			
Amortization		**42.9**	41.1
Impairment reversal of long-lived assets	Note 5	**(0.9)**	-
Share-based compensation	Note 3	**5.9**	5.1
Interest and financing cost, net		**25.7**	26.3
Foreign exchange loss and other		**0.1**	0.2
Other		**(3.0)**	(0.9)
Changes in non-cash operating working capital	Note 8	**(2.7)**	(8.2)
Income taxes paid		**(25.1)**	(17.3)
Cash generated by operating activities		**141.9**	130.2
Cash Flows from Investing Activities			
Purchase of property, plant and equipment, net of related accounts payable of $13.3 (2016 - $4.5)		**(41.8)**	(21.4)
Acquisition of Bingo Esquimalt		**-**	(0.4)
Acquisition of Ontario East Gaming Bundle, net of cash acquired		**-**	(37.8)
HST receivable related to acquisition of Ontario East Gaming Bundle		**-**	(1.3)
Interest income received		**1.8**	1.0
Amounts deposited with Canada Revenue Agency		**-**	(9.3)
Other		**(0.8)**	(1.5)
Cash used in investing activities		**(40.8)**	(70.7)
Cash Flows from Financing Activities			
Increase in borrowings under credit facilities	Note 2	**3.0**	35.0
Debt financing transaction costs	Note 2	**-**	(1.1)
Proceeds from exercise of incentive share options, net of issuance costs	Note 3	**10.6**	9.7
Repurchase of common shares	Note 3	**(20.3)**	(84.2)
Contributions from non-controlling interests		**-**	2.6
Interest paid		**(33.1)**	(32.9)
Cash used in financing activities		**(39.8)**	(70.9)
Effect of foreign exchange on cash and cash equivalents		**(0.6)**	(0.2)
Cash inflow (outflow)		**60.7**	(11.6)
Cash and cash equivalents, beginning of period		**228.7**	207.5
Cash and cash equivalents, end of period	Note 8	**$ 289.4**	$ 195.9

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.

Accounting standards issued but not yet effective
The IASB issued the following new accounting standards which the Company does not plan to early adopt.

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 9 will become effective on January 1, 2018 and shall be applied retrospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Management's preliminary assessment of the new standard was that it would not have a material impact on the Company's financial statements because the Company has limited financial instruments that are required to be re-measured at each reporting period end.

- IFRS 15, *Revenue from Contracts with Customers* – provides a single, principles based five-step model to be applied to all contracts with customers. The standard provides guidance on timing of revenue recognition, including accounting for variable consideration, costs of fulfilling and obtaining a contract and various other matters. New disclosures about revenue are also introduced. The new standard is required to be applied either retrospectively to each prior reporting period presented ("full retrospective method") or retrospectively with the cumulative effect of initially applying the new standard recognized at the date of initial application ("modified retrospective method"). The Company currently anticipates adoption of the new standard under the modified retrospective method from January 1, 2018.

  The Company continues to assess the impact of the new standard on its consolidated financial statements. Management has formed a working group who have reviewed the nature of the Company's contracts with its customers in its most significant revenue arrangements and have evaluated the implications of the new standard to such arrangements. The working group will continue to evaluate other sources of revenue, as well as disclosure, transition and other implications of IFRS 15 through to the date of its adoption.

  At this time, the Company expects the most significant effect will be related to the accounting for certain of our customer loyalty programs and promotional allowances, as further described below. However, the quantitative effects of these changes have not yet been determined and are still being analyzed.

  We have customer loyalty programs that impact different locations we serve. Upon adoption of the new standard, a deferred revenue model will be used for customer loyalty programs operated by the Company to account for the classification and timing of revenue recognized when customers redeem rewards under the loyalty programs. This will result in a portion of gaming revenues received for which loyalty rights are earned by our customers being recorded as deferred revenue based on the rewards' estimated fair value and then subsequently recognized as revenue in a future period when the rewards are redeemed. The revenue classification at that time will depend on the type of rewards redeemed. For customer loyalty programs operated by our crown partners, the Company does not anticipate any impact under the new guidance.

  Upon adoption, management expects the new standard to change the presentation of, and accounting for, complimentary revenue and promotional allowances. The Company currently reports in its financial statement note disclosure complimentary goods and services provided to guests in gross revenue with a corresponding reduction in promotional allowances. However, as the Company presents total revenue netted against promotional allowances in its Condensed Interim Consolidated Statements of Earnings and Other Comprehensive Income, we do not anticipate there will be an impact on revenues presented.

Under the new guidance, certain contract acquisition costs are required to be capitalized and amortized over the period of expected benefit. Currently such costs are expensed as incurred. The Company is currently analyzing historical costs incurred for its outstanding contracts to determine whether any adjustments on adoption are required.

Additionally, the new standard will increase revenue disclosure requirements, including disaggregation of revenue and discussion of deferred revenue. We are currently assessing the impact the new standard will have on the Company's processes, systems, and internal controls.

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 Income 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 is currently assessing the impact of the new standard.

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

2. LONG-TERM DEBT

	September 30, 2017	December 31, 2016
Senior Unsecured Notes, net of unamortized transaction costs of $5.1 (2016 - $5.9)	**$ 444.9**	$ 444.1
Non-recourse Revolving Credit Facility, net of unamortized transaction costs of $0.6 (2016 - $0.8)	**37.4**	34.2
	$ 482.3	$ 478.3

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"). 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, 2017, subject to compliance with the related financial covenants, OGELP had $5.7 (December 31, 2016 - $9.0) of available undrawn credit on its Non-recourse Revolving Credit Facility after deducting outstanding letters of credit of $16.3 (December 31, 2016 - $16.0).

Transaction costs associated with the issuance of the Non-recourse Revolving Credit Facility 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, 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 September 30, 2017, the fair value of the interest rate swap was in a $0.9 (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) *Revolving Credit Facility*

As at September 30, 2017, subject to compliance with the related financial covenants, the Company had $281.8 (December 31, 2016 - $323.0) of available undrawn credit on its Senior Secured Revolving Credit Facility after deducting outstanding letters of credit of $68.2 (December 31, 2016 - $27.0).

d) *Covenants*

As at September 30, 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 nine months ended September 30, 2017, the Company purchased, and subsequently cancelled, 859,450 (2016 – 4,807,165) common shares at a weighted-average price per share of $23.66 (2016 - $17.50).

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, 2017 and 2016 were as follows:

	September 30, 2017		September 30, 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	**1,599**	**24.07**	142	21.71
Forfeited	**(357)**	**20.88**	(428)	17.31
Exercised	**(930)**	**11.43**	(1,092)	8.87
Outstanding, end of period	**4,538**	**$ 19.18**	4,335	$ 15.71

[(1)] Option information is presented in thousands.

3. SHARE CAPITAL AND RESERVES (Continued)

b) Share option plan (Continued)

Nil options were granted during the three months ended September 30, 2017 (2016 – 130,000 options). 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, 2017	2016
Option award fair value	$ 5.28	$ 4.45
Risk-free interest rate	1.0%	0.6%
Expected lives [(1)]	3.5 years	3.5 years
Expected volatility [(2)]	27.8%	27.3%

(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 $1.3 associated with share options for the three months ended September 30, 2017 (2016 - $0.9) and $3.8 for the nine months ended September 30, 2017 (2016 - $2.9).

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)	Nine months ended September 30, 2017	2016
Outstanding, beginning of period	**217**	219
Issued	**8**	13
Settled in cash	**(56)**	(15)
Outstanding, end of period	**169**	217

Related to these DSUs, the Company recorded a liability of $5.6 in "deferred credits, provisions and other liabilities" at September 30, 2017 (December 31, 2016 - $5.0), and cash-settled share-based compensation expense of $1.6 for the three months ended September 30, 2017 (2016 - $1.0) and $1.6 for the nine months ended September 30, 2017 (2016 - $1.6).

d) Restricted Share Units ("RSUs")

The Company has 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 $0.6 to employees after they vest in 2018, $0.9 in 2019, and $0.3 in 2020. During the nine months ended September 30, 2017, the Company paid $0.8 on the vesting of RSUs.

3. SHARE CAPITAL AND RESERVES (Continued)

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

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

	Nine months ended September 30,	
Number of Units (in thousands)	**2017**	2016
Outstanding, beginning of period	**34**	87
Issued	**31**	2
Forfeited	**(4)**	(9)
Settled in cash	**(30)**	(41)
Outstanding, end of period	**31**	39

Related to these RSUs, the Company recorded a liability of $0.4 in "accounts payable and accrued liabilities" at September 30, 2017 (December 31, 2016 - $0.8), $0.4 in "deferred credits, provisions and other liabilities" at September 30, 2017 (December 31, 2016 - $0.4), and cash-settled share-based compensation expense of $0.4 for the three months ended September 30, 2017 (2016 - $0.6) and $0.5 for the nine months ended September 30, 2017 (2016 - $0.6).

4. REVENUES

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Gaming revenues	**$ 116.5**	$ 109.3	**$ 338.9**	$ 302.9
Facility Development Commission	**10.1**	9.8	**29.5**	28.4
Hospitality, lease and other revenues	**42.8**	40.0	**121.1**	112.8
Racetrack revenues	**3.3**	3.4	**9.3**	9.8
	172.7	162.5	**498.8**	453.9
Less: Promotional allowances	**(13.1)**	(11.1)	**(35.5)**	(30.5)
	$ 159.6	$ 151.4	**$ 463.3**	$ 423.4

Consistent with the presentation for the year ended December 31, 2016, municipal gaming taxes paid in Washington State of $1.0 and $3.1 previously presented as a reduction of "gaming revenues" on the condensed interim consolidated statements of earnings and other comprehensive loss for the three and nine months ended September 30, 2016, respectively, 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 $0.8 and $2.0 previously included in "racetrack revenues" for the three and nine months ended September 30, 2016, respectively, have been retrospectively reclassified to "share of profit of equity investment" on the condensed interim consolidated statements of earnings and other comprehensive income. These amounts represent the Company's portion of TBC's net earnings that flow through the shared B.C. Horseracing Industry Fund.

5. IMPAIRMENT REVERSAL OF LONG-LIVED ASSETS

During the nine months ended September 30, 2017, the Company signed Lease Extension Agreements effective March 31, 2017 with 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 September 30, 2017	2016	Nine months ended September 30, 2017	2016
Current tax expense	**$ 7.7**	$ 9.2	**$ 21.8**	$ 20.5
Deferred tax expense	**1.5**	0.6	**4.4**	2.3
Total tax expense	**$ 9.2**	$ 9.8	**$ 26.2**	$ 22.8

The Company's income tax expense for the three and nine months ended September 30, 2017 can be reconciled to earnings before income taxes as follows:

	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Applicable federal and provincial statutory income tax rates	**26%**	26%	**26%**	26%
Earnings before income taxes	**$ 36.7**	$ 37.4	**$ 99.0**	$ 83.9
Expected income tax expense for the period	**9.5**	9.7	**25.7**	21.8
Effect of:				
Non-deductible share-based compensation	**0.4**	0.2	**1.0**	0.7
Impact of different jurisdictional statutory tax rates on earnings of subsidiaries	**0.2**	0.2	**0.6**	0.6
Non-controlling interest	**(0.2)**	(0.2)	**(0.4)**	(0.3)
Other items	**(0.7)**	(0.1)	**(0.7)**	-
	$ 9.2	$ 9.8	**$ 26.2**	$ 22.8

(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 September 30, 2017, if CRA's most recent view of FDC prevailed, preliminary estimates indicate the Company's consolidated current tax expense would increase $62.5, deferred tax expense would decrease $59.4, and interest and financing costs would increase $9.9, resulting in a one-time $13.1 decrease in net earnings and a corresponding decrease to basic net earnings per share of approximately $0.22/share. If CRA's most recent view of FDC prevails, the Company expects that the effect of the estimated $7.8 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, 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.

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 September 30, 2017, CRA informed the Company and five of its subsidiaries that it will be issuing notices of reassessment related to the income tax treatment of FDC received from BCLC in 2013 and 2014.

6. INCOME TAXES (Continued)

The Company strongly disagrees with 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 September 30, 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 Canada Revenue Agency" on the condensed interim consolidated statements of financial position as at September 30, 2017 (December 31, 2016 - $29.5).

In 2013, Georgian Downs Ltd ("GDL"), one of the Company's subsidiaries in Ontario, received a payment from OLG as a reimbursement of property, plant and equipment costs it incurred to expand the facility; thus reduced the capital cost of the asset. During the quarter ended September 30, 2017, CRA completed an audit of such payment and informed GDL that they will be issuing a notice of reassessment. CRA's position is that the payment received should be treated as income instead of a reduction to capital cost. Management believes that GDL's tax filing position will prevail and consequently has not accrued any potential liability arising from this matter. GDL intends to vigorously defend its tax filing position.

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 September 30,		Nine months ended September 30,	
		2017	2016	**2017**	2016
Shareholders' net earnings	(A)	**$ 26.9**	$ 26.9	**$ 71.4**	$ 60.1
Weighted-average number of common shares outstanding [1]	(B)	**60,880**	60,346	**61,254**	62,281
Dilutive adjustment for share options [1]		**1,377**	1,101	**1,123**	986
Diluted weighted-average number of common shares [1]	(C)	**62,257**	61,447	**62,377**	63,267
Shareholders' net earnings per common share					
Basic	(A/B)	**$ 0.44**	$ 0.45	**$ 1.17**	$ 0.96
Diluted	(A/C)	**$ 0.43**	$ 0.44	**$ 1.14**	$ 0.95

[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,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Share options [2]	**-**	929	**1,495**	1,777

[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 September 30, 2017, cash and cash equivalents of $289.4 (December 31, 2016 - $228.7) included restricted amounts of $0.9 related to lien holdbacks for construction projects (December 31, 2016 - $1.8) and $3.1 for settling jackpot liabilities (December 31, 2016 - $2.8).

b) Changes in non-cash operating working capital

	Nine months ended September 30,	
	2017	2016
Accounts receivable	**$ (3.8)**	$ (15.4)
Prepaids, deposits and other assets	**(1.6)**	(2.5)
Accounts payable and accrued liabilities	**2.7**	9.7
	$ (2.7)	$ (8.2)

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 September 30, 2017			Three months ended September 30, 2016		
	Revenues	**Adjusted EBITDA**	**Additions to long-lived assets and goodwill**	Revenues	Adjusted EBITDA	Additions to long-lived assets and goodwill
Canada	**$ 150.3**	**$ 61.8**	**$ 13.6**	$ 142.1	$ 60.7	$ 11.6
U.S.	**9.3**	**0.9**	**-**	9.3	2.2	0.1
	$ 159.6	**$ 62.7**	**$ 13.6**	$ 151.4	$ 62.9	$ 11.7

	Nine months ended September 30, 2017			Nine months ended September 30, 2016		
	Revenues	**Adjusted EBITDA**	**Additions to long-lived assets and goodwill**	Revenues	Adjusted EBITDA	Additions to long-lived assets and goodwill
Canada	**$ 432.4**	**$ 167.8**	**$ 28.3**	$ 393.7	$ 153.3	$ 63.3
U.S.	**30.9**	**5.9**	**0.2**	29.7	8.4	0.4
	$ 463.3	**$ 173.7**	**$ 28.5**	$ 423.4	$ 161.7	$ 63.7

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:

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

9. SEGMENT INFORMATION (Continued)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	**2017**	2016
Adjusted EBITDA	**$ 62.7**	$ 62.9	**$ 173.7**	$ 161.7
Less:				
Amortization	**14.3**	13.8	**42.9**	41.1
Share-based compensation	**3.3**	2.5	**5.9**	5.1
Impairment reversal of long-lived assets	**-**	-	**(0.9)**	-
Interest and financing costs, net	**8.6**	9.0	**25.7**	26.3
Business acquisition, restructuring and other	**(0.3)**	0.8	**1.0**	5.1
Foreign exchange gain (loss) and other	**0.1**	(0.6)	**0.1**	0.2
Income taxes	**9.2**	9.8	**26.2**	22.8
Net earnings	**$ 27.5**	$ 27.6	**$ 72.8**	$ 61.1

(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.

Our disclosure of the three-level fair value hierarchy reflects the significance of the inputs used in measuring fair value:
Level 1 – Quoted prices in active markets for identical assets or liabilities.
Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, either directly or indirectly.
Level 3 – Inputs that are not based on observable market data.

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, 2017, the Company's long-term debt instruments had a fair value of $503.8 (December 31, 2016 - $505.8) and a carrying value of $482.3 (December 31, 2016 - $478.3). As at September 30, 2017, the Company's interest rate swap had a carrying value equal to its fair value of $0.9 (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 September 30, 2017, the fair value and carrying value of the Company's contingent future trailing payments was $6.0 (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)]	-
Settlement	(0.5)
Balance at September 30, 2017	**$ 6.0**

[(1)] The net charge to earnings includes accretion of $0.4 recorded in "interest and financing costs, net" and a decrease in the estimated provision of $0.4 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.

11. ACQUISITIONS

Greater Toronto Area Gaming Bundle (the "GTA Gaming Bundle")

On August 8, 2017, the Company announced that Ontario Gaming GTA Limited Partnership ("OGGTA" or "the Partnership"), a partnership in which the Company and Brookfield Business Partners L.P. each hold a 49.0% interest, was selected as the successful proponent by OLG to operate certain gaming facilities in the Greater Toronto Area (the "GTA Bundle"). The Partnership signed a business transition and asset purchase agreement with OLG on August 7, 2017 to acquire all the gaming assets in the GTA Bundle, and will have the exclusive right to operate these assets for a minimum period of 22 years, in accordance with the requirements of a casino operating and services agreement ("COSA"). The closing date for the acquisition of the assets and assumption of certain liabilities from OLG, including the signing of a COSA with OLG, is expected to occur in the first quarter of 2018. Closing is subject to regulatory approvals and other customary conditions. In conjunction with the closing, the Company will enter into a management services agreement and a casino development services agreement with OGGTA under which the Company will earn associated fees for the provision of such services. As at September 30, 2017, the Partnership has arranged for a letter of credit in the amount of $10.0 in favour of OLG to assure the Partnership's performance of transition activities relating to the business and the eventual closing of the transaction.