GREAT CANADIAN GAMING CORPORATION

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## For the Three Month Period Ended March 31, 2017

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

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## INTRODUCTION

### Basis of Discussion and Analysis

This management's discussion and analysis ("MD&A") of the financial highlights, major developments, consolidated results of operations, consolidated quarterly results trend, liquidity and capital resources, and other financial information of Great Canadian Gaming Corporation ("Great Canadian", the "Company", "we", "our") is dated as of May 8, 2017.

This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2017 ("Condensed Interim Financial Statements"), our audited consolidated financial statements for the year ended December 31, 2016 ("Annual Financial Statements"), our MD&A for the year ended December 31, 2016 and our Annual Information Form for the year ended December 31, 2016. The Condensed Interim Financial Statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Certain information and note disclosures normally included in the Annual Financial Statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. Unless expressly stated otherwise, all financial information is expressed in Canadian dollars.

This MD&A is presented on a property or, where appropriate, group of similar properties or consolidated basis as described (and defined) in the "Consolidated Results of Operations" section of this document. Capitalized terms are either defined when they first appear or are defined at the end of this MD&A in the section titled "Other Financial Information - Definitions of Other Terms Used in the MD&A".

### Non-IFRS Measures

The following non-IFRS definitions are used in this MD&A because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that the definitions are not recognized measures under IFRS, do not have standardized meanings prescribed by IFRS, and should not be construed to be alternatives to revenues and net earnings determined in accordance with IFRS or as indicators of performance, liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities and accordingly our measures may not be comparable to similarly titled measures used by other entities or in other jurisdictions.

Except as otherwise noted in this MD&A, Adjusted EBITDA as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, share-based compensation, impairment reversal of long-lived assets, business acquisition, restructuring and other, and foreign exchange loss and other. Adjusted EBITDA is derived from the condensed interim consolidated statements of earnings and other comprehensive loss, and can be computed as revenues less human resources expenses and property, marketing and administration expenses plus share of profit of equity investment. We believe Adjusted EBITDA is a useful measure because it provides information to management about the ongoing operating and financial performance of the Company and its ability to generate operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures. Adjusted EBITDA is also used by the investors and analysts for the purpose of valuing the Company. A reconciliation of Adjusted EBITDA to shareholders' net earnings under IFRS is shown in the "Consolidated Results of Operations" section of this MD&A.

Adjusted shareholders' net earnings, as defined by the Company, means shareholders' net earnings plus or minus items of note that management may reasonably quantify and that it believes will provide the reader with a better understanding of the Company's underlying business performance. Items of note may vary from time to time and in this MD&A include pre-opening costs for Ontario East Gaming Bundle, restructuring severance costs, impairment reversal of long-lived assets, other and income taxes on the above items of note. A reconciliation between shareholders' net earnings and adjusted shareholders' net earnings is presented in the "Other Financial Information" section of this MD&A. Adjusted shareholders' net earnings per common share is defined as adjusted shareholders' net earnings divided by the weighted average number of common shares outstanding.

The following non-IFRS measures have common definitions in the gaming industry and provide both investors and management with indications of its business' operating volumes and the volatility inherent in the Company's casino games:

- Table drop means the collective amount of money customers deposit to purchase casino chips to wager on table games, and is commonly computed as the aggregate amount of money counted in the table games' drop boxes.
- Table hold is calculated as the table drop plus or minus the net change in casino chip inventory.
- Table hold percentage is the ratio of table hold divided by table drop. Table hold percentage fluctuates with the statistical variations or volatility inherent in casino games, as well as with changes in customer behaviour around buying, retaining and cashing-in of casino chips.
- Poker rake is the commission we earn from poker games at our casinos, and is calculated as a fixed percentage of the amount wagered by customers on every hand of poker played.
- Slot coin-in is the aggregate amount of money customers have wagered on slots and other electronic gaming machines.
- Slot win is the slot coin-in less amounts cashed out and prizes won by customers.
- Slot win per machine per day ("Slot Win/Slot/Day") is the average daily slot win earned per slot machine, and is calculated as the slot win divided by the number of days in the period, divided by the average number of slot machines that operated during the period.
- Slot win percentage is the ratio of slot win divided by slot coin-in.

**Forward-Looking Information**

This MD&A contains certain "forward-looking information" or statements within the meaning of applicable securities legislation. Forward-looking information is based on the Company's current expectations, estimates, projections and assumptions that were made by the Company in light of historical trends and other factors. Forward-looking statements are frequently but not always identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "targeted", "planned", "possible" or similar expressions or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. All information or statements, other than statements of historical fact, are forward-looking information, including statements that address expectations, estimates or projections about the future, the Company's strategy for growth and objectives (including participation in Ontario's gaming modernization program and possible expansion of gaming in British Columbia), expected future expenditures, costs, operating and financial results, expected impact of future commitments, the future ability of the Company to operate the Georgian Downs and Flamboro Downs facilities beyond the terms of the signed Ontario Lease Agreements and Ontario Racing Agreements, the impact of conditions imposed on certain VIP players in British Columbia, the impact of unionization activities, the Company's position on its claim against the British Columbia Lottery Corporation ("BCLC") with respect to the collection of marketing contributions, the Company's beliefs about the outcome of its notices of objection and subsequent appeals challenging the Canada Revenue Agency's reassessments and its tax position on its facility development commission prevailing, the terms and expected benefits of the normal course issuer bid, the Company's expected share of BC horse racing industry revenue in future years, and expectations and implications of changes in legislation and government policies. Such forward-looking information is not a guarantee of future performance and may involve a number of risks and uncertainties.

Although forward-looking information is based on information and assumptions that the Company believes are current, reasonable and complete, they are subject to unknown risks, uncertainties, and a number of factors that could cause actual results to vary materially from those expressed or implied by such forward-looking information. Such factors may include, but are not limited to: terms of operational services agreements with lottery corporations; changes to gaming laws that may impact the operational services agreements; pending, proposed or unanticipated regulatory or policy changes (including those that impact VIP play); the outcome of modernization of gaming in Ontario; the Company's ability to obtain and renew required business licenses, leases, and operational services agreements; unanticipated fines, sanctions and suspensions imposed on the Company by its regulators; impact of global liquidity and credit availability; actual and possible reassessments of the Company's prior tax filings by tax authorities; the results of the Company's notices of objection and subsequent appeals challenging reassessments received by the Canada Revenue Agency; the Company's tax position on its facility development commission prevailing; the results of the Company's litigation with BCLC; the interpretation of the Company's rights under the Mayfair casino operating agreement and the BCLC relocation policy; adverse tourism trends and further decreases in levels of travel, leisure and consumer spending; competition from established competitors and new entrants in the gaming business; dependence on key personnel; the timing and results of collective bargaining negotiations; adverse changes in the Company's labour relations; the Company's ability to manage its capital projects and its expanding operations; the risk that systems, procedures and controls may not be adequate to meet regulatory requirements or to support current and expanding operations; potential undisclosed liabilities and capital expenditures associated with acquisitions; negative connotations linked to the gaming industry; First Nations rights with respect to some land on which the Company conducts operations; future or current legal proceedings; construction disruptions; financial covenants associated with credit facilities and long-term debt; credit, liquidity and market risks associated with our financial instruments; interest and exchange rate fluctuations; demand for new products and services; fluctuations in operating results; economic uncertainty and financial market volatility; technology dependence; and privacy breaches or data theft. The Company cautions that this list of factors is not exhaustive. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. These factors and other risks and uncertainties are discussed in the Company's continuous disclosure documents filed with the Canadian securities regulatory authorities from time to time, including in the "Risk Factors" section of the Company's Annual Information Form for fiscal 2016, and as identified in the Company's disclosure record on SEDAR at www.sedar.com.

The forward-looking information in documents incorporated by reference speaks only as of the date of those documents. The Company believes that the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct. Readers are cautioned not to place undue reliance on the forward-looking information. The Company undertakes no obligation to revise forward-looking information to reflect subsequent events or circumstances except as required by law. The forward-looking information contained herein is made as of the date hereof, is subject to change after such date, and is expressly qualified in its entirety by cautionary statements in this MD&A.

## FINANCIAL HIGHLIGHTS

| | Three months ended March 31, 2017 | 2016 | % Chg |
|---|---|---|---|
| Gaming revenues [1] | **$ 103.6** | $ 93.9 | 10% |
| Facility Development Commission | **9.3** | 9.2 | 1% |
| Hospitality, lease and other revenues | **37.1** | 35.2 | 5% |
| Racetrack revenues [2] | **2.8** | 3.1 | (10%) |
| | **152.8** | 141.4 | 8% |
| Less: Promotional allowances | **(10.1)** | (9.9) | 2% |
| **Revenues** | **142.7** | 131.5 | 9% |
| Human resources | **52.6** | 50.7 | 4% |
| Property, marketing and administration [1] | **42.5** | 37.9 | 12% |
| Share of profit of equity investment [2] | **(0.6)** | (0.6) | 0% |
| | **94.5** | 88.0 | 7% |
| **Adjusted EBITDA [3]** | **48.2** | 43.5 | 11% |
| Human resources as a % of Revenues before Promotional allowances | **34.4%** | 35.9% | |
| Adjusted EBITDA as a % of Revenues | **33.8%** | 33.1% | |
| **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 acquisition, restructuring and other | **(0.2)** | 3.4 | |
| Foreign exchange loss and other | **0.1** | 1.1 | |
| Income taxes | **7.1** | 4.6 | |
| **Net earnings** | **$ 17.9** | $ 10.3 | 74% |
| **Net earnings attributable to:** | | | |
| Shareholders of the company | **$ 17.8** | $ 10.4 | 71% |
| Non-controlling interests | **0.1** | (0.1) | |
| | **$ 17.9** | $ 10.3 | 74% |
| Shareholders' net earnings per common share | | | |
| 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 | |
| **Adjusted shareholders' net earnings [3]** | **$ 17.6** | $ 12.1 | 45% |

| | **March 31, 2017** | December 31, 2016 | % Chg |
|---|---|---|---|
| Cash and cash equivalents | **$ 247.6** | $ 228.7 | 8% |
| Total assets | **$ 1,093.7** | $ 1,083.7 | 1% |
| Long-term debt | **$ 481.6** | $ 478.3 | 1% |

(1) 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 income for the three months ended March 31, 2016 have been retrospectively reclassified to "property, marketing and administration expenses".

(2) 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 income. These amounts represent the Company's portion of TBC's net earnings that flow through the shared B.C. Horseracing Industry Fund.

(3) Adjusted EBITDA and Adjusted shareholders' net earnings are non-IFRS measures and are defined in the "Non-IFRS Measures" section of this MD&A. Adjusted shareholders' net earnings is reconciled to shareholders' net earnings in the "Other Financial Information" section of this MD&A.

*Revenues*
For the three months ended March 31, 2017 ("first quarter of 2017"), the Company recorded revenues of $142.7, a $11.2 or 9% increase from the first quarter of 2016. This increase was primarily due to the additional revenues attributable to Shorelines Casino Belleville, which began operations on January 11, 2017 and a full quarter of revenues from Shorelines Slots at Kawartha Downs and Shorelines Casino Thousand Islands, which were acquired by the Company and rebranded as Shorelines on January 11, 2016. Revenues also increased at each of the Company's property groups, except for River Rock Casino Resort ("River Rock") and Great American Casinos.

*Adjusted EBITDA*
The 11% increase in Adjusted EBITDA in the first quarter of 2017, compared to the first quarter of 2016 was primarily due to the previously mentioned additional revenues from Shorelines Casino Belleville, as well as Adjusted EBITDA improvements at all property groups except River Rock and Great American Casinos.

*Shareholders' net earnings*
Shareholders' net earnings for the first quarter of 2017 increased by $7.4, when compared to the same period of 2016. This increase was primarily due to the above-mentioned increase in Adjusted EBITDA, in addition to a decrease in business acquisition, restructuring and other costs, partially offset by an increase in income taxes. The Company's adjusted shareholders' net earnings increased by $5.5 or 45% in the first quarter of 2017, when compared to the same period in 2016. A reconciliation of shareholders' net earnings to adjusted shareholders' net earnings is presented in the "Other Financial Information" section of this MD&A.

## MAJOR DEVELOPMENTS

### British Columbia

***View Royal Casino***
On September 20, 2016, the Company and BCLC announced plans to enhance the gaming and entertainment options at the View Royal Casino. New features will include new and modern dining options such as a buffet, casual lounge and bar, a multi-purpose entertainment venue that will accommodate up to 600 guests, and an expansion of the gaming floor with up to 12 new live dealer table games and up to an additional 350 slot machines and electronic table games. Renovations began in the first quarter of 2017 with an expected completion date in the first half of 2018.

***Victoria***
On July 8, 2016, BCLC announced that it had selected the City of Victoria as the preferred host local government for a gaming facility proposal in the Greater Victoria region. BCLC will develop a gaming facility to suit the market in the City of Victoria with the View Royal Casino remaining the primary facility in the marketplace. The decision on the size and scope of the new facility will be based on redevelopment plans for the View Royal Casino.

The City of Victoria is also where the Company's former Mayfair casino was located, and closed in 2002. The Casino Operating and Services Agreement ("COSA") for Mayfair was placed in abeyance by BCLC in February 2002. BCLC, the Province of British Columbia and the Company are party to a casino relocation agreement regarding the Mayfair COSA and its redeployment, subject to compliance with the prevailing BCLC relocation policy.

The relocation of a casino or community gaming facility in any community is a complex process with many stakeholders to consider and many approvals required to be obtained, including the BCLC, which has advised that the BCLC position is that the Company has no preferential right to be named as service provider. As such, there can be no assurance that a relocation of the Mayfair COSA will result, despite the Company's intention to relocate the Mayfair COSA. It is possible that the relocation of that agreement may not occur in connection with the process that has been initiated by BCLC.

***River Rock***
The Company is renovating and enhancing both gaming and non-gaming amenities at River Rock. The first phase of this project was completed in January 2017 and included a refresh of the Salon Privé area, a new private gaming room and a VIP lounge. The second phase of the renovations began during the first quarter of 2017 and will include adding a new VIP slot area, modernizing the main gaming floor and improving food and beverage offerings. The project is expected to be completed by the end of 2017.

***Chances Chilliwack***
During 2016, the Company expanded the footprint of the slot machine area of this community gaming centre by reducing some of the underutilized bingo area. During 2017, the Company plans to add additional slot capacity to this property, subject to approval from BCLC. Depending upon the success of the new slot machines, the Company is considering expanding the building to accommodate additional gaming capacity, which would also be subject to approval from BCLC.

### Ontario

***East Gaming Bundle***

On January 11, 2016, Ontario Gaming East Limited Partnership ("OGELP" or "the Partnership"), a partnership in which the Company owns a 90.5% interest, signed a 20-year casino operating and services agreement with the Ontario Lottery and Gaming Corporation ("OLG"). Under the business transition and asset purchase agreement, OGELP acquired 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 City of Quinte West. The purchase price for such assets was $46.9 of cash consideration, including net working capital of $9.5.

On completion of the acquisition from OLG, OGELP had $32.0 in partner capital contributions and a $60.0 revolving credit facility arranged on a non-recourse basis to Great Canadian 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 COSA and development project, which reduced the available borrowing capacity on OGELP's revolving credit facility to $9.0.

On January 11, 2017, OGELP opened the newly built Shorelines Casino Belleville. Located in Belleville, Ontario, this new casino was designed to service that city and surrounding region. This property is the only newly built casino in the province of Ontario in the past 10 years.

In addition to the new casino, OGELP has undertaken a comprehensive development plan for the East Gaming Bundle, including renovations and new slot machines at both Shorelines Casino Thousand Islands and Shorelines Slots at Kawartha Downs. As at March 31, 2017, OGELP has spent $45.6 on the development plans for all three properties.

On February 21, 2017, the Council of the City of Peterborough agreed to a settlement with the Peterborough Downtown Business Improvement Association (the "DBIA") that ends the DBIA's Ontario Municipal Board appeal of the City's approval of the Company's application to develop a new gaming property in the City of Peterborough. With the appeal of the application's approval now resolved, the Company will proceed with addressing the remaining outstanding issues pertaining to the project before formally proceeding with the development.

Great Canadian manages the property developments and operations of OGELP through a development services agreement and a management services agreement with OGELP. Great Canadian earns associated fees from OGELP for providing these services.

***Ottawa Area Gaming Bundle***

During October 2016, the Company was notified by OLG that it was pre-qualified to submit a Request for Proposal ("RFP") for the Ottawa Area (the "Ottawa Area Gaming Bundle"). On February 9, 2017, the Company submitted a bid on the Ottawa Area Gaming Bundle. If successful, the Company intends to be the sole owner and operator of gaming operations. OLG has publicly stated that they expect to announce a successful proponent for the Ottawa Area Gaming Bundle in Spring 2017.

The Ottawa Area Gaming Bundle is comprised of one gaming zone, Zone E4 – Ottawa, currently serviced by OLG Slots at Rideau Carleton Raceway.

***Greater Toronto Area Gaming Bundle***

The Company was notified by OLG during the fourth quarter of 2015 that it was pre-qualified to submit a RFP for Gaming Bundle 5 (GTA) (the "Greater Toronto Area Gaming Bundle"). On April 20, 2017, the Company submitted a bid on the Greater Toronto Area Gaming Bundle. If successful, the Company intends to be an equity partner. OLG has publicly stated that they expect to announce a successful proponent for the Greater Toronto Area Gaming Bundle by late Summer 2017.

The Greater Toronto Area Gaming Bundle is comprised of three gaming zones that cover the following municipalities: Zone C2 – the Rexdale area located west of the City of Toronto, currently serviced by OLG Slots at Woodbine Racetrack; Zone C3 – Ajax, Pickering and Whitby and surrounding areas, currently serviced by OLG Slots at Ajax Downs; and Zone C8 – Territory of Mississaugas of Scugog Island First Nation, currently serviced by Great Blue Heron Charity Casino. The RFP for the Greater Toronto Area Gaming Bundle considers a right of first opportunity for a new greenfield build to better service the Greater Toronto Area – subject to the appropriate government approvals and OLG's ability to secure a willing host municipality.

***West GTA Gaming Bundle***

During October 2016, the Company was notified by OLG that it is pre-qualified to submit a RFP for Gaming Bundle 6 (West GTA) (the "West GTA Gaming Bundle"). The Company is currently evaluating the RFP opportunity to determine its plan to bid on the West GTA Gaming Bundle. If successful, the Company intends to be a majority partner. OLG has publicly stated that they expect to announce a successful proponent for the West GTA Bundle by

Fall 2017.

The West GTA Gaming Bundle is comprised of four gaming zones that cover the following municipalities: Zone C4 – Milton and Halton Hills, currently serviced by OLG Slots at Mohawk Raceway; Zone SW1 – Kitchener, Waterloo, Cambridge, Wilmot, Woolwich and Centre Wellington, currently serviced by OLG Slots at Grand River Raceway; Zone SW2 – Brantford, currently serviced by OLG Casino Brantford; and Zone SW9 – Hamilton and Burlington, currently serviced by OLG Slots at the Company's Flamboro Downs property.

***Central Gaming Bundle***
During March 2017, the Company was notified by OLG that it is pre-qualified to submit a RFP for Gaming Bundle 7 (Central) (the "Central Gaming Bundle"). The Company is currently evaluating the RFP opportunity to determine its plan to bid on the Central Gaming Bundle. If successful, the Company intends to be the sole owner and operator of gaming operations. OLG has publicly stated that they expect to announce a successful proponent for the Central Gaming Bundle by Winter 2017/2018.

The Central Gaming Bundle is comprised of three gaming zones that cover the following municipalities: Zone C5 – Barrie and Innisfil, currently serviced by OLG Slots at the Company's Georgian Downs property; Zone C6 – Rama, currently serviced by Casino Rama; and Zone C7 – Collingwood, Wasaga Beach, Springwater and Clearview, which is not currently served by any gaming facility.

***Niagara Gaming Bundle***
During April 2017, the Company was notified by OLG that it is pre-qualified to submit a RFP for Gaming Bundle 8 (Niagara) (the "Niagara Gaming Bundle"). The Company is currently evaluating the RFP opportunity to determine its plan to bid on the Niagara Gaming Bundle. If successful, the Company intends to be the sole owner and operator of gaming operations. OLG has publicly stated that they expect to announce a successful proponent for the Niagara Gaming Bundle by Summer 2018.

The Niagara Gaming Bundle is comprised of two gaming zones in the City of Niagara Falls; Zone SW10, currently serviced by Casino Niagara and Zone SW11, currently serviced by Fallsview Casino Resort. The successful service provider will also be responsible for operating the future Niagara Falls Entertainment Centre.

For each of these gaming bundles, the Company intends to enter into management and development services agreements to oversee the property development activities and operations of each zone.

It is not certain at this time whether the Company or any proponent team of which it is a member will be a successful bidder on any other gaming bundles. While a partnership in which the Company holds a majority interest has been selected as the successful proponent for the East Gaming Bundle, the full extent of the impact that the continued modernization of gaming in Ontario will have on the Company is not yet known.

**Washington**

***Des Moines***

During the first quarter of 2017, the Company submitted applications for a gaming license to open a new gaming facility in Des Moines, Washington. The new card room will have up to 15 table games and will pursue high-end baccarat play. It will also feature a dining area and lounge that can seat up to 70 people. This facility is expected to open in the second quarter of 2017, subject to state licensing approvals.

**Labour Relations**

River Rock Casino Resort continues to bargain for a first Collective Agreement with the BC Government and Service Employees' Union (BCGEU). Bargaining has continued in the first quarter of 2017 and further bargaining dates have been scheduled in April and May 2017.

Hard Rock Casino Vancouver commenced bargaining with the BCGEU for a first Collective Agreement in late January 2017 and bargaining has been ongoing. As of March 31, 2017, bargaining has continued and further bargaining dates have been scheduled in April and May 2017.

A collective agreement with the Canadian Office and Professional Employees Union, Local 378 (doing business as MoveUP) with a term covering August 1, 2012 through December 31, 2014, is applicable to employees of Hastings Racecourse, excluding food and beverage workers. Bargaining commenced on January 11, 2017, but has stalled due to an availability issue with the Union Representative. The current term of the Collective Agreement with Unite Here, Local 40, which represents the food and beverage employees of Hastings Racecourse, expired on June 30, 2016. Notice to commence collective bargaining has not been initiated by either party.

A collective agreement with Public Service Alliance of Canada, Local 00500, with a term covering September 18, 2015 through December 31, 2017 was ratified on March 2, 2016 and is applicable to employees at Georgian Downs.

A collective agreement with Service Employees International Union ("SEIU"), Local 2, with a term covering January 1, 2015 through December 31, 2016, is applicable to employees of Flamboro Downs. Bargaining initiated in December 2016 and continued for two further rounds in January and February 2017. A deal could not be reached by the parties and the process moved to formal conciliation, a service provided through the Ministry of Labour in Ontario. Conciliation commenced on April 7, 2017 and will continue on May 6, 2017.

A collective agreement with Teamsters, Local 91, with a term covering November 1, 2014 through October 31, 2017, is applicable to all hourly Security Officers at Shorelines Casino Thousand Islands.

A collective agreement with Service Employees International Union ("SEIU"), Local 2, with a term covering May 16, 2014 through May 15, 2017 is applicable to all hourly non-supervisory employees at Shorelines Slots at Kawartha Downs except those in the Security and Surveillance departments, office and clerical staff. The SEIU has filed their 'Notice of Intent to Bargain'. Although no dates have been set yet, the Company expects to find dates shortly.

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

## CONSOLIDATED RESULTS OF OPERATIONS

| | Three months ended March 31, | | |
|---|---|---|---|
| | **2017** | 2016 | % Chg |
| **REVENUES** | | | |
| River Rock Casino Resort | **$ 40.5** | $ 41.6 | (3%) |
| Hard Rock Casino Vancouver | **16.3** | 15.7 | 4% |
| Other Vancouver Area Casinos | **10.2** | 10.2 | 0% |
| Vancouver Island Casinos | **10.2** | 9.6 | 6% |
| Other BC Casinos | **6.5** | 5.7 | 14% |
| Atlantic Casinos | **19.7** | 19.0 | 4% |
| Great American Casinos | **10.9** | 11.4 | (4%) |
| Ontario Properties | **28.4** | 18.3 | 55% |
| **Total Revenues** | **$ 142.7** | $ 131.5 | 9% |
| **ADJUSTED EBITDA** (1) | | | |
| **Casinos** | | | |
| River Rock Casino Resort | **$ 18.2** | $ 18.6 | (2%) |
| Hard Rock Casino Vancouver | **6.6** | 5.9 | 12% |
| Other Vancouver Area Casinos | **2.5** | 2.1 | 19% |
| Vancouver Island Casinos | **5.4** | 5.3 | 2% |
| Other BC Casinos | **3.2** | 2.7 | 19% |
| Atlantic Casinos | **5.0** | 4.4 | 14% |
| Great American Casinos | **3.4** | 3.8 | (11%) |
| Ontario Properties | **8.5** | 5.4 | 57% |
| Corporate & Other | **(4.6)** | (4.7) | 2% |
| **Total Adjusted EBITDA** | **$ 48.2** | $ 43.5 | 11% |

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

The Company's operating results are discussed in two sections: (1) revenues, expenses consisting of human resources expenses and property, marketing and administration expenses and Adjusted EBITDA, which are discussed on a property or, where appropriate, group of similar properties basis, and (2) items excluded from Adjusted EBITDA, which are discussed on a consolidated basis in the "Non-IFRS Measures" section of this MD&A.

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

## ***Casinos***

### *River Rock Casino Resort*

| | Three months ended March 31, 2017 | 2016 | % Chg |
|---|---|---|---|
| Gaming revenues | **$ 26.9** | $ 28.4 | (5%) |
| Facility Development Commission | **4.1** | 4.2 | (2%) |
| Hospitality and other revenues | **12.5** | 12.1 | 3% |
| Revenues before Promotional allowances | **43.5** | 44.7 | (3%) |
| Less: Promotional allowances | **(3.0)** | (3.1) | (3%) |
| Revenues | **40.5** | 41.6 | (3%) |
| Human resources | **13.5** | 13.9 | (3%) |
| Property, marketing and administration | **8.8** | 9.1 | (3%) |
| Adjusted EBITDA | **$ 18.2** | $ 18.6 | (2%) |
| Human resources as a % of Revenues before Promotional allowances | **31.0%** | 31.1% | |
| Adjusted EBITDA as a % of Revenues | **44.9%** | 44.7% | |

| | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Average |
|---|---|---|---|---|---|---|---|---|---|
| Table Drop | $ 278.8 | $ 262.9 | $ 292.0 | $ 242.2 | $ 247.8 | $ 251.5 | $ 309.9 | $ 282.0 | |
| Table Hold | $ 40.2 | $ 37.5 | $ 52.4 | $ 43.5 | $ 44.6 | $ 49.5 | $ 57.3 | $ 57.0 | |
| Table Hold % | 14.4% | 14.3% | 17.9% | 18.0% | 18.0% | 19.7% | 18.5% | 20.2% | 17.6% |
| Poker Rake | $ 1.2 | $ 1.3 | $ 1.1 | $ 1.1 | $ 1.0 | $ 1.0 | $ 1.1 | $ 0.9 | |
| Slot Coin-In | $ 660.4 | $ 653.8 | $ 671.8 | $ 635.5 | $ 609.5 | $ 592.4 | $ 629.6 | $ 607.2 | |
| Slot Win | $ 42.7 | $ 40.7 | $ 42.8 | $ 41.4 | $ 40.2 | $ 40.0 | $ 41.0 | $ 38.9 | |
| Slot Win/Slot/Day(1) | $ 432 | $ 397 | $ 418 | $ 410 | $ 395 | $ 398 | $ 405 | $ 389 | |
| Slot Win % | 6.5% | 6.2% | 6.4% | 6.5% | 6.6% | 6.8% | 6.5% | 6.4% | 6.5% |

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

*Recent Developments*
In January 2017, River Rock completed the first phase of its renovation project, which included a refresh of the Salon Privé area, a new private gaming room and a VIP lounge.

*Revenues*
River Rock's table revenues declined, despite increased table drop, mainly due to a 3.6 percentage point decrease in table hold percentage for the first quarter of 2017, when compared to the same period in 2016. The decline was offset by increased slot revenues. During the first quarter of 2017, slot win increased by 6%, when compared to the same period in 2016, and exceeding table hold for the first quarter of 2017.

Hospitality and other revenues increased primarily due to growth in food and beverages revenues as a result of increased complimentary sales for promotional activities.

*Expenses*
Human resources expenses decreased in the first quarter of 2017, when compared to the same period in 2016, mainly due to adjustments to performance bonuses and timing of the statutory holiday. Property, marketing and administration expenses decreased during the period primarily due to a shift of spending to promotional allowances.

*Adjusted EBITDA*
Adjusted EBITDA decreased by 2% in the first quarter of 2017, when compared to the same period in 2016. The decline was primarily attributed to the previously noted decreases in gaming revenues.

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

***Hard Rock Casino Vancouver***

| | Three months ended March 31, | | | | |
|---|---|---|---|---|---|
| | | **2017** | | 2016 | % Chg |
| Gaming revenues | **$** | **12.3** | $ | 11.6 | 6% |
| Facility Development Commission | | **2.0** | | 1.8 | 11% |
| Hospitality and other revenues | | **3.2** | | 3.4 | (6%) |
| Revenues before Promotional allowances | | **17.5** | | 16.8 | 4% |
| Less: Promotional allowances | | **(1.2)** | | (1.1) | 9% |
| Revenues | | **16.3** | | 15.7 | 4% |
| Human resources | | **5.7** | | 6.0 | (5%) |
| Property, marketing and administration | | **4.0** | | 3.8 | 5% |
| Adjusted EBITDA | **$** | **6.6** | $ | 5.9 | 12% |
| Human resources as a % of Revenues before Promotional allowances | | **32.6%** | | 35.7% | |
| Adjusted EBITDA as a % of Revenues | | **40.5%** | | 37.6% | |

| | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Average |
|---|---|---|---|---|---|---|---|---|---|
| Table Drop | $ 65.5 | $ 64.7 | $ 58.1 | $ 50.9 | $ 56.6 | $ 54.6 | $ 51.1 | $ 44.3 | |
| Table Hold | $ 13.1 | $ 13.3 | $ 9.9 | $ 10.1 | $ 11.9 | $ 10.1 | $ 8.7 | $ 8.9 | |
| Table Hold % | 20.0% | 20.6% | 17.0% | 19.8% | 20.8% | 18.5% | 17.0% | 20.0% | 19.3% |
| Poker Rake | $ 0.8 | $ 0.9 | $ 0.8 | $ 0.8 | $ 0.8 | $ 1.0 | $ 1.1 | $ 0.9 | |
| Slot Coin-In | $ 391.8 | $ 388.2 | $ 390.0 | $ 376.9 | $ 356.6 | $ 365.4 | $ 331.1 | $ 315.5 | |
| Slot Win | $ 27.1 | $ 27.3 | $ 27.0 | $ 26.3 | $ 25.1 | $ 25.9 | $ 24.2 | $ 23.9 | |
| Slot Win/Slot/Day(1), (2) | $ 329 | $ 324 | $ 321 | $ 315 | $ 301 | $ 310 | $ 287 | $ 288 | |
| Slot Win % | 6.9% | 7.0% | 6.9% | 7.0% | 7.0% | 7.1% | 7.3% | 7.6% | 7.1% |

(1) Slot Win/Slot/Day is an average, presented in dollars.
(2) During December 2015, the Company added 72 slot machines resulting in 922 slot machines at December 31, 2015.

*Recent Developments*
During the first quarter of 2017, the Company introduced an authentic Chinese restaurant, which is operated by a third party, Neptune Restaurant Group.

*Revenues*
The increase in gaming revenues was mainly attributed to focused marketing efforts combined with the VIP table gaming area opened in October 2016.

Hospitality and other revenues decreased 6% in the first quarter of 2017, when compared to the same period in 2016. This is primarily due to the decline in the number of theatre shows.

*Expenses*
Human resources expenses decreased by 5% in the first quarter of 2017, when compared to the same period in 2016, partially due to lower hospitality activities and timing of the statutory holiday. Property, marketing and administration expenses increased primarily due to higher licensing and promotions expenses.

*Adjusted EBITDA*
Adjusted EBITDA increased by 12% in the first quarter of 2017, when compared to the same period in 2016. This increase was primarily due to the improvement in gaming revenues and lower human resources expenses.

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

***Other Vancouver Area Casinos (Elements Casino and Hastings Racecourse and Slots Facility)***

| | Three months ended March 31, 2017 | 2016 | % Chg |
|---|---|---|---|
| Gaming revenues | **$ 6.6** | $ 6.2 | 6% |
| Facility Development Commission | **1.2** | 1.2 | 0% |
| Racetrack revenues [1] | **1.6** | 1.9 | (16%) |
| Hospitality and other revenues | **1.7** | 2.0 | (15%) |
| Revenues before Promotional allowances | **11.1** | 11.3 | (2%) |
| Less: Promotional allowances | **(0.9)** | (1.1) | (18%) |
| Revenues | **10.2** | 10.2 | 0% |
| Human resources | **4.6** | 4.9 | (6%) |
| Property, marketing and administration | **3.7** | 3.8 | (3%) |
| Share of profit of equity investment [1] | **(0.6)** | (0.6) | 0% |
| Adjusted EBITDA | **$ 2.5** | $ 2.1 | 19% |
| Human resources as a % of Revenues before Promotional allowances | **41.4%** | 43.4% | |
| Adjusted EBITDA as a % of Revenues | **24.5%** | 20.6% | |

| | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Average |
|---|---|---|---|---|---|---|---|---|---|
| Table Drop | $ 15.6 | $ 13.9 | $ 13.6 | $ 12.7 | $ 13.3 | $ 7.7 | $ 7.4 | $ 6.7 | |
| Table Hold | $ 3.3 | $ 3.3 | $ 2.7 | $ 3.0 | $ 2.6 | $ 1.8 | $ 1.6 | $ 1.4 | |
| Table Hold % | 21.4% | 24.1% | 19.9% | 23.6% | 19.8% | 23.8% | 21.7% | 20.9% | 21.9% |
| Poker Rake | $ - | $ - | $ - | $ - | $ 0.1 | $ 0.2 | $ 0.4 | $ 0.3 | |
| Slot Coin-In | $ 297.8 | $ 278.8 | $ 299.7 | $ 303.4 | $ 295.2 | $ 241.0 | $ 232.2 | $ 231.4 | |
| Slot Win | $ 21.7 | $ 20.5 | $ 21.6 | $ 21.4 | $ 21.1 | $ 18.2 | $ 17.6 | $ 17.0 | |
| Slot Win/Slot/Day[1] | $ 226 | $ 209 | $ 219 | $ 221 | $ 220 | $ 214 | $ 191 | $ 187 | |
| Slot Win % | 7.3% | 7.4% | 7.2% | 7.1% | 7.2% | 7.4% | 7.5% | 7.3% | 7.3% |

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

| Live race days | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 |
|---|---|---|---|---|---|---|---|---|
| Elements Casino | 22 | 22 | - | 3 | 30 | 28 | - | 7 |
| Hastings | - | 6 | 26 | 20 | - | 7 | 26 | 20 |

*Recent Developments*
On November 7, 2016, the operating lease agreement for Hastings Racecourse was extended to November 9, 2019.

*Revenues*
Gaming revenues increased by 6% in the first quarter of 2017, when compared to the same period in 2016, primarily due to increases in Table Hold and Slot Win. Racetrack revenues decreased due to fewer number of race days in the first quarter of 2017 as a result of cancellation of horse races due to snow.

Hospitality and other revenues decreased primarily due to a decline in food and beverages revenues as a result of decreased traffic during unusual weather, when compared to the same period in 2016.

Promotional allowances decreased primarily due to lower food and beverages promotional allowance, which was high in the first quarter of 2016 due to the recent rebranding of Elements Casino.

*Expenses*
Human resources expenses decreased partially due to fewer number of race days resulting in lower hospitality activities and timing of the statutory holiday in the first quarter of 2017, when compared to the same period in 2016. Property, marketing and administration expenses were relatively consistent, when compared to the prior year period.

*Adjusted EBITDA*
Adjusted EBITDA increased by 19% in the first quarter of 2017, when compared to the same period in 2016. This increase was primarily due to the improvement in gaming revenues.

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

***Vancouver Island Casinos (View Royal Casino, Casino Nanaimo and Bingo Esquimalt)***

| | Three months ended March 31, | | |
|---|---|---|---|
| | **2017** | 2016 | % Chg |
| Gaming revenues | **$ 8.5** | $ 7.8 | 9% |
| Facility Development Commission | **1.2** | 1.2 | 0% |
| Hospitality and other revenues | **1.0** | 1.2 | (17%) |
| Revenues before Promotional allowances | **10.7** | 10.2 | 5% |
| Less: Promotional allowances | **(0.5)** | (0.6) | (17%) |
| Revenues | **10.2** | 9.6 | 6% |
| Human resources | **3.3** | 2.9 | 14% |
| Property, marketing and administration | **1.5** | 1.4 | 7% |
| Adjusted EBITDA | **$ 5.4** | $ 5.3 | 2% |
| Human resources as a % of Revenues before Promotional allowances | **30.8%** | 28.4% | |
| Adjusted EBITDA as a % of Revenues | **52.9%** | 55.2% | |

| | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Average |
|---|---|---|---|---|---|---|---|---|---|
| Table Drop | $ 17.3 | $ 14.6 | $ 13.6 | $ 13.9 | $ 14.6 | $ 12.3 | $ 12.5 | $ 12.3 | |
| Table Hold | $ 3.8 | $ 3.6 | $ 3.3 | $ 3.3 | $ 3.2 | $ 3.0 | $ 2.6 | $ 2.8 | |
| Table Hold % | 22.1% | 24.3% | 24.3% | 23.7% | 22.4% | 24.8% | 21.4% | 22.8% | 23.0% |
| Slot Coin-In | $ 407.3 | $ 392.5 | $ 407.2 | $ 404.8 | $ 381.4 | $ 380.6 | $ 383.5 | $ 354.8 | |
| Slot Win | $ 27.8 | $ 27.1 | $ 28.0 | $ 28.3 | $ 26.4 | $ 27.1 | $ 26.8 | $ 25.7 | |
| Slot Win/Slot/Day(1) | $ 346 | $ 314 | $ 325 | $ 332 | $ 310 | $ 315 | $ 311 | $ 302 | |
| Slot Win % | 6.8% | 6.9% | 6.9% | 7.0% | 6.9% | 7.0% | 6.9% | 7.2% | 7.0% |

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

*Recent Developments*

Renovations to Casino Nanaimo commenced in the second half of 2016 and are expected to be completed by the second quarter of 2017. The Company is expanding both gaming and non-gaming amenities to better service the marketplace by adding a VIP slot area, building a new Poker/Racebook room, and adopting the successful *Well* restaurant brand, which will allow the property to offer greater entertainment options, including viewing parties for sporting events and live entertainment.

On September 20, 2016, the Company and BCLC announced plans to enhance the gaming and entertainment options at the View Royal Casino, as described in the "Major Developments" section of this MD&A.

*Revenues*

Gaming revenues increased in the first quarter of 2017, when compared to the same period in 2016, primarily due to increased table drop and slot coin-in resulting from increased marketing efforts and the addition of three new tables.

Hospitality and other revenues decreased primarily due to decline in food and beverages revenues as a result of restaurant closures at Casino Nanaimo and View Royal Casino due to renovations during the first quarter of 2017.

*Expenses*

Human resources expenses increased primarily due to higher business volumes. Property, marketing and administration expenses were relatively consistent, when compared to the prior year period.

*Adjusted EBITDA*

Adjusted EBITDA increased by 2% in the first quarter of 2017. The increase was primarily due to the improvement in gaming revenues.

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

***Other BC Casinos (Chances Dawson Creek, Chances Maple Ridge and Chances Chilliwack)***

| | Three months ended March 31, | | |
|---|---|---|---|
| | **2017** | 2016 | % Chg |
| Gaming revenues | **$ 4.6** | $ 4.1 | 12% |
| Facility Development Commission | **0.9** | 0.8 | 13% |
| Hospitality and other revenues | **1.4** | 1.2 | 17% |
| Revenues before Promotional allowances | **6.9** | 6.1 | 13% |
| Less: Promotional allowances | **(0.4)** | (0.4) | 0% |
| Revenues | **6.5** | 5.7 | 14% |
| Human resources | **1.8** | 1.7 | 6% |
| Property, marketing and administration | **1.5** | 1.3 | 15% |
| Adjusted EBITDA | **$ 3.2** | $ 2.7 | 19% |
| Human resources as a % of Revenues before Promotional allowances | **26.1%** | 27.9% | |
| Adjusted EBITDA as a % of Revenues | **49.2%** | 47.4% | |

| | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Average |
|---|---|---|---|---|---|---|---|---|---|
| Slot Coin-In | $ 257.7 | $ 239.8 | $ 228.7 | $ 232.2 | $ 213.4 | $ 205.8 | $ 199.3 | $ 198.4 | |
| Slot Win | $ 17.4 | $ 16.6 | $ 16.6 | $ 16.0 | $ 15.0 | $ 14.1 | $ 14.7 | $ 14.2 | |
| Slot Win/Slot/Day(1), (2) | $ 316 | $ 302 | $ 306 | $ 301 | $ 288 | $ 286 | $ 298 | $ 292 | |
| Slot Win % | 6.7% | 6.9% | 7.3% | 6.9% | 7.0% | 7.0% | 7.5% | 7.2% | 7.0% |

(1) Slot Win/Slot/Day is an average, presented in dollars.
(2) During 2015, the Company added 14 slot machines at Chances Maple Ridge, resulting in a total of 525 slot machines across the three properties at December 31, 2015.
During 2016, the Company added 13 slot machines at Chances Maple Ridge and 60 slot machines at Chances Chilliwack resulting in a total of 598 slot machines across the three properties at December 31, 2016.

*Revenues*
Revenues at the Other BC Casinos increased primarily due to the addition of slot machines at Chances Chilliwack and Chances Maple Ridge.

*Expenses*
Human resources expenses were relatively consistent with the prior year period. Property, marketing and administration expenses increased mainly due to increases in food and beverage expenses and promotions expenses.

*Adjusted EBITDA*
Adjusted EBITDA at the Other BC Casinos increased by 19% in the first quarter of 2017, when compared to the same period of 2016. This increase was primarily due to the improvement in gaming revenues.

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

***Atlantic Casinos (Casino Nova Scotia Halifax, Casino Nova Scotia Sydney and Casino New Brunswick)***

| | Three months ended March 31, | | |
|---|---|---|---|
| | **2017** | 2016 | % Chg |
| Gaming revenues | **$ 15.5** | $ 14.8 | 5% |
| Hospitality and other revenues | **6.4** | 6.4 | 0% |
| Revenues before Promotional allowances | **21.9** | 21.2 | 3% |
| Less: Promotional allowances | **(2.2)** | (2.2) | 0% |
| Revenues | **19.7** | 19.0 | 4% |
| Human resources | **6.9** | 7.2 | (4%) |
| Property, marketing and administration | **7.8** | 7.4 | 5% |
| Adjusted EBITDA | **$ 5.0** | $ 4.4 | 14% |
| Human resources as a % of Revenues before Promotional allowances | **31.5%** | 34.0% | |
| Adjusted EBITDA as a % of Revenues | **25.4%** | 23.2% | |

| | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Average |
|---|---|---|---|---|---|---|---|---|---|
| Table Drop | $ 20.6 | $ 21.5 | $ 23.1 | $ 22.1 | $ 20.5 | $ 21.4 | $ 13.0 | $ 11.9 | |
| Table Hold | $ 4.6 | $ 4.4 | $ 4.9 | $ 4.2 | $ 5.0 | $ 4.9 | $ 3.1 | $ 2.4 | |
| Table Hold % | 22.7% | 20.5% | 21.2% | 19.0% | 24.6% | 22.7% | 23.4% | 20.2% | 21.8% |
| Poker Rake | $ 0.7 | $ 0.6 | $ 0.6 | $ 0.6 | $ 0.6 | $ 0.6 | $ 0.4 | $ 0.4 | |
| Slot Coin-In | $ 308.7 | $ 321.9 | $ 385.7 | $ 347.9 | $ 294.9 | $ 320.0 | $ 213.9 | $ 197.3 | |
| Slot Win | $ 25.2 | $ 26.0 | $ 31.0 | $ 27.4 | $ 23.7 | $ 26.0 | $ 16.6 | $ 14.5 | |
| Slot Win/Slot/Day(1), (2) | $ 194 | $ 197 | $ 239 | $ 239 | $ 214 | $ 187 | $ 218 | $ 191 | |
| Slot Win % | 8.2% | 8.1% | 8.0% | 7.9% | 8.0% | 8.1% | 7.8% | 7.3% | 8.0% |

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

(2) The Atlantic Casinos Group includes the results of Casino New Brunswick since its acquisition on October 1, 2015.

_Recent Developments_

In Nova Scotia, the Company has committed to make capital investments totalling $10.0 to the casino properties through 2025, subject to a revitalization plan and schedule approved by the Nova Scotia Provincial Lotteries and Casino Corporation ("NSPLCC"). The Company completed a $1.0 revitalization of its Sydney location. The property officially relaunched on June 16, 2016 with an updated gaming floor, new restaurant and lounge and a second location for the Casino Nova Scotia Music Hall of Fame.

The Company plans to renovate its Halifax location to introduce a new buffet outlet, bar, entertainment lounge, Racebook and relocate the poker room. The new amenities are anticipated to be completed in the third quarter of 2017 at an estimated cost of $2.5, which is eligible to be funded from the Capital Reserve Account.

_Revenues_

Gaming revenues increased by 5%, when compared to the same period in 2016, primarily due to increased slot coin-in resulting from increased marketing efforts. Hospitality and other revenues were consistent during the first quarter of 2017, when compared to the same period in 2016.

_Expenses_

Human resources expenses decreased in the first quarter of 2017 mainly due to labour efficiency initiatives. Property, marketing and administration expenses increased during the period primarily due to higher advertising and promotions expenses as a result of a new marketing program at the two Casino Nova Scotia properties.

_Adjusted EBITDA_

Adjusted EBITDA increased by 14% in the first quarter of 2017, when compared to the same period of 2016. This increase was primarily due to the improvement in gaming revenues.

***Great American Casinos***

***Results in U.S. Dollars (in millions)***

| | Three months ended March 31, | | |
|---|---|---|---|
| | **2017** | 2016 | % Chg |
| Gaming revenues | **$ 7.1** | $ 7.1 | 0% |
| Hospitality and other revenues | **1.8** | 1.8 | 0% |
| Revenues before Promotional allowances | **8.9** | 8.9 | 0% |
| Less: Promotional allowances | **(0.7)** | (0.7) | 0% |
| Revenues | **8.2** | 8.2 | 0% |
| Human resources | **3.2** | 3.1 | 3% |
| Property, marketing and administration | **2.5** | 2.4 | 4% |
| Adjusted EBITDA | **$ 2.5** | $ 2.7 | (7%) |
| Human resources as a % of Revenues before Promotional allowances | **36.0%** | 34.8% | |
| Adjusted EBITDA as a % of Revenues | **30.5%** | 32.9% | |

| | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Average |
|---|---|---|---|---|---|---|---|---|---|
| Table Drop | $ 37.3 | $ 37.8 | $ 36.9 | $ 35.7 | $ 35.9 | $ 37.1 | $ 35.6 | $ 36.0 | |
| Table Hold | $ 7.2 | $ 6.9 | $ 6.2 | $ 6.2 | $ 7.2 | $ 6.0 | $ 5.9 | $ 6.1 | |
| Table Hold % | 19.1% | 18.1% | 16.6% | 17.4% | 19.8% | 16.2% | 16.4% | 16.9% | 17.6% |

***Results in Canadian Dollars***

| | Three months ended March 31, | | |
|---|---|---|---|
| | **2017** | 2016 | % Chg |
| Revenues | **$ 10.9** | $ 11.4 | (4%) |
| Adjusted EBITDA | **$ 3.4** | $ 3.8 | (11%) |

*Discussion in U.S. Dollars*

The value of the Great American Casinos' functional currency, the U.S. dollar, in comparison to the Company's reporting currency, the Canadian dollar, affects the reported results of the Great American Casinos. The average value of the U.S. dollar was 4% lower in the first quarter of 2017, when compared to the same period in 2016. A lower average value of the U.S. dollar results in a decrease in the Canadian dollar translation of the operating results.

Revenues

Revenues were consistent with the prior year period.

Expenses

Human resources expenses increased by 3%, when compared to the same period in 2016, primarily due to increase in minimum wage. Property, marketing and administration expenses increased by 4% mainly due to increased promotions.

Adjusted EBITDA

Adjusted EBITDA decreased by 7%, when compared to the same period in 2016, due to increased expenses.

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

***Ontario Properties (Georgian Downs, Flamboro Downs and Shorelines Casinos)***

| | Three months ended March 31, | | |
|---|---|---|---|
| | **2017** | 2016 | % Chg |
| Gaming revenues | **$ 19.6** | $ 11.1 | 77% |
| Racetrack revenues | **1.2** | 1.2 | 0% |
| Lease revenues | **4.2** | 4.1 | 2% |
| Hospitality and other revenues | **4.3** | 2.3 | 87% |
| Revenues before Promotional allowances | **29.3** | 18.7 | 57% |
| Less: Promotional allowances | **(0.9)** | (0.4) | 125% |
| Revenues | **28.4** | 18.3 | 55% |
| Human resources | **9.5** | 6.6 | 44% |
| Property, marketing and administration | **10.4** | 6.3 | 65% |
| Adjusted EBITDA | **$ 8.5** | $ 5.4 | 57% |
| Human resources as a % of Revenues before Promotional allowances | **32.4%** | 35.3% | |
| Adjusted EBITDA as a % of Revenues | **29.9%** | 29.5% | |

| Live race days | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 |
|---|---|---|---|---|---|---|---|---|
| Georgian | - | - | 27 | 12 | - | - | 26 | 13 |
| Flamboro | 36 | 51 | 17 | 26 | 36 | 51 | 16 | 27 |

*Recent Developments*
The Company signed Lease Extension Agreements with OLG. The agreements effective March 31, 2017 secure lease revenues for its Georgian Downs and Flamboro Downs racetracks for an extended term from April 1, 2018 to March 31, 2023.

*Revenues, Expenses, and Adjusted EBITDA*
Revenues, expenses, and adjusted EBITDA increased primarily due to the additional revenues and expenses attributable to Shorelines Casino Belleville, which began operations on January 11, 2017. In addition, there were 9 additional days of operations during the first quarter of 2017, as compared to the same period in 2016, at Shorelines Slots at Kawartha Down and Shorelines Casino Thousand Islands, which were acquired by the Company and rebranded as Shorelines on January 11, 2016.

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

***Corporate & Other***

| | Three months ended March 31, | | | | |
|---|---|---|---|---|---|
| | | **2017** | | 2016 | % Chg |
| Human resources | **$** | **3.1** | $ | 3.3 | (6%) |
| Property, marketing and administration | | **1.5** | | 1.4 | 7% |
| Adjusted EBITDA | **$** | **(4.6)** | $ | (4.7) | 2% |

*Adjusted EBITDA*
Human resources costs and property, marketing and administration costs were relatively consistent in the first quarter of 2017, when compared to the same period in 2016.

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

| | Three months ended March 31, | | | | |
|---|---|---|---|---|---|
| | | **2017** | | 2016 | % Chg |
| **Adjusted EBITDA** | **$** | **48.2** | $ | 43.5 | 11% |
| Amortization | | **14.6** | | 13.3 | |
| Share-based compensation | | **1.1** | | 2.1 | |
| Impairment reversal of long-lived assets | | **(0.9)** | | - | |
| Impairment of goodwill | | | | | |
| 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 | |
| Income taxes | | **7.1** | | 4.6 | |
| **Net earnings** | **$** | **17.9** | **$** | **10.3** | 74% |

**Discussion of Items Excluded from Adjusted EBITDA**

*Amortization*
Amortization increased by $1.3 in the first quarter of 2017, when compared to the same period in 2016, primarily due to the completion of Shorelines Casino Belleville.

*Share-Based Compensation*
The share-based compensation of $1.1 in the first quarter of 2017 comprises equity-settled share-based compensation expense of $1.2 and cash-settled share-based compensation recovery of $0.1. The decrease in share-based compensation in the first quarter of 2017 compared to the same period in 2016 was primarily due to smaller changes in fair values for DSUs and RSUs between periods and the timing of the annual share option grant for 2016 and 2017.

*Impairment Reversal of Long-lived Assets*
The Company signed the Lease Extension Agreements with OLG for both Georgian Downs and Flamboro Downs. As a result, the Company recorded reversals of impairment related to Flamboro Downs' intangible assets and property, plant and equipment.

*Interest and Financing Costs, net*
Interest and financing costs, net of interest income decreased by $0.2 in the first quarter of 2017, when compared to the same period in 2016, primarily due to increased interest income due to higher cash balances compared to the prior year period.

*Business Acquisition, Restructuring and other*
Business acquisition costs in the first quarter of 2017 included a ($0.9) adjustment to the provision for contingent future trailing payments due to a change in forecast. Restructuring and other costs included $0.5 of staff severance costs and a $0.2 of business development costs.

*Foreign Exchange Loss and Other*
Foreign exchange loss decreased by $1.0 in the first quarter of 2017, when compared to the same period in 2016. This is primarily due to lower unrealized foreign exchange loss on revaluation of U.S. dollar denominated cash balances.

*Income Taxes*
Income taxes increased by $2.5 in the first quarter of 2017, when compared to the same period in 2016, primarily due to a corresponding increase in earnings before income taxes. The effective tax rate has remained relatively consistent in each of the periods.

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

### CONSOLIDATED QUARTERLY RESULTS TREND

| | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 |
|---|---|---|---|---|---|---|---|---|
| Revenues | $ 142.7 | $ 143.0 | $ 151.4 | $ 140.5 | $ 131.5 | $ 124.7 | $ 116.6 | $ 112.3 |
| Adjusted EBITDA | $ 48.2 | $ 47.2 | $ 62.9 | $ 55.3 | $ 43.5 | $ 45.1 | $ 47.5 | $ 46.9 |
| Adjusted EBITDA as a % of Revenues | 33.8% | 33.0% | 41.6% | 39.4% | 33.2% | 36.2% | 40.7% | 41.8% |
| Shareholders' net earnings | $ 17.2 | $ 15.6 | $ 26.9 | $ 22.8 | $ 10.4 | $ 17.6 | $ 21.8 | $ 19.1 |
| Shareholders' net earnings per common share | | | | | | | | |
| Basic | $ 0.28 | $ 0.26 | $ 0.45 | $ 0.37 | $ 0.16 | $ 0.27 | $ 0.33 | $ 0.27 |
| Diluted | $ 0.28 | $ 0.25 | $ 0.44 | $ 0.36 | $ 0.16 | $ 0.26 | $ 0.32 | $ 0.27 |

Revenues over the past eight quarters have generally trended positively over the prior comparable periods as follows:

- The revenues in Q1 2017 were consistent with the revenues in Q4 2016. Additional revenues contributed by the Shorelines Casinos, were offset by decline in revenues at River Rock, Hard Rock Casino Vancouver and Atlantic Casinos.
- The revenue decrease in Q4 2016 compared to Q3 2016 reflects the decline in revenues at River Rock as well as seasonal fluctuations at both the Shorelines Casinos and the Atlantic Casinos.
- The revenue increase in Q3 2016 compared to Q2 2016 was mainly a result of higher revenues at River Rock, Shorelines Casinos and Casino New Brunswick.
- The revenue increase in Q2 2016 compared to Q1 2016 was primarily due to increased revenues from the Shoreline Casinos, which were acquired on January 11, 2016.
- The revenue increase in Q1 2016 compared to Q4 2015 was primarily due to the additional revenues contributed by Casino New Brunswick that was acquired on October 1, 2015 and Shorelines Casinos since the acquisition of OLG's Gaming East Bundle on January 11, 2016. Gaming revenue growth at Hard Rock Casino Vancouver and Great American Casinos also contributed to the improvement in revenues.
- The increase in revenues in Q4 2015 compared to Q3 2015 was primarily due to the additional revenues contributed by Casino New Brunswick. These increases were partly offset by lower table gaming revenues at River Rock, which management believes was significantly due to a decline in table drop, as a result of additional conditions that BCLC introduced late in Q3 2015 for certain VIP players.
- The revenue increase in Q3 2015 compared to Q2 2015 was primarily due to the growth in gaming revenues across most of the Company's properties.

Changes in Adjusted EBITDA over the past eight quarters were mainly attributable to changes in revenues, as discussed above, as well as decreased expenses as a result of the Company's continued focus on operating efficiencies. Adjusted EBITDA in Q4 2016, Q2 2016, Q1 2016 and Q4 2015 was affected by pre-opening costs totalling $1.0, $0.1, $0.3 and $0.5, respectively.

The shareholders' net earnings trend reflects the items noted above, as well as amortization expense, share-based compensation expense, business acquisition costs, restructuring expenses and the related income tax effects of these items. Amortization expense increased over the past eight quarters due to the additions of Casino New Brunswick and the Shorelines Casinos, as well as the effect of the renovation and rebranding of Elements Casino.

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

## LIQUIDITY AND CAPITAL RESOURCES

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

As at March 31, 2017, the Company had:

- Receivables, of which the majority are due from, sales tax refunds from the federal government, racetrack operators, and provincial gaming corporations. Receivables have decreased by approximately $2.1 since December 31, 2016, primarily due to collection of sales tax refund for the construction of Shorelines Casino Belleville;

- Low exposure to foreign currency exchange rate movements and low exposure to floating interest rate changes since it has relatively low levels of foreign denominated assets and liabilities, has fixed interest rates with its Canadian dollar denominated Senior Unsecured Notes and has an interest rate swap that effectively converted the floating interest rate into fixed interest rate on the debt borrowed from OGELP's Non-recourse Revolving Credit Facility;

- $323.0 of available credit on its Revolving Credit Facility, subject to compliance with the related financial covenants;

- $6.5 of available credit under OGELP's Non-recourse Revolving Credit Facility, subject to compliance with the related financial covenants; and

- Counterparties to its existing debt and credit facilities that are primarily major financial institutions that have minimum grade "A" credit ratings.

### Financial Position

| | **March 31, 2017** | December 31, 2016 | % Chg |
|---|---|---|---|
| Cash and cash equivalents | **$ 247.6** | $ 228.7 | 8% |
| Accounts receivable | **20.0** | 22.9 | (13%) |
| Land held for sale | **8.1** | 8.1 | |
| Other current assets | **12.0** | 11.0 | 9% |
| Property, plant and equipment | **663.0** | 667.7 | (1%) |
| Cash on deposit with Canada Revenue Agency | **29.5** | 29.5 | 0% |
| Other long-term assets | **113.5** | 115.8 | (2%) |
| Total Assets | **$ 1,093.7** | $ 1,083.7 | 1% |
| Current liabilities | **$ 84.9** | $ 103.5 | (18%) |
| Long-term debt | **481.6** | 478.3 | 1% |
| Other long-term liabilities | **111.3** | 112.6 | (1%) |
| Total Liabilities | **677.8** | 694.4 | (2%) |
| Equity attributable to shareholders of the company | **411.9** | 385.4 | 7% |
| Non-controlling interests | **4.0** | 3.9 | 3% |
| Total Equity | **415.9** | 389.3 | 7% |
| Total Liabilities and Equity | **$ 1,093.7** | $ 1,083.7 | 1% |

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

*Total Assets*
Total assets increased by 1% in the first quarter of 2017, when compared to the total assets as at December 31, 2016. This increase was primarily due to increases in cash balances partially offset by a decrease in property, plant and equipment.

*Total Liabilities*
Total liabilities decreased by 2% in the first quarter of 2017, when compared to the balance as at December 31, 2016. This decrease was mainly due to the decrease in interest payable as a result of $13.5 interest payment made in January 2017.

*Equity*
Total equity increased by 7% in the first quarter of 2017, when compared to the total equity as at December 31, 2016. This increase was primarily due to net earnings of $17.9, share options exercised of $7.7, and equity-settled share-based compensation of $1.2.

**Cash Flows**

| | Three months ended March 31, | | |
|---|---|---|---|
| | **2017** | 2016 | % Chg |
| Cash generated by operating activities | **$ 43.7** | $ 39.1 | 12% |
| Cash used in investing activities | **(19.3)** | (50.7) | (62%) |
| Cash (used in) generated by financing activities | **(5.4)** | 20.0 | (127%) |
| Effect of foreign exchange on cash and cash equivalents | **(0.1)** | (1.1) | (91%) |
| Cash inflow | **$ 18.9** | $ 7.3 | 159% |

Cash generated by operating activities was higher in the first quarter of 2017, when compared to the same period in 2016. These increases were primarily due to the growth in Adjusted EBITDA and lower income taxes paid, partially offset by changes in non-cash working capital.

Cash used in investing activities was lower in the first quarter of 2017, when compared to the same period in 2016, mainly due to acquisition of Ontario East Gaming Bundle in 2016.

The cash used in financing activities in the first quarter of 2017 was mainly attributable to interest paid, partially offset by proceeds from the exercise of share options and the $3.0 drawn on the Non-recourse Revolving Credit Facility of OGELP.

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

**Capital Resources**

***Long-Term Debt and Equity***

| | | **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 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 OLG as described in the "Major Developments" section of this MD&A. 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.

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

*c) Covenants and credit ratings*

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.

| Covenant test | Required ratio | Actual ratio |
|---|---|---|
| Total Debt to Adjusted EBITDA ratio (1) | ≤ 5.00 | 2.07 |
| Senior Secured Debt to Adjusted EBITDA ratio (1), (2) | ≤ 3.50 | 0.00 |
| Interest Coverage ratio (1) | ≥ 2.25 | 6.17 |
| Fixed Charge Coverage ratio (3) | ≥ 2.00 | 6.17 |

(1) Calculated on a trailing twelve month basis and defined in the Credit Agreement, as amended on May 25, 2015.

(2) This ratio does not include the Non-recourse Revolving Credit Facility of OGELP.

(3) Calculated on a trailing twelve month basis and tested on specified events as defined in the long-term debt agreement covering the Trust Indenture dated July 24, 2012.

The Company and its debt facilities had independent credit ratings as at March 31, 2017 as follows:

| | Moody's | Standard & Poor's |
|---|---|---|
| Corporate | Ba3 Stable | BB+ Stable |
| Senior Secured Revolving Credit Facility | Baa3 | BBB- |
| Senior Unsecured Notes | B1 | BB+ |

***Income Tax Treatment of Facility Development Commission***

The Canada Revenue Agency ("CRA") has conducted audits of the Company's and its subsidiaries' 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 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.

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 Canada Revenue Agency" on the condensed interim consolidated statements of financial position as at March 31, 2017 (December 31, 2016 - $29.5).

***Normal Course Issuer Bid***

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.

***Outstanding Share Data***

As at March 31, 2017, there were 61,529,898 common shares issued and outstanding compared to 60,791,632 as at December 31, 2016. This increase was primarily due to the exercise of employee stock options during the first quarter of 2017.

As at March 31, 2017, there were 4,960,256 share options outstanding at a weighted-average exercise price of $19.18.

As at May 8, 2017, there were 61,572,732 common shares outstanding and 4,717,421 share options outstanding.

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

**Capital Spending and Development**

The majority of the Company's capital expenditures on gaming operations in British Columbia and Nova Scotia are eligible for reimbursement by the provincial gaming authorities. In Ontario, a portion of OGELP's annual service provider fee comprises an amount for permitted capital expenditures.

In British Columbia, through the FDC program, BCLC pre-approves and subsequently approves and reimburses "Approved Amounts" (a term defined in the Company's and its subsidiaries' operating services agreements with BCLC) of qualified, gaming-related expenditures, primarily capital in nature, that have been incurred by the Company and its subsidiaries. Reimbursement of the Approved Amounts under the terms of BCLC's FDC policy requires that the Company and its subsidiaries' operating agreements with BCLC remain in good standing and that sufficient Gross Gaming Revenues are generated. The FDC amounts that BCLC reimburses for Approved Amounts are calculated as a fixed percentage of Gross Gaming Revenues generated by the Company's and its subsidiaries' B.C. properties. The FDC reimbursement percentage that BCLC provides is currently 3% of the Gross Gaming Revenues from gaming activities. BCLC provides for an additional accelerated FDC reimbursement equal to 2% of the Gross Gaming Revenues that is intended to be a one-time reimbursement of the timely development or redevelopment of gaming facilities and additional entertainment amenities of significant value which may be completed through phases. BCLC considers accelerated FDC submissions for approval on a project-by-project basis.

The following table summarizes the changes in the Company's Approved Amounts to be recovered by future FDC receipts from BCLC:

| | Three months ended March 31, | |
|---|---|---|
| | **2017** | 2016 |
| Opening Approved Amounts | **$ 309.7** | $ 342.1 |
| Additional Approved Amounts | **2.6** | 3.7 |
| FDC receipts | **(9.3)** | (9.2) |
| Closing Approved Amounts | **$ 303.0** | $ 336.6 |

The difference between the FDC Additional Approved Amounts indicated above and the additions to property, plant and equipment during the same periods is partly due to the Company's non-gaming related (and therefore non-FDC qualified) expenditures as well as the timing differences between when an FDC eligible expenditure is incurred, when the related invoices are received, and when they are submitted to BCLC for approval.

The following table summarizes the Company's consolidated maintenance and development capital expenditures net of accounts payable for the first quarter of 2017:

| | Three months ended March 31, | |
|---|---|---|
| | **2017** | 2016 |
| Development capital expenditures net of related accounts payable | **$ 17.9** | $ 7.2 |
| Maintenance capital expenditures net of related accounts payable | **1.3** | 1.0 |
| Total capital expenditures net of related accounts payable | **$ 19.2** | $ 8.2 |

Development capital expenditures during the first quarter of 2017 were primarily related to the development in Belleville, Ontario. For the remaining nine months of 2017, the Company estimates that development capital expenditures and maintenance capital expenditures will total approximately $56.3 and $8.9, respectively.

In Nova Scotia, under the terms of the casino operating agreement with NSPLCC, the Company deposits to a Capital Reserve Account $4.5 annually (adjusted for inflation annually). When the Company undertakes qualifying capital expenditures, refurbishments, maintenance, upgrades and enhancements to the Casino Nova Scotia Halifax and Casino Nova Scotia Sydney, the provincial gaming authority approves the Company's reimbursement of such expenditures from the Capital Reserve Account. For accounting purposes, the purchases made using funds from the Capital Reserve Account are considered to be on behalf of the NSPLCC since on the eventual termination of the casino operating agreement, the NSPLCC has the right to repurchase for nominal consideration all of the equipment, land and buildings that were purchased using funds from the Capital Reserve Account. If there are insufficient funds in the Capital Reserve Account to reimburse the Company for qualifying expenditures, the Company records a receivable from NSPLCC and earns interest income on that balance at the Canadian bank prime lending rate less 0.5% per annum until it is reimbursed.

**Litigation**

The Company is subject to legal proceedings, claims and investigations in the ordinary course of business. Liabilities related to such matters are recorded when it is both probable that a liability has been incurred and the amount of the liability can be reasonably estimated. All legal costs associated with litigation are expensed as incurred.

On March 26, 2015, the Company commenced a legal action against BCLC in relation to a dispute over the collection of marketing contributions by BCLC from the Company since 2009. The Company takes the position that BCLC is not entitled to collect the marketing contributions and alleges the total of such amounts collected from it to March 31, 2017 is in excess of $29.3 (2016 - $23.0). The Company is seeking an order that BCLC cease collecting such marketing contributions as well as damages from BCLC in an amount equal to the total of such marketing contributions collected by BCLC up to the date of judgment. BCLC has filed a statement of defense denying the claims by the Company. A trial has been set to commence in the first quarter of 2018. On September 15, 2016, the Company filed and served an application, and related applications, for certification of the claim as a class proceeding under the Class Proceedings Act ("CPA"). The application for leave to amend the notice of civil claim to plead the CPA was dismissed on April 6 2017, but the Company was given leave to add Orangeville Raceway Ltd. and Hastings Entertainment Inc. as plaintiffs and to amend its claim in other respects. The company will continue with its legal action as planned toward the trial date in early 2018.

**Commitments**

There are no material changes outside of the Company's ordinary course of business that affected the Company's contractual obligations for the three months ended March 31, 2017.

**Future Cash Requirements**

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

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

## OTHER FINANCIAL INFORMATION

### Adjusted shareholders' net earnings

Adjusted shareholders' net earnings, a non-IFRS measure as defined by the Company, means shareholders' net earnings plus or minus items of note that management may reasonably quantify and that it believes will provide the reader with a better understanding of the Company's underlying business performance. A reconciliation between shareholders' net earnings and adjusted shareholders' net earnings is presented below. Adjusted shareholders' net earnings per common share is defined as adjusted shareholders' net earnings divided by the weighted average number of common shares outstanding.

| | Three months ended March 31, | | |
|---|---|---|---|
| | **2017** | 2016 | % Chg |
| **Shareholders' net earnings** | **$ 17.8** | $ 10.4 | 71% |
| **Items of note** | | | |
| Pre-opening costs for Ontario East Gaming Bundle | **0.2** | 0.7 | |
| Restructuring severance costs | **0.6** | 1.1 | |
| Impairment reversal of long-lived assets | **(0.9)** | - | |
| Other | **-** | 0.5 | |
| Income taxes on the above items of note | **(0.1)** | (0.6) | |
| **Adjusted shareholders' net earnings** | **$ 17.6** | $ 12.1 | 45% |
| **Adjusted shareholders' net earnings per common share** | | | |
| Basic | **$ 0.29** | $ 0.19 | |
| Diluted | **$ 0.28** | $ 0.19 | |
| Weighted average shares outstanding | | | |
| Basic | **61,323** | 64,402 | |
| Diluted | **62,417** | 65,401 | |

### Accounting standards

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* – 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.

**Critical Accounting Estimates and Judgments**

The critical accounting estimates and judgments that are the most judgmental or material to the Company's Annual Financial Statements are those relating to the impairment of long-lived assets and goodwill, estimated useful lives of long-lived assets, equity-settled and cash-settled share-based compensation, income taxes, contingencies, determination of CGUs and segment reporting. The Company's critical accounting estimates and judgments are further detailed in Note 3 of the Company's Annual Financial Statements.

**Financial Instruments and Other Instruments**

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

**Definitions of Other Terms Used in the MD&A**

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

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

Revenues – the sum of the following:

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

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

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

- Horse racing in Ontario – racetrack revenues includes the Company's share of pari-mutuel wagering revenue.

- Casino gaming in Ontario – OGELP receives an annual service provider fee comprised of (i) a guaranteed base fixed fee component, (ii) a variable component equal to 70% of gross gaming revenue above the applicable pre-established annual gaming revenue threshold retained by OLG, and (iii) an amount for permitted capital expenditures.

- Casino gaming in Washington – gaming revenues are not reduced for county or municipal gaming taxes.

- Casino gaming in Nova Scotia – gaming revenues are approximately equal to 52.24% of total revenues, plus an additional 47.76% of non-gaming revenues after deduction of the capital reserve contribution ("CRC") and Marketing Fund Contribution. The CRC is $4.5 per year and was $5.0 per year prior to April 1, 2015 (adjusted for inflation in each year since 2010). In addition, the Company is entitled to receive additional Operator Fees equal to the lesser of $1.3, or 10% of leased slot machine revenues. Effective April 1, 2015, the Company is also entitled to receive additional Operator's Fee equal to an annual Marketing Fund Contribution provided the Company satisfies certain criteria related to its marketing spend or revenues growth.

- Casino gaming in New Brunswick – gaming revenues are equal to 50% of the first $50.0 of gross gaming revenues, an additional 35% of the next $10.0 in gross gaming revenues and an additional 25% of gross gaming revenues in excess of $60.0, adjusted for inflation annually since 2010. The Company is also entitled to receive an additional allocation of revenue for the leased slot adjustment which is capped at $0.8 annually.

- FDC – BCLC reimburses Approved Amounts (a term defined in the Company's operating services agreements with BCLC) of qualified gaming-related expenditures, primarily capital in nature, that has been incurred by the Company. The FDC amounts that BCLC reimburses for Approved Amounts are calculated as a fixed percentage of Gross Gaming Revenues generated by the BC properties. The FDC reimbursement percentage is currently 3% of the Gross Gaming Revenues from gaming activities. Subject to approval, BCLC may also provide for an additional accelerated FDC reimbursement equal to 2% of the Gross Gaming Revenues that is intended to be a one-time reimbursement of the timely development or redevelopment of gaming facilities and additional entertainment amenities of significant value, which may be completed through phases. BCLC considers accelerated FDC submissions for approval on a project-by-project basis.

- Hospitality, lease and other revenues – food and beverage revenues, hotel revenues, and other revenues such as: ATM commissions, lease revenues and other income from ancillary services.

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

The following measures have common definitions in the gaming industry and provide both investors and management with indications of its business' operating volumes and the volatility inherent in the Company's casino games:

- Table drop means the collective amount of money customers deposit to purchase casino chips to wager on table games, and is commonly computed as the aggregate amount of money counted in the table games' drop boxes. Generally, the table drop is an indicator of our gaming business; however over the short-term, the table drop is subject to shifts in customer behaviour around buying, retaining and cashing-in of casino chips.

- Table hold is calculated as the table drop plus or minus the net change in casino chip inventory.

- Table hold percentage is the ratio of table hold divided by table drop. Table hold percentage fluctuates with the statistical variations or volatility inherent in casino games, as well as with changes in customer behaviour around buying, retaining and cashing-in of casino chips.

- Poker rake is the commission we earn from poker games at our casinos, and is calculated as a fixed percentage of the amount wagered by customers on every hand of poker played.

- Slot coin-in is the aggregate amount of money customers have wagered on slots and other electronic gaming machines.

- Slot win is the slot coin-in less amounts cashed out and prizes won by customers.

- Slot win per machine per day ("Slot Win/Slot/Day") is the average daily slot win earned per slot machine, and is calculated as the slot win divided by the number of days in the period, divided by the average number of slot machines that operated during the period.

- Slot win percentage is the ratio of slot win divided by slot coin-in.

**Additional Information**

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

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

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

## SUPPLEMENTAL FINANCIAL INFORMATION

### Consolidated Quarterly Results Trend

| | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 |
|---|---|---|---|---|---|---|---|---|
| **Gaming Revenues** | | | | | | | | |
| River Rock Casino Resort | $ 26.9 | $ 25.9 | $ 32.0 | $ 28.3 | $ 28.4 | $ 30.4 | $ 33.7 | $ 32.9 |
| Hard Rock Casino Vancouver | 12.3 | 12.9 | 11.2 | 11.1 | 11.6 | 11.3 | 10.4 | 10.2 |
| Other Vancouver Area Casinos | 6.6 | 6.3 | 6.3 | 6.3 | 6.2 | 5.2 | 5.2 | 5.0 |
| Vancouver Island Casinos | 8.5 | 8.3 | 8.2 | 8.2 | 7.8 | 7.8 | 7.6 | 7.4 |
| Other BC Casinos | 4.6 | 4.3 | 4.4 | 4.3 | 4.1 | 3.8 | 4.0 | 3.8 |
| Atlantic Casinos | 15.5 | 16.2 | 18.9 | 17.0 | 14.8 | 16.4 | 10.6 | 9.3 |
| Great American Casinos | 9.5 | 9.2 | 8.1 | 7.9 | 9.9 | 8.1 | 7.8 | 7.5 |
| Ontario Properties | 19.6 | 17.2 | 20.2 | 16.7 | 11.1 | - | - | - |
| | **103.5** | **100.3** | **109.3** | **99.8** | **93.9** | **83.0** | **79.3** | **76.1** |
| **Facility Development Commission** | | | | | | | | |
| River Rock Casino Resort | 4.1 | 3.8 | 4.7 | 4.2 | 4.2 | 4.4 | 4.8 | 4.8 |
| Hard Rock Casino Vancouver | 2.0 | 2.0 | 1.8 | 1.8 | 1.8 | 1.8 | 1.7 | 1.6 |
| Other Vancouver Area Casinos | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 0.8 | 0.9 | 0.9 |
| Vancouver Island Casinos | 1.2 | 1.2 | 1.3 | 1.3 | 1.2 | 1.2 | 1.2 | 1.2 |
| Other BC Casinos | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | 0.7 | 0.8 | 0.7 |
| | **9.4** | **9.0** | **9.8** | **9.3** | **9.2** | **8.9** | **9.4** | **9.2** |
| **Hospitality, Lease and Other Revenues** | | | | | | | | |
| River Rock Casino Resort | 12.5 | 14.7 | 15.0 | 13.9 | 12.1 | 14.1 | 14.6 | 13.7 |
| Hard Rock Casino Vancouver | 3.2 | 4.0 | 2.8 | 3.4 | 3.4 | 4.6 | 3.4 | 3.1 |
| Other Vancouver Area Casinos | 1.7 | 2.0 | 2.5 | 2.4 | 2.0 | 1.6 | 2.1 | 1.8 |
| Vancouver Island Casinos | 1.0 | 1.3 | 1.3 | 1.3 | 1.2 | 1.3 | 1.2 | 1.1 |
| Other BC Casinos | 1.4 | 1.4 | 1.3 | 1.3 | 1.2 | 1.2 | 1.1 | 1.1 |
| Atlantic Casinos | 6.4 | 7.5 | 7.8 | 6.5 | 6.4 | 8.0 | 2.1 | 1.8 |
| Great American Casinos | 2.4 | 2.4 | 2.2 | 2.2 | 2.5 | 2.4 | 2.2 | 2.1 |
| Ontario Properties | 8.5 | 7.2 | 7.1 | 6.6 | 6.4 | 5.2 | 5.2 | 5.1 |
| | **37.1** | **40.5** | **40.0** | **37.6** | **35.2** | **38.4** | **31.9** | **29.8** |
| **Racetrack Revenues** | | | | | | | | |
| Other Vancouver Area Casinos | 1.6 | 1.9 | 2.2 | 2.2 | 1.9 | 1.7 | 2.0 | 1.9 |
| Ontario Properties | 1.2 | 1.2 | 1.2 | 1.1 | 1.2 | 1.2 | 1.2 | 1.2 |
| | **2.8** | **3.1** | **3.4** | **3.3** | **3.1** | **2.9** | **3.2** | **3.1** |
| Promotional Allowances | (10.1) | (9.9) | (11.1) | (9.5) | (9.9) | (8.5) | (7.2) | (5.9) |
| **Revenues** | **$ 142.7** | **$ 143.0** | **$ 151.4** | **$ 140.5** | **$ 131.5** | **$ 124.7** | **$ 116.6** | **$ 112.3** |
| **Adjusted EBITDA** | | | | | | | | |
| River Rock Casino Resort | $ 18.2 | $ 18.6 | $ 25.6 | $ 21.2 | $ 18.6 | $ 22.3 | $ 27.4 | $ 28.2 |
| Hard Rock Casino Vancouver | 6.6 | 7.4 | 5.1 | 5.9 | 5.9 | 5.9 | 4.1 | 4.8 |
| Other Vancouver Area Casinos | 2.5 | 2.3 | 3.5 | 3.3 | 2.1 | 1.1 | 2.5 | 2.2 |
| Vancouver Island Casinos | 5.4 | 5.4 | 5.4 | 5.7 | 5.3 | 5.3 | 5.4 | 5.2 |
| Other BC Casinos | 3.2 | 3.0 | 2.9 | 2.8 | 2.7 | 2.4 | 2.7 | 2.5 |
| Atlantic Casinos | 5.0 | 6.5 | 8.6 | 6.9 | 4.4 | 5.9 | 4.1 | 2.9 |
| Great American Casinos | 3.4 | 3.0 | 2.2 | 2.4 | 3.8 | 2.2 | 1.9 | 2.1 |
| Ontario Properties | 8.5 | 5.0 | 13.9 | 11.1 | 5.4 | 3.3 | 3.4 | 3.5 |
| Corporate & Other | (4.6) | (4.0) | (4.3) | (4.0) | (4.7) | (3.3) | (4.0) | (4.5) |
| | **$ 48.2** | **$ 47.2** | **$ 62.9** | **$ 55.3** | **$ 43.5** | **$ 45.1** | **$ 47.5** | **$ 46.9** |