



GREAT CANADIAN GAMING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Month and Six month Periods Ended
June 30, 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 August 9, 2017.

This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 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 (gain) 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.

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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 earned from poker games at the 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

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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.

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FINANCIAL HIGHLIGHTS

| | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|----------------|------------|---------------------------|----------------|------------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg |
| Gaming revenues ⁽¹⁾ | \$ 118.8 | \$ 99.8 | 19% | \$ 222.4 | \$ 193.6 | 15% |
| Facility Development Commission | 10.1 | 9.3 | 9% | 19.4 | 18.6 | 4% |
| Hospitality, lease and other revenues | 41.2 | 37.6 | 10% | 78.3 | 72.8 | 8% |
| Racetrack revenues ⁽²⁾ | 3.2 | 3.3 | (3%) | 6.0 | 6.4 | (6%) |
| | 173.3 | 150.0 | 16% | 326.1 | 291.4 | 12% |
| Less: Promotional allowances | (12.3) | (9.5) | 29% | (22.4) | (19.4) | 15% |
| Revenues | 161.0 | 140.5 | 15% | 303.7 | 272.0 | 12% |
| Human resources | 54.6 | 49.9 | 9% | 107.2 | 100.6 | 7% |
| Property, marketing and administration ⁽¹⁾ | 44.3 | 35.9 | 23% | 86.8 | 73.8 | 18% |
| Share of profit of equity investment ⁽²⁾ | (0.7) | (0.6) | (17%) | (1.3) | (1.2) | (8%) |
| | 98.2 | 85.2 | 15% | 192.7 | 173.2 | 11% |
| Adjusted EBITDA⁽³⁾ | 62.8 | 55.3 | 14% | 111.0 | 98.8 | 12% |
| Human resources as a % of Revenues before | | | | | | |
| Promotional allowances | 31.5% | 33.3% | | 32.9% | 34.5% | |
| Adjusted EBITDA as a % of Revenues | 39.0% | 39.4% | | 36.5% | 36.3% | |
| Less: | | | | | | |
| Amortization | 14.0 | 14.0 | | 28.6 | 27.3 | |
| Share-based compensation | 1.5 | 0.5 | | 2.6 | 2.6 | |
| Impairment reversal of long-lived assets | - | - | | (0.9) | - | |
| Interest and financing costs, net | 8.6 | 8.6 | | 17.1 | 17.3 | |
| Business acquisition, restructuring and other | 1.5 | 0.9 | | 1.3 | 4.3 | |
| Foreign exchange (gain) loss and other | (0.1) | (0.3) | | - | 0.8 | |
| Income taxes | 9.9 | 8.4 | | 17.0 | 13.0 | |
| Net earnings | \$ 27.4 | \$ 23.2 | 18% | \$ 45.3 | \$ 33.5 | 35% |
| Net earnings attributable to: | | | | | | |
| Shareholders of the company | \$ 26.7 | \$ 22.8 | 17% | \$ 44.5 | \$ 33.2 | 34% |
| Non-controlling interests | 0.7 | 0.4 | 75% | 0.8 | 0.3 | 167% |
| | \$ 27.4 | \$ 23.2 | 18% | \$ 45.3 | \$ 33.5 | 35% |
| Shareholders' net earnings per common share | | | | | | |
| Basic | \$ 0.43 | \$ 0.37 | | \$ 0.72 | \$ 0.52 | |
| Diluted | \$ 0.43 | \$ 0.36 | | \$ 0.71 | \$ 0.52 | |
| Weighted average number of common shares (in thousands) | | | | | | |
| Basic | 61,565 | 62,115 | | 61,445 | 63,259 | |
| Diluted | 62,486 | 63,048 | | 62,449 | 64,224 | |
| Adjusted shareholders' net earnings⁽³⁾ | \$ 26.7 | \$ 23.7 | 13% | \$ 44.3 | \$ 35.4 | 25% |
| | | | | | | |
| | | | | December 31, | | |
| | | | | June 30, 2017 | 2016 | % Chg |
| Cash and cash equivalents | | | | \$ 270.6 | \$ 228.7 | 18% |
| Total assets | | | | \$ 1,114.5 | \$ 1,083.7 | 3% |
| Long-term debt | | | | \$ 481.9 | \$ 478.3 | 1% |

(1) Consistent with the presentation for the year ended December 31, 2016, municipal gaming taxes paid in Washington State of \$0.9 and \$2.1 previously presented as a reduction of "gaming revenues" on the condensed interim consolidated statements of earnings and other comprehensive income for the three and six months ended June 30, 2016, respectively, 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 and \$1.2 previously included in "racetrack revenues" for the three and six months ended June 30, 2016, respectively, have been retrospectively reclassified to "share of profit of equity investment" on the condensed interim consolidated statements of earnings and other comprehensive income. These amounts represent the Company's portion of TBC's net earnings that flow through the shared B.C. Horseracing Industry Fund.

(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.

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Revenues

For the three months ended June 30, 2017, the Company recorded revenues of \$161.0, a \$20.5 or 15% increase from the three months ended June 30, 2016. For the six months ended June 30, 2017, the Company recorded revenues of \$303.7, a \$31.7 or 12% increase from the six months ended June 30, 2016. These increases were primarily due to the increased revenues at River Rock Casino Resort ("River Rock"), additional revenues attributable to Shorelines Casino Belleville, which began operations on January 11, 2017 and a full six months 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.

Adjusted EBITDA

The 12% increase in Adjusted EBITDA in the six months ended June 30, 2017, when compared to the same period 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 Great American Casinos. For the three months ended June 30, 2017, Adjusted EBITDA increased by 14% mainly due to the additional revenues as well as Adjusted EBITDA improvements at all property groups except Other Vancouver Area Casinos and Great American Casinos.

Shareholders' net earnings

Shareholders' net earnings for the three months ended June 30, 2017 increased by \$3.9, when compared to the same period of 2016, primarily due to the increase in Adjusted EBITDA, partially offset by increases in share-based compensation, business acquisition, restructuring and other costs, and income taxes. The increase of \$11.3 in Shareholders' net earnings for the six months ended June 30, 2017, when compared to the same period in 2016, was primarily due to the increase in Adjusted EBITDA, in addition to a decrease in business acquisition, restructuring and other costs and foreign exchange loss, partially offset by increases in amortization and income taxes.

The Company's adjusted shareholders' net earnings increased by \$3.0 or 13% and increased by \$8.9 or 25% in the three and six months ended June 30, 2017, respectively, when compared to the same periods of 2016. A reconciliation of shareholders' net earnings to adjusted shareholders' net earnings is presented in the "Other Financial Information" section of this MD&A.

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MAJOR DEVELOPMENTS

Greater Toronto Area Gaming Bundle

On August 8, 2017, the Company announced that Ontario Gaming GTA Limited Partnership ("GTA LP" or "the Partnership"), a partnership in which the Company and Brookfield Business Partners each hold a 49.0% interest, was selected as the successful proponent by the Ontario Lottery and Gaming Corporation ("OLG") to operate certain gaming facilities in the Greater Toronto Area (the "GTA Bundle"). The Partnership will acquire all the gaming assets in the GTA Bundle through a transition and asset purchase agreement with OLG, and will have the exclusive right to operate these assets for a minimum period of 22 years, in accordance with the requirements of a casino operating and services agreement. The closing date for the acquisition of the assets and assumption of certain liabilities from OLG, including the signing of a casino operating and services agreement with OLG, is expected to be completed in early 2018. Closing is subject to regulatory approvals and other customary conditions.

The GTA Bundle includes three facilities: OLG Slots at Woodbine, OLG Slots at Ajax Downs and Great Blue Heron Casino located in the Mississaugas of Scugog Island First Nation. These facilities have a combined total of over 4,000 slot machines, 60 table games and employ more than 2,200 staff and in 2016, generated gross gaming revenue of over \$1,000.

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. When the expansion is completed, View Royal Casino will be rebranded as Elements Casino Victoria.

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. GCGC has been shortlisted for a request for proposal ("RFP") to operate the potential casino and entertainment facility in Victoria.

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 parties 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 BCLC, which has advised that its 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, which included a new VIP slot area that opened in June 2017. Further developments are ongoing and include modernizing the main gaming floor and improving food and beverage offerings. The project is expected to be completed by the end of 2017.

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Ontario

East Gaming Bundle

On January 11, 2016, Ontario Gaming East Limited Partnership ("OGELP"), a partnership in which the Company owns a 90.5% interest, signed a 20-year casino operating and services agreement with OLG. Under the business transition and asset purchase agreement, OGELP acquired 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 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.

OGELP has continued to implement their 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. Implementation of the new Gaming Management System has commenced at Shorelines Casino Thousand Islands and is expected to complete in the third quarter of 2017.

The Company has received all necessary approval to develop a new gaming property in the City of Peterborough, with a projected date to break ground in the third quarter of 2017. The new Shorelines Casino Peterborough is expected to complete in mid-2018 and will replace the current Shorelines Slots at Kawartha Downs.

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

In February 2017, the Company submitted a bid on the Ottawa Area Gaming Bundle, but was not awarded the bundle.

West GTA Gaming Bundle

In 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"). On July 20, 2017, the Company submitted a 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

In 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.

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Niagara Gaming Bundle

In 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, and a partnership in which the Company holds a 49.0% interest has been selected as successful proponent for the GTA 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

Great American Casino Des Moines opened on May 18, 2017. The new card room has up to 15 table games that include high-end baccarat play. It also features a dining area and lounge that can seat up to 70 people.

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Labour Relations

River Rock Casino Resort continues to bargain with the BC Government and Service Employees' Union ("BCGEU").

Hard Rock Casino Vancouver continues to bargain with the BCGEU for a first Collective Agreement.

The Company is currently bargaining with the Canadian Office and Professional Employees Union, Local 378 (doing business as MoveUP), which represents employees of Hastings Racecourse, excluding food and beverage workers. 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.

The Company is currently bargaining with Service Employees International Union ("SEIU"), Local 2, which represents the employees of Flamboro Downs.

The Company is currently bargaining with Teamsters, Local 91, which represents all hourly Security Officers at Shorelines Casino Thousand Islands.

The Company is currently bargaining with Service Employees International Union ("SEIU"), Local 2, which represents all hourly non-supervisory employees at Shorelines Slots at Kawartha Downs except those in the Security and Surveillance departments, office and clerical staff.

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CONSOLIDATED RESULTS OF OPERATIONS

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---------------------------------------|-----------------------------|-----------------|------------|---------------------------|-----------------|------------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg |
| REVENUES | | | | | | |
| River Rock Casino Resort | \$ 45.9 | \$ 43.3 | 6% | \$ 86.3 | \$ 85.0 | 2% |
| Hard Rock Casino Vancouver | 16.1 | 15.4 | 5% | 32.4 | 31.2 | 4% |
| Other Vancouver Area Casinos | 11.7 | 11.2 | 4% | 22.0 | 21.5 | 2% |
| Vancouver Island Casinos | 11.5 | 10.2 | 13% | 21.8 | 19.8 | 10% |
| Other BC Casinos | 7.0 | 5.9 | 19% | 13.5 | 11.5 | 17% |
| Atlantic Casinos | 23.2 | 21.2 | 9% | 42.9 | 40.1 | 7% |
| Great American Casinos | 10.9 | 9.2 | 18% | 21.6 | 20.4 | 6% |
| Ontario Properties | 34.7 | 24.1 | 44% | 63.2 | 42.5 | 49% |
| Total Revenues | \$ 161.0 | \$ 140.5 | 15% | \$ 303.7 | \$ 272.0 | 12% |
| ADJUSTED EBITDA ⁽¹⁾ | | | | | | |
| Casinos | | | | | | |
| River Rock Casino Resort | \$ 24.1 | \$ 21.2 | 14% | \$ 42.2 | \$ 39.8 | 6% |
| Hard Rock Casino Vancouver | 6.2 | 5.9 | 5% | 12.8 | 11.8 | 8% |
| Other Vancouver Area Casinos | 3.1 | 3.3 | (6%) | 5.6 | 5.3 | 6% |
| Vancouver Island Casinos | 6.3 | 5.7 | 11% | 11.8 | 11.0 | 7% |
| Other BC Casinos | 3.8 | 2.8 | 36% | 7.0 | 5.5 | 27% |
| Atlantic Casinos | 7.3 | 6.9 | 6% | 12.3 | 11.3 | 9% |
| Great American Casinos | 1.8 | 2.4 | (25%) | 5.1 | 6.1 | (16%) |
| Ontario Properties | 15.2 | 11.1 | 37% | 23.7 | 16.7 | 42% |
| Corporate & Other | (5.0) | (4.0) | (25%) | (9.5) | (8.7) | (9%) |
| Total Adjusted EBITDA | \$ 62.8 | \$ 55.3 | 14% | \$ 111.0 | \$ 98.8 | 12% |

⁽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.

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Casinos

River Rock Casino Resort

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|---------|-------|---------------------------|---------|-------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg |
| Gaming revenues | \$ 31.1 | \$ 28.3 | 10% | \$ 58.0 | \$ 56.6 | 2% |
| Facility Development Commission | 4.3 | 4.2 | 2% | 8.3 | 8.4 | (1%) |
| Hospitality and other revenues | 14.0 | 13.9 | 1% | 26.5 | 26.2 | 1% |
| Revenues before Promotional allowances | 49.4 | 46.4 | 6% | 92.8 | 91.2 | 2% |
| Less: Promotional allowances | (3.5) | (3.1) | 13% | (6.5) | (6.2) | 5% |
| Revenues | 45.9 | 43.3 | 6% | 86.3 | 85.0 | 2% |
| Human resources | 13.6 | 13.5 | 1% | 27.1 | 27.4 | (1%) |
| Property, marketing and administration | 8.2 | 8.6 | (5%) | 17.0 | 17.8 | (4%) |
| Adjusted EBITDA | \$ 24.1 | \$ 21.2 | 14% | \$ 42.2 | \$ 39.8 | 6% |
| Human resources as a % of Revenues before | | | | | | |
| Promotional allowances | 27.5% | 29.1% | | 29.2% | 30.0% | |
| Adjusted EBITDA as a % of Revenues | 52.5% | 49.0% | | 48.9% | 46.8% | |

| | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Average |
|----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|---------|
| Table Drop | \$ 283.1 | \$ 278.8 | \$ 262.9 | \$ 292.0 | \$ 242.2 | \$ 247.8 | \$ 251.5 | \$ 309.9 | |
| Table Hold | \$ 46.9 | \$ 40.2 | \$ 37.5 | \$ 52.4 | \$ 43.5 | \$ 44.6 | \$ 49.5 | \$ 57.3 | |
| Table Hold % | 16.6% | 14.4% | 14.3% | 17.9% | 18.0% | 18.0% | 19.7% | 18.5% | 17.2% |
| Poker Rake | \$ 1.1 | \$ 1.2 | \$ 1.3 | \$ 1.1 | \$ 1.1 | \$ 1.0 | \$ 1.0 | \$ 1.1 | |
| Slot Coin-In | \$ 679.3 | \$ 660.4 | \$ 653.8 | \$ 671.8 | \$ 635.5 | \$ 609.5 | \$ 592.4 | \$ 629.6 | |
| Slot Win | \$ 44.9 | \$ 42.7 | \$ 40.7 | \$ 42.8 | \$ 41.4 | \$ 40.2 | \$ 40.0 | \$ 41.0 | |
| Slot Win/Slot/Day ⁽¹⁾ | \$ 455 | \$ 432 | \$ 397 | \$ 418 | \$ 410 | \$ 395 | \$ 398 | \$ 405 | |
| Slot Win % | 6.6% | 6.5% | 6.2% | 6.4% | 6.5% | 6.6% | 6.8% | 6.5% | 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. In June 2017, the Privé Slots area was completed as part of the second phase of the renovation project, as described in the "Major Developments" section of this MD&A.

Revenues

Gaming revenues increased during the second quarter of 2017, when compared to the second quarter of 2016, primarily due to higher Table Drop and Slot Coin-in. Gaming revenues increased during the six months ended June 30, 2017, when compared to the same period in 2016, mainly due to increased slot revenues. Reduction in payment to BCLC on service provider free play started in the second quarter of 2017 also contributed to the increase in gaming revenues.

Hospitality and other revenues increased in the first six months of 2017, when compared to the same period in 2016, primarily due to growth in food and beverage and hotel revenues, partially offset by a decrease in theatre revenues.

Promotional allowances increased during the three and six months ended June 30, 2017, when compared to the same periods in 2016, mainly due to changes to the customer loyalty programs resulting in increased slots free play and more VIP complementary activities targeted to improve table play.

Expenses

Human resources expenses decreased in the first six months of 2017, when compared to the same period in 2016, partially due to adjustments to performance bonuses. Property, marketing and administration expenses decreased during the period primarily due to a reduction of shows offered.

Adjusted EBITDA

Adjusted EBITDA increased by 14% and 6% for the three and six months ended June 30, 2017, respectively, when compared to the same periods in 2016. These increases were primarily due to the improvement in gaming revenues.

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Hard Rock Casino Vancouver

| | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|---------|-------|---------------------------|---------|-------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg |
| Gaming revenues | \$ 12.2 | \$ 11.1 | 10% | \$ 24.6 | \$ 22.8 | 8% |
| Facility Development Commission | 1.9 | 1.8 | 6% | 3.9 | 3.7 | 5% |
| Hospitality and other revenues | 3.5 | 3.4 | 3% | 6.6 | 6.7 | (1%) |
| Revenues before Promotional allowances | 17.6 | 16.3 | 8% | 35.1 | 33.2 | 6% |
| Less: Promotional allowances | (1.5) | (0.9) | 67% | (2.7) | (2.0) | 35% |
| Revenues | 16.1 | 15.4 | 5% | 32.4 | 31.2 | 4% |
| Human resources | 5.8 | 5.7 | 2% | 11.5 | 11.7 | (2%) |
| Property, marketing and administration | 4.1 | 3.8 | 8% | 8.1 | 7.7 | 5% |
| Adjusted EBITDA | \$ 6.2 | \$ 5.9 | 5% | \$ 12.8 | \$ 11.8 | 8% |
| Human resources as a % of Revenues before Promotional allowances | 33.0% | 35.0% | | 32.8% | 35.2% | |
| Adjusted EBITDA as a % of Revenues | 38.5% | 38.3% | | 39.5% | 37.8% | |

| | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Average |
|---------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|---------|
| Table Drop | \$ 62.5 | \$ 65.5 | \$ 64.7 | \$ 58.1 | \$ 50.9 | \$ 56.6 | \$ 54.6 | \$ 51.1 | |
| Table Hold | \$ 10.0 | \$ 13.1 | \$ 13.3 | \$ 9.9 | \$ 10.1 | \$ 11.9 | \$ 10.1 | \$ 8.7 | |
| Table Hold % | 16.1% | 20.0% | 20.6% | 17.0% | 19.8% | 20.8% | 18.5% | 17.0% | 18.8% |
| Poker Rake | \$ 0.7 | \$ 0.8 | \$ 0.9 | \$ 0.8 | \$ 0.8 | \$ 0.8 | \$ 1.0 | \$ 1.1 | |
| Slot Coin-In | \$ 421.9 | \$ 391.8 | \$ 388.2 | \$ 390.0 | \$ 376.9 | \$ 356.6 | \$ 365.4 | \$ 331.1 | |
| Slot Win | \$ 29.4 | \$ 27.1 | \$ 27.3 | \$ 27.0 | \$ 26.3 | \$ 25.1 | \$ 25.9 | \$ 24.2 | |
| Slot Win/Slot/Day ^{(1), (2)} | \$ 353 | \$ 329 | \$ 324 | \$ 321 | \$ 315 | \$ 301 | \$ 310 | \$ 287 | |
| Slot Win % | 7.0% | 6.9% | 7.0% | 6.9% | 7.0% | 7.0% | 7.1% | 7.3% | 7.0% |

⁽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

In February 2017, the Company introduced an authentic Chinese restaurant, which is operated by a third party, Neptune Restaurant Group.

Revenues

Gaming revenues increased during the second quarter of 2017, when compared to the second quarter in 2016, primarily due to higher Slot Coin-In. Table revenues declined, despite increased Table Drop, mainly due to a 3.7 percentage point decrease in table hold percentage for the second quarter of 2017, when compared to the second quarter of 2016. Gaming revenues increased during the six months ended June 30, 2017, when compared to the same period in 2016, mainly due to increases in both table and slot revenues. Reduction in payment to BCLC on service provider free play started in the second quarter of 2017 also contributed to the increase in gaming revenues.

Hospitality and other revenues were consistent with the same periods in 2016. The increase in food and beverage revenues was offset by the decrease in theatre revenues.

Promotional allowances increased during the three and six months ended June 30, 2017, when compared to the same periods in 2016, mainly due to changes to the customer loyalty programs resulting in increased free play.

Expenses

Human resources expenses increased by 2% and decreased by 2% for the three and six months ended June 30, 2017, respectively, when compared to the same period in 2016. The decrease in labour costs due to lower hospitality activities during the first quarter of 2017 was partially offset by a one-time severance payment during the second quarter of 2017. Property, marketing and administration expenses increased in the first six months of 2017 primarily due to higher food and beverages costs and promotions expenses partially offset by lower entertainment costs.

Adjusted EBITDA

Adjusted EBITDA increased by 5% and 8% for the three and six months ended June 30, 2017, respectively, when compared to the same periods in 2016. These increases were primarily due to the improvement in gaming revenues.

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

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|--------|-------|---------------------------|---------|-------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg |
| Gaming revenues | \$ 7.1 | \$ 6.3 | 13% | \$ 13.7 | \$ 12.6 | 9% |
| Facility Development Commission | 1.2 | 1.2 | 0% | 2.4 | 2.4 | 0% |
| Racetrack revenues | 2.1 | 2.2 | (5%) | 3.7 | 4.1 | (10%) |
| Hospitality and other revenues | 2.5 | 2.4 | 4% | 4.2 | 4.4 | (5%) |
| Revenues before Promotional allowances | 12.9 | 12.1 | 7% | 24.0 | 23.5 | 2% |
| Less: Promotional allowances | (1.2) | (0.9) | 33% | (2.0) | (2.0) | 0% |
| Revenues | 11.7 | 11.2 | 4% | 22.0 | 21.5 | 2% |
| Human resources | 5.0 | 4.9 | 2% | 9.6 | 9.8 | (2%) |
| Property, marketing and administration | 4.3 | 3.6 | 19% | 8.1 | 7.6 | 7% |
| Share of profit of equity investment | (0.7) | (0.6) | (17%) | (1.3) | (1.2) | (8%) |
| Adjusted EBITDA | \$ 3.1 | \$ 3.3 | (6%) | \$ 5.6 | \$ 5.3 | 6% |
| Human resources as a % of Revenues before | | | | | | |
| Promotional allowances | 38.8% | 40.5% | | 40.0% | 41.7% | |
| Adjusted EBITDA as a % of Revenues | 26.5% | 29.5% | | 25.5% | 24.7% | |

| | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Average |
|----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|---------|
| Table Drop | \$ 17.3 | \$ 15.6 | \$ 13.9 | \$ 13.6 | \$ 12.7 | \$ 13.3 | \$ 7.7 | \$ 7.4 | |
| Table Hold | \$ 3.4 | \$ 3.3 | \$ 3.3 | \$ 2.7 | \$ 3.0 | \$ 2.6 | \$ 1.8 | \$ 1.6 | |
| Table Hold % | 19.9% | 21.4% | 24.1% | 19.9% | 23.6% | 19.8% | 23.8% | 21.7% | 21.6% |
| Poker Rake | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 0.1 | \$ 0.2 | \$ 0.4 | |
| Slot Coin-In | \$ 325.7 | \$ 297.8 | \$ 278.8 | \$ 299.7 | \$ 303.4 | \$ 295.2 | \$ 241.0 | \$ 232.2 | |
| Slot Win | \$ 22.5 | \$ 21.7 | \$ 20.5 | \$ 21.6 | \$ 21.4 | \$ 21.1 | \$ 18.2 | \$ 17.6 | |
| Slot Win/Slot/Day ⁽¹⁾ | \$ 230 | \$ 226 | \$ 209 | \$ 219 | \$ 221 | \$ 220 | \$ 214 | \$ 191 | |
| Slot Win % | 6.9% | 7.3% | 7.4% | 7.2% | 7.1% | 7.2% | 7.4% | 7.5% | 7.2% |

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

| Live race days | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 |
|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Elements Casino | 7 | 22 | 22 | - | 3 | 30 | 28 | - |
| Hastings | 18 | - | 6 | 26 | 20 | - | 7 | 26 |

Revenues

Gaming revenues increased by 13% and 9% for the three and six months ended June 30, 2017, respectively, when compared to the same period in 2016, primarily due to higher Table Drop and Slot Coin-in. Reduction in payment to BCLC on service provider free play started in the second quarter of 2017 also contributed to the increase in gaming revenues.

Racetrack revenues decreased due to a decline in live racing and simulcast wagers placed at Hastings Racecourse. Hospitality and other revenues were relatively consistent, when compared to the same periods in 2016.

Promotional allowances increased during the three months ended June 30, 2017, when compared to the same periods in 2016, mainly due to changes to the customer loyalty programs resulting in increased slots free play.

Expenses

Human resources expenses were relatively consistent, when compared to the same periods in 2016. Property, marketing and administration expenses increased primarily due to higher food and beverage and occupancy costs.

Adjusted EBITDA

Adjusted EBITDA decreased by 6% and increased by 6% for the three and six months ended June 30, 2017, respectively, when compared to the same periods in 2016. The decrease during the second quarter of 2017 was primarily due to the increase in Property, marketing and administration expenses. The increase in the first six months of 2017 was primarily due to the improvement in gaming revenues.

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

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|--------|-------|---------------------------|---------|-------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg |
| Gaming revenues | \$ 9.5 | \$ 8.2 | 16% | \$ 18.0 | \$ 16.0 | 13% |
| Facility Development Commission | 1.8 | 1.3 | 38% | 3.0 | 2.5 | 20% |
| Hospitality and other revenues | 1.2 | 1.3 | (8%) | 2.2 | 2.5 | (12%) |
| Revenues before Promotional allowances | 12.5 | 10.8 | 16% | 23.2 | 21.0 | 10% |
| Less: Promotional allowances | (0.9) | (0.6) | 50% | (1.4) | (1.2) | 17% |
| Revenues | 11.6 | 10.2 | 14% | 21.8 | 19.8 | 10% |
| Human resources | 3.4 | 2.9 | 17% | 6.7 | 5.8 | 16% |
| Property, marketing and administration | 1.8 | 1.6 | 13% | 3.3 | 3.0 | 10% |
| Adjusted EBITDA | \$ 6.4 | \$ 5.7 | 12% | \$ 11.8 | \$ 11.0 | 7% |
| Human resources as a % of Revenues before Promotional allowances | 27.2% | 26.9% | | 28.9% | 27.6% | |
| Adjusted EBITDA as a % of Revenues | 55.2% | 55.9% | | 54.1% | 55.6% | |

| | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Average |
|---------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|---------|
| Table Drop | \$ 15.6 | \$ 17.3 | \$ 14.6 | \$ 13.6 | \$ 13.9 | \$ 14.6 | \$ 12.3 | \$ 12.5 | |
| Table Hold | \$ 3.8 | \$ 3.8 | \$ 3.6 | \$ 3.3 | \$ 3.3 | \$ 3.2 | \$ 3.0 | \$ 2.6 | |
| Table Hold % | 24.6% | 22.1% | 24.3% | 24.3% | 23.7% | 22.4% | 24.8% | 21.4% | 23.3% |
| Slot Coin-In | \$ 444.7 | \$ 407.3 | \$ 392.5 | \$ 407.2 | \$ 404.8 | \$ 381.4 | \$ 380.6 | \$ 383.5 | |
| Slot Win | \$ 30.1 | \$ 27.8 | \$ 27.1 | \$ 28.0 | \$ 28.3 | \$ 26.4 | \$ 27.1 | \$ 26.8 | |
| Slot Win/Slot/Day ^{(1), (2)} | \$ 359 | \$ 346 | \$ 314 | \$ 325 | \$ 332 | \$ 310 | \$ 315 | \$ 311 | |
| Slot Win % | 6.8% | 6.8% | 6.9% | 6.9% | 7.0% | 6.9% | 7.0% | 6.9% | 6.9% |

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

⁽²⁾ During the renovation in 2017, the Company added 25 slot machines at Casino Nanaimo, resulting in 409 slot machines at June 30, 2017.

Recent Developments

Renovations to Casino Nanaimo commenced in the second half of 2016 and completed in the second quarter of 2017. The Company expanded both gaming and non-gaming amenities to better serve the marketplace by adding a VIP slot area, opening a new Poker/Racebook room, and adopting the *Well* restaurant brand, which allows the property to offer greater entertainment options, including viewing parties for sporting events and live shows.

Revenues

Gaming revenues increased primarily due to increases in Table Drop and Slot Coin-In as a result of the relaunch of Casino Nanaimo and additions of three new tables and 25 slot machines. Reduction in payment to BCLC on service provider free play started in the second quarter of 2017 also contributed to the increase in gaming revenues.

Facility Development Commission increased due to \$0.5 previously deferred revenue recognized as a result of approval of eligible expenditures at Casino Nanaimo received in the second quarter of 2017.

Hospitality and other revenues decreased primarily due to decline in food and beverage revenues as a result of temporary restaurant closures at Casino Nanaimo and View Royal Casino due to renovations.

Promotional allowances increased during the three and six months ended June 30, 2017, when compared to the same periods in 2016, mainly due to changes to the customer loyalty programs resulting in increased slots free play.

Expenses

Human resources expenses increased primarily due to higher business volumes and additional positions. Property, marketing and administration expenses increased during the second quarter of 2017 mainly due to costs incurred to relaunch the renovated Casino Nanaimo.

Adjusted EBITDA

Adjusted EBITDA increased by 12% and 7% for the three and six months ended June 30, 2017, respectively, when compared to the same periods in 2016. These increases were primarily due to the improvement in gaming revenues.

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

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|--------|-------|---------------------------|--------|-------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg |
| Gaming revenues | \$ 5.2 | \$ 4.3 | 21% | \$ 9.8 | \$ 8.3 | 18% |
| Facility Development Commission | 0.9 | 0.8 | 13% | 1.8 | 1.6 | 13% |
| Hospitality and other revenues | 1.4 | 1.3 | 8% | 2.8 | 2.5 | 12% |
| Revenues before Promotional allowances | 7.5 | 6.4 | 17% | 14.4 | 12.4 | 16% |
| Less: Promotional allowances | (0.5) | (0.5) | 0% | (0.9) | (0.9) | 0% |
| Revenues | 7.0 | 5.9 | 19% | 13.5 | 11.5 | 17% |
| Human resources | 1.8 | 1.7 | 6% | 3.6 | 3.5 | 3% |
| Property, marketing and administration | 1.4 | 1.4 | 0% | 2.9 | 2.5 | 16% |
| Adjusted EBITDA | \$ 3.8 | \$ 2.8 | 36% | \$ 7.0 | \$ 5.5 | 27% |
| Human resources as a % of Revenues before | | | | | | |
| Promotional allowances | 24.0% | 26.6% | | 25.0% | 28.2% | |
| Adjusted EBITDA as a % of Revenues | 54.3% | 47.5% | | 51.9% | 47.8% | |

| | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Average |
|---------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|---------|
| Slot Coin-In | \$ 271.5 | \$ 257.7 | \$ 239.8 | \$ 228.7 | \$ 232.2 | \$ 213.4 | \$ 205.8 | \$ 199.3 | |
| Slot Win | \$ 19.2 | \$ 17.4 | \$ 16.6 | \$ 16.6 | \$ 16.0 | \$ 15.0 | \$ 14.1 | \$ 14.7 | |
| Slot Win/Slot/Day ^{(1), (2)} | \$ 346 | \$ 316 | \$ 302 | \$ 306 | \$ 301 | \$ 288 | \$ 286 | \$ 298 | |
| Slot Win % | 7.1% | 6.7% | 6.9% | 7.3% | 6.9% | 7.0% | 7.0% | 7.5% | 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.

Recent Developments

During 2017, the Company expanded the footprint of the slot machine area at Chances Chilliwack by relocating the bingo area to the second floor of the facility. And in July 2017, the Company added 45 new slot machines to the expanded area.

Revenues

The increase in gaming revenues was mainly attributed to additional slot machines at Chances Chilliwack and Chances Maple Ridge. Reduction in payment to BCLC on service provider free play started in the second quarter of 2017 also contributed to the increase in gaming revenues.

Hospitality and other revenues increased primarily due to higher food and beverages revenues at Chances Chilliwack.

Expenses

Human resources expenses were relatively consistent, when compared to the same periods in 2016. Property, marketing and administration expenses were consistent in the second quarter of 2017 and higher in the first six months of 2017, when compared to the same periods in 2016. The increase was mainly due to higher food and beverage costs and promotions expenses during the first quarter of 2017.

Adjusted EBITDA

Adjusted EBITDA at the Other BC Casinos increased by 36% and 27% for the three and six months ended June 30, 2017, respectively, when compared to the same periods of 2016. These increases were primarily due to the improvement in gaming revenues.

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

| | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|---------|-------|---------------------------|---------|-------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg |
| Gaming revenues | \$ 18.4 | \$ 17.0 | 8% | \$ 33.9 | \$ 31.7 | 7% |
| Hospitality and other revenues | 7.5 | 6.5 | 15% | 13.9 | 12.9 | 8% |
| Revenues before Promotional allowances | 25.9 | 23.5 | 10% | 47.8 | 44.6 | 7% |
| Less: Promotional allowances | (2.7) | (2.3) | 17% | (4.9) | (4.5) | 9% |
| Revenues | 23.2 | 21.2 | 9% | 42.9 | 40.1 | 7% |
| Human resources | 7.2 | 7.0 | 3% | 14.1 | 14.1 | 0% |
| Property, marketing and administration | 8.7 | 7.3 | 19% | 16.5 | 14.7 | 12% |
| Adjusted EBITDA | \$ 7.3 | \$ 6.9 | 6% | \$ 12.3 | \$ 11.3 | 9% |
| Human resources as a % of Revenues before Promotional allowances | 27.8% | 29.8% | | 29.5% | 31.6% | |
| Adjusted EBITDA as a % of Revenues | 31.5% | 32.5% | | 28.7% | 28.2% | |

| | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Average |
|---------------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|---------|
| Table Drop | \$ 22.9 | \$ 20.6 | \$ 21.5 | \$ 23.1 | \$ 22.1 | \$ 20.5 | \$ 21.4 | \$ 13.0 | |
| Table Hold | \$ 4.7 | \$ 4.6 | \$ 4.4 | \$ 4.9 | \$ 4.2 | \$ 5.0 | \$ 4.9 | \$ 3.1 | |
| Table Hold % | 20.7% | 22.7% | 20.5% | 21.2% | 19.0% | 24.6% | 22.7% | 23.4% | 21.7% |
| Poker Rake | \$ 0.6 | \$ 0.7 | \$ 0.6 | \$ 0.6 | \$ 0.6 | \$ 0.6 | \$ 0.6 | \$ 0.4 | |
| Slot Coin-In | \$ 366.3 | \$ 308.7 | \$ 321.9 | \$ 385.7 | \$ 347.9 | \$ 294.9 | \$ 320.0 | \$ 213.9 | |
| Slot Win | \$ 30.0 | \$ 25.2 | \$ 26.0 | \$ 31.0 | \$ 27.4 | \$ 23.7 | \$ 26.0 | \$ 16.6 | |
| Slot Win/Slot/Day ^{(1), (2)} | \$ 231 | \$ 194 | \$ 197 | \$ 239 | \$ 239 | \$ 214 | \$ 187 | \$ 218 | |
| Slot Win % | 8.2% | 8.2% | 8.1% | 8.0% | 7.9% | 8.0% | 8.1% | 7.8% | 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

The Company commenced renovations at its Halifax location in June 2017 to introduce a new buffet outlet, bar, entertainment lounge, Racebook and relocate the poker room. The new amenities are anticipated to complete in the third quarter of 2017 and eligible to be funded from the Capital Reserve Account.

Revenues

Gaming revenues increased by 8% and 7% for the three and six months ended June 30, 2017, respectively, when compared to the same period in 2016, primarily due to increased Slot Coin-In and Table Drop resulting from increased marketing efforts.

Hospitality and other revenues and promotional allowances increased during the three and six months ended June 30, 2017, mainly due to growth in food and beverage revenues at the two Casino Nova Scotia properties as a result of increased promotional activities.

Expenses

Human resources expenses increased by 3% for the three months ended June 30, 2017 and were consistent for the six months ended June 30, 2017, when compared to the same periods in 2016. Savings from labour efficiency initiatives during the first quarter of 2017 were offset by increased labour costs due to higher business volume during the second quarter of 2017. Property, marketing and administration expenses increased primarily due to higher advertising and promotions expenses and higher food and beverage costs as a result of a new marketing strategy at the two Casino Nova Scotia properties.

Adjusted EBITDA

Adjusted EBITDA increased by 6% and 9% for the three and six months ended June 30, 2017, respectively, when compared to the same periods of 2016. These increases were primarily due to the improvement in revenues.

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Great American Casinos

Results in U.S. Dollars (in millions)

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|--------|-------|---------------------------|---------|-------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg |
| Gaming revenues | \$ 7.1 | \$ 6.1 | 16% | \$ 14.2 | \$ 13.2 | 8% |
| Hospitality and other revenues | 1.7 | 1.7 | 0% | 3.5 | 3.5 | 0% |
| Revenues before Promotional allowances | 8.8 | 7.8 | 13% | 17.7 | 16.7 | 6% |
| Less: Promotional allowances | (0.8) | (0.7) | 14% | (1.5) | (1.4) | 7% |
| Revenues | 8.0 | 7.1 | 13% | 16.2 | 15.3 | 6% |
| Human resources | 3.8 | 3.0 | 27% | 7.0 | 6.1 | 15% |
| Property, marketing and administration | 2.9 | 2.2 | 32% | 5.4 | 4.6 | 17% |
| Adjusted EBITDA | \$ 1.3 | \$ 1.9 | (32%) | \$ 3.8 | \$ 4.6 | (17%) |
| Human resources as a % of Revenues before Promotional allowances | 43.2% | 38.5% | | 39.5% | 36.5% | |
| Adjusted EBITDA as a % of Revenues | 16.3% | 26.8% | | 23.5% | 30.1% | |

| | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Average |
|--------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Table Drop | \$ 42.9 | \$ 37.3 | \$ 37.8 | \$ 36.9 | \$ 35.7 | \$ 35.9 | \$ 37.1 | \$ 35.6 | |
| Table Hold | \$ 7.0 | \$ 7.2 | \$ 6.9 | \$ 6.2 | \$ 6.2 | \$ 7.2 | \$ 6.0 | \$ 5.9 | |
| Table Hold % | 16.2% | 19.1% | 18.1% | 16.6% | 17.4% | 19.8% | 16.2% | 16.4% | 17.5% |

Results in Canadian Dollars

| | Three months ended June 30, | | | Six months ended June 30, | | |
|-----------------|-----------------------------|--------|-------|---------------------------|---------|-------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg |
| Revenues | \$ 10.9 | \$ 9.2 | 18% | \$ 21.6 | \$ 20.4 | 6% |
| Adjusted EBITDA | \$ 1.8 | \$ 2.4 | (25%) | \$ 5.1 | \$ 6.1 | (16%) |

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 Canadian dollar in comparison to the U.S. dollar was 4% lower in the three months ended June 30, 2017, when compared to same period in 2016, and was consistent in the second quarter of 2017, when compared to the second quarter in 2016. A lower average value of the Canadian dollar in comparison to the U.S. dollar results in an increase in the Canadian dollar translation of the operating results.

Revenues

Gaming revenues increased during the second quarter of 2017, when compared to the same period in 2016, partially due to higher table revenues at Great American Casino Everett.

Expenses

Human resources expenses increased by 27% and 15% for the three and six months ended June 30, 2017, respectively, when compared to the same period in 2016, primarily due to increase in minimum wage in the Washington state and additional labour costs at Great American Casino Des Moines. Property, marketing and administration expenses increased by 32% and 17% for the three and six months ended June 30, 2017, respectively, mainly due to increased promotions and additional expenses attributable to Great American Casino Des Moines. \$0.4 of the increase was related to pre-opening costs at Great America Casino Des Moines.

Adjusted EBITDA

Adjusted EBITDA decreased by 32% and 17% for the three and six months ended June 30, 2017, respectively, when compared to the same periods in 2016, due to increased expenses.

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

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|---------|-------|---------------------------|---------|-------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg |
| Gaming revenues | \$ 25.8 | \$ 16.7 | 54% | \$ 45.5 | \$ 27.9 | 63% |
| Racetrack revenues | 1.1 | 1.1 | 0% | 2.3 | 2.3 | 0% |
| Lease revenues | 4.1 | 4.1 | 0% | 8.3 | 8.3 | 0% |
| Hospitality and other revenues | 4.7 | 2.5 | 88% | 9.0 | 4.7 | 91% |
| Revenues before Promotional allowances | 35.7 | 24.4 | 46% | 65.1 | 43.2 | 51% |
| Less: Promotional allowances | (1.0) | (0.3) | 233% | (1.9) | (0.7) | 171% |
| Revenues | 34.7 | 24.1 | 44% | 63.2 | 42.5 | 49% |
| Human resources | 9.1 | 7.4 | 23% | 18.7 | 14.0 | 34% |
| Property, marketing and administration | 10.4 | 5.6 | 86% | 20.8 | 11.8 | 76% |
| Adjusted EBITDA | \$ 15.2 | \$ 11.1 | 37% | \$ 23.7 | \$ 16.7 | 42% |
| Human resources as a % of Revenues before Promotional allowances | 25.5% | 30.3% | | 28.7% | 32.4% | |
| Adjusted EBITDA as a % of Revenues | 43.8% | 46.1% | | 37.5% | 39.3% | |

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

Recent Developments

During the six months ended June 30, 2017, the Company signed Lease Extension Agreements with OLG for its Georgian Downs and Flamboro Downs racetracks. The agreements effective March 31, 2017 secure lease revenues for these properties for an extended term from April 1, 2018 to March 31, 2023.

Revenues

Revenues increased primarily due to the additional revenues attributable to Shorelines Casino Belleville, which began operations on January 11, 2017. During the second quarter of 2017, OGELP recognized additional gaming revenues related to reimbursable capital expenditures of \$3.6, which was a \$2.2 increase from the second quarter of 2016. For the first six months of 2017, there were nine additional days of operations, as compared to the same period in 2016, at Shorelines Slots at Kawartha Downs and Shorelines Casino Thousand Islands, which were acquired by the Company and rebranded as Shorelines on January 11, 2016.

Expenses

Human resources expenses increased primarily due to the additional positions at Shorelines Casino Belleville. The increase was offset by decreased human resource expenses at Shorelines Slots at Kawartha Downs and Shorelines Casino Thousand Islands due to labour efficiencies as a result of attrition.

Property, marketing and administration expenses increased primarily due to the additional expenses attributable to Shorelines Casino Belleville and the implementation of a comprehensive marketing plan at the three Shorelines casinos including promotional offers, full media campaign, and player development program.

Adjusted EBITDA

Adjusted EBITDA increased by 37% and 42% for the three and six months ended June 30, 2017, respectively, when compared to the same periods of 2016. These increases were primarily due to the improvement in gaming revenues.

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Corporate & Other

| | Three months ended June 30, | | | Six months ended June 30, | | |
|--|-----------------------------|----------|-------|---------------------------|----------|-------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg |
| Human resources | \$ 3.6 | \$ 2.9 | 24% | \$ 6.7 | \$ 6.2 | 8% |
| Property, marketing and administration | 1.4 | 1.1 | 27% | 2.8 | 2.5 | 12% |
| Adjusted EBITDA | \$ (5.0) | \$ (4.0) | (25%) | \$ (9.5) | \$ (8.7) | (9%) |

Adjusted EBITDA

Human resources expenses increased primarily due to new hires, increased contracted services, and salary increases. Property, marketing and administration expenses increased mainly due to higher software licensing and subscription costs.

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| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|----------------|------------|---------------------------|----------------|------------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg |
| Adjusted EBITDA | \$ 62.8 | \$ 55.3 | 14% | \$ 111.0 | \$ 98.8 | 12% |
| Amortization | 14.0 | 14.0 | | 28.6 | 27.3 | |
| Share-based compensation | 1.5 | 0.5 | | 2.6 | 2.6 | |
| Impairment reversal of long-lived assets | - | - | | (0.9) | - | |
| Interest and financing costs, net | 8.6 | 8.6 | | 17.1 | 17.3 | |
| Business acquisition, restructuring and other | 1.5 | 0.9 | | 1.3 | 4.3 | |
| Foreign exchange (gain) loss and other | (0.1) | (0.3) | | - | 0.8 | |
| Income taxes | 9.9 | 8.4 | | 17.0 | 13.0 | |
| Net earnings | \$ 27.4 | \$ 23.2 | 18% | \$ 45.3 | \$ 33.5 | 35% |

Discussion of Items Excluded from Adjusted EBITDA

Amortization

Amortization increased by \$1.3 for the six months ended June 30, 2017, when compared to the same period in 2016, primarily due to the completion of Shorelines Casino Belleville in January 2017. Amortization was consistent during the second quarter of 2017, when compared to the second quarter of 2016. The increase in amortization from Shorelines Casino was partially offset by a decrease in amortization at Flamboro Downs due to longer useful life as a result of the extended lease with OLG.

Share-Based Compensation

The share-based compensation of \$1.5 and \$2.6 in the three and six months ended June 30, 2017, respectively, comprises equity-settled share-based compensation expense of \$1.3 and \$2.5, respectively, and cash-settled share-based compensation expense of \$0.2 and \$0.1, respectively. The increase in equity-settled share-based compensation in the three and six months ended June 30, 2017, compared to the same periods in 2016, was due to a higher number of options vesting during the three and six months ended June 30, 2017. The cash-settled share-based compensation for the six months ended June 30, 2017 was lower due to a lower number of DSUs and RSUs outstanding despite having a higher share price compared to 2016.

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 during the first quarter of 2017.

Interest and Financing Costs, net

Interest and financing costs, net of interest income were relatively consistent, when compared to the same periods in 2016.

Business Acquisition, Restructuring and Other

Business acquisition, restructuring and other costs increased by \$0.6 and decreased by \$3.0 in the three and six months ended June 30, 2017, when compared to the same periods in 2016. The increase during the second quarter of 2017 included a \$0.7 increase in the provision for contingent future trailing payment. For the six months period, Business acquisition, restructuring and other costs included a (\$0.1) adjustment to the provision for contingent future trailing, \$0.7 of restructuring severance costs and \$0.8 of business development costs.

Foreign Exchange (Gain) Loss and Other

Foreign exchange loss decreased by \$0.8 in the six months ended June 30, 2017, when compared to the same period in 2016, primarily due to lower unrealized foreign exchange loss on revaluation of U.S. dollar denominated monetary balances. Foreign exchange gain was consistent in the three months ended June 30, 2017, when compared to the same period in 2016.

Income Taxes

Income taxes increased by \$1.5 and \$4.0 in the three and six months ended June 30, 2017, when compared to the same periods in 2016, primarily due to a corresponding increase in earnings before income taxes. The Company's effective tax rate has remained relatively consistent in each of the periods.

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CONSOLIDATED QUARTERLY RESULTS TREND

| | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 |
|---|----------|----------|----------|----------|----------|----------|----------|----------|
| Revenues | \$ 161.0 | \$ 142.7 | \$ 143.0 | \$ 151.4 | \$ 140.5 | \$ 131.5 | \$ 124.7 | \$ 116.6 |
| Adjusted EBITDA | \$ 62.8 | \$ 48.2 | \$ 47.2 | \$ 62.9 | \$ 55.3 | \$ 43.5 | \$ 45.1 | \$ 47.5 |
| Adjusted EBITDA as a % of Revenues | 39.0% | 33.8% | 33.0% | 41.5% | 39.4% | 33.1% | 36.2% | 40.7% |
| Shareholders' net earnings | \$ 26.7 | \$ 17.8 | \$ 15.6 | \$ 26.9 | \$ 22.8 | \$ 10.4 | \$ 17.6 | \$ 21.8 |
| Shareholders' net earnings per common share | | | | | | | | |
| Basic | \$ 0.43 | \$ 0.29 | \$ 0.26 | \$ 0.45 | \$ 0.37 | \$ 0.16 | \$ 0.27 | \$ 0.33 |
| Diluted | \$ 0.43 | \$ 0.29 | \$ 0.25 | \$ 0.44 | \$ 0.36 | \$ 0.16 | \$ 0.26 | \$ 0.32 |

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

- The revenue increase in Q2 2017 compared to Q1 2017 was primarily due to increased revenues at Shorelines Casinos, River Rock, and Atlantic Casinos.
- 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 the acquisition of Casino New Brunswick. These increases were partly offset by lower table gaming revenues at River Rock, which management believes was primarily due to a decline in table drop, as a result of additional conditions that BCLC introduced late in Q3 2015 for certain VIP players.

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 were 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.

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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 June 30, 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 \$2.9 since December 31, 2016, primarily due to collection of sales tax refund for the construction of Shorelines Casino Belleville and annual settlement of BCLC's share of the chip liability;
- 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 a fixed interest rate on the debt borrowed from OGELP's Non-recourse Revolving Credit Facility;
- \$298.0 of available credit on its Revolving Credit Facility, subject to compliance with the related financial covenants. Available credit decreased by \$25.0 since December 31, 2016 due to additional letters of credits issued to satisfy bidding requirements for the Ontario gaming bundle RFPs;
- \$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

| | June 30, 2017 | December 31, 2016 | % Chg |
|--|-------------------|----------------------|-------------|
| Cash and cash equivalents | \$ 270.6 | \$ 228.7 | 18% |
| Accounts receivable | 20.0 | 22.9 | (13%) |
| Land held for sale | 8.1 | 8.1 | 0% |
| Other current assets | 15.7 | 11.0 | 43% |
| Property, plant and equipment | 659.1 | 667.7 | (1%) |
| Cash on deposit with Canada Revenue Agency | 29.5 | 29.5 | 0% |
| Other long-term assets | 111.5 | 115.8 | (4%) |
| Total Assets | \$ 1,114.5 | \$ 1,083.7 | 3% |
| Current liabilities | \$ 79.5 | \$ 103.5 | (23%) |
| Long-term debt | 481.9 | 478.3 | 1% |
| Other long-term liabilities | 113.7 | 112.6 | 1% |
| Total Liabilities | 675.1 | 694.4 | (3%) |
| Equity attributable to shareholders of the company | 434.7 | 385.4 | 13% |
| Non-controlling interests | 4.7 | 3.9 | 21% |
| Total Equity | 439.4 | 389.3 | 13% |
| Total Liabilities and Equity | \$ 1,114.5 | \$ 1,083.7 | 3% |

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Total Assets

Total assets increased by 3% in the six months ended June 30, 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 3% in the six months ended June 30, 2017, when compared to the balance as at December 31, 2016. This decrease was mainly due to \$15.3 decrease in construction project payable due to payments made for OGELP projects as well as \$4.6 decrease in income taxes payable.

Equity

Total equity increased by 13% in the six months ended June 30, 2017, when compared to the total equity as at December 31, 2016. This increase was primarily due to net earnings of \$45.3, share options exercised of \$9.6, and equity-settled share-based compensation of \$2.5, offset by \$6.6 purchase and cancellation of 282,700 common shares in the six months ended June 30, 2017.

Cash Flows

| | Three months ended June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|-----------|--------|---------------------------|-----------|--------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg |
| Cash generated by operating activities | \$ 40.0 | \$ 32.4 | 23% | \$ 83.7 | \$ 71.5 | 17% |
| Cash used in investing activities | (11.8) | (8.6) | 37% | (31.1) | (59.3) | (48%) |
| Cash used in financing activities | (5.0) | (80.0) | (94%) | (10.4) | (60.0) | (83%) |
| Effect of foreign exchange on cash and cash equivalents | (0.2) | 0.4 | (150%) | (0.3) | (0.7) | (57%) |
| Cash inflow (outflow) | \$ 23.0 | \$ (55.8) | (141%) | \$ 41.9 | \$ (48.5) | (186%) |

Cash generated by operating activities was higher in the three and six months ended June 30, 2017, when compared to the same periods in 2016. These increases were primarily due to the growth in Adjusted EBITDA.

Cash used in investing activities was higher in the three months ended June 30, 2017, when compared to the same period in 2016, mainly due to higher purchase of property, plant and equipment during second quarter of 2017. Cash used in investing activities was lower in the six months ended June 30, 2017, when compared to the same period in 2016, mainly due to the acquisition of Ontario East Gaming Bundle in 2016.

The cash used in financing activities in the three months ended June 30, 2017 was mainly attributable to the purchase and cancellation of common shares. The cash used in financing activities in the six months ended June 30, 2017 was mainly attributable to \$17.1 interest paid and \$5.9 paid for the purchase and cancellation of shares, partially offset by \$9.6 proceeds from the exercise of share options and the \$3.0 drawn on the Non-recourse Revolving Credit Facility of OGELP.

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Capital Resources

Long-Term Debt and Equity

| | June 30, 2017 | December 31, 2016 |
|--|------------------|----------------------|
| Senior Unsecured Notes, net of unamortized transaction costs of \$5.4 (2016 - \$5.9) | \$ 444.6 | \$ 444.1 |
| Non-recourse Revolving Credit Facility, net of unamortized transaction costs of \$0.7 (2016 - \$0.8) | 37.3 | 34.2 |
| | \$ 481.9 | \$ 478.3 |

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 June 30, 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 June 30, 2017, the interest rate swap had a notional principal of \$35.0 and matures on January 10, 2020. OGELP receives interest based on a 3-month Canadian Dealer Offered Rate and pays interest at 0.813% per annum.

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

At June 30, 2017, the fair value of the interest rate swap was in a \$0.6 (December 31, 2016 - \$0.4) asset position and the amount was recorded in "other assets" on the condensed interim consolidated statements of financial position.

c) Revolving Credit Facility

As at June 30, 2017, subject to compliance with the related financial covenants, the Company had \$298.0 (December 31, 2016 - \$323.0) of available undrawn credit on its Senior Secured Revolving Credit Facility after deducting outstanding letters of credit of \$52.0 (December 31, 2016 - \$27.0).

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d) Covenants and credit ratings

As at June 30, 2017, the Company was in compliance with its financial covenants under the terms of its Senior Secured Revolving Credit Facility, Senior Unsecured Notes and Non-recourse Revolving Credit Facility.

| Covenant test | Required ratio | Actual ratio |
|--|----------------|--------------|
| Total Debt to Adjusted EBITDA ratio ⁽¹⁾ | ≤ 5.00 | 2.04 |
| Senior Secured Debt to Adjusted EBITDA ratio ^{(1), (2)} | ≤ 3.50 | 0.00 |
| Interest Coverage ratio ⁽¹⁾ | ≥ 2.25 | 6.24 |
| Fixed Charge Coverage ratio ⁽³⁾ | ≥ 2.00 | 6.26 |

⁽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 June 30, 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 June 30, 2017, if CRA's most recent view of FDC prevailed, preliminary estimates indicate the Company's consolidated current tax expense would increase \$60.7, deferred tax expense would decrease \$58.2, and interest and financing costs would increase \$9.5, resulting in a one-time \$12.0 decrease in net earnings and a corresponding decrease to basic net earnings per share of approximately \$0.20/share. If CRA's most recent view of FDC prevails, the Company expects that the effect of the estimated \$7.9 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 June 30, 2017, would be substantially offset by a decrease in deferred income taxes and would consequently have no material effect on net earnings or net earnings per common share going forward.

During 2015, the Company received from CRA notices of reassessment for itself and three of its subsidiaries from CRA related to the income tax treatment of FDC received from BCLC in 2009 and 2010. During 2016, the Company and five of its subsidiaries received notices of reassessment related to the income tax treatment of FDC received from BCLC in 2011, 2012, and in some cases 2013. As a part of the notices of reassessment received during 2016, CRA waived \$1.1 of interest relating to the 2011 and 2012 taxation years. During the quarter ended June 30, 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.

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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 June 30, 2017, the Company and its subsidiaries have deposited a net amount of \$29.5 to CRA. This amount is reflected in "cash on deposit with Canada Revenue Agency" on the condensed interim consolidated statements of financial position as at June 30, 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 six months ended June 30, 2017, the Company purchased for cancellation 282,700 common shares at a weighted-average price per share of \$23.44 under the issuer bid which commenced on March 15, 2017. All shares purchased by the Company were subsequently cancelled.

Outstanding Share Data

As at June 30, 2017, there were 61,376,602 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 June 30, 2017, there were 4,613,683 share options outstanding at a weighted-average exercise price of \$19.15.

As at August 9, 2017, there were 60,813,185 common shares outstanding and 4,600,350 share options outstanding.

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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.

British Columbia

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:

| | Six months ended June 30, | |
|-----------------------------|---------------------------|----------|
| | 2017 | 2016 |
| Opening Approved Amounts | \$ 309.7 | \$ 342.1 |
| Additional Approved Amounts | 5.3 | 3.7 |
| FDC receipts | (18.9) | (18.6) |
| Closing Approved Amounts | \$ 296.1 | \$ 327.2 |

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.

Nova Scotia

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.

The following table summarizes the Company's consolidated maintenance and development capital expenditures net of accounts payable for the three and six months ended June 30, 2017:

| | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|--------|---------------------------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Development capital expenditures net of related accounts payable | \$ 9.8 | \$ 2.6 | \$ 27.7 | \$ 9.8 |
| Maintenance capital expenditures net of related accounts payable | 1.2 | 1.1 | 2.5 | 2.1 |
| Total capital expenditures net of related accounts payable | \$ 11.0 | \$ 3.7 | \$ 30.2 | \$ 11.9 |

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Development capital expenditures during the three months ended June 30, 2017 were primarily related to the renovations at View Royal Casino, Casino Nanaimo, and Shoreline Casino Thousand Island during the period. Development capital expenditures during the six months ended June 30, 2017 were primarily related to the development in Belleville, Ontario. For the remaining six months of 2017, the Company estimates that development capital expenditures and maintenance capital expenditures will total approximately \$47.7 and \$6.9, respectively.

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 June 30, 2017 is in excess of \$30.2 (June 30, 2016 - \$23.9). 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 six months ended June 30, 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.

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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 June 30, | | | Six months ended June 30, | | |
|---|-----------------------------|---------|-------|---------------------------|---------|-------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg |
| Shareholders' net earnings | \$ 26.7 | \$ 22.8 | 17% | \$ 44.5 | \$ 33.2 | 34% |
| Items of note | | | | | | |
| Pre-opening costs for Ontario East Gaming Bundle | - | 0.1 | | 0.2 | 0.4 | |
| Pre-opening costs for Great American Casino Des Moines | 0.4 | - | | 0.4 | - | |
| Restructuring severance costs | 0.1 | 1.0 | | 0.7 | 2.1 | |
| Impairment reversal of long-lived assets | - | - | | (0.9) | - | |
| FDC revenues previously deferred at Casino Nanaimo | (0.5) | - | | (0.5) | - | |
| Other | - | - | | - | 0.5 | |
| Income taxes on the above items of note | - | (0.2) | | (0.1) | (0.8) | |
| Adjusted shareholders' net earnings | \$ 26.7 | \$ 23.7 | 13% | \$ 44.3 | \$ 35.4 | 25% |
| Adjusted shareholders' net earnings per common share | | | | | | |
| Basic | \$ 0.43 | \$ 0.38 | | \$ 0.72 | \$ 0.56 | |
| Diluted | \$ 0.43 | \$ 0.38 | | \$ 0.71 | \$ 0.55 | |
| Weighted average shares outstanding | | | | | | |
| Basic | 61,565 | 62,115 | | 61,445 | 63,259 | |
| Diluted | 62,486 | 63,048 | | 62,449 | 64,224 | |

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 new standard is required to be applied either retrospectively to each prior reporting period presented ("full retrospective method") or retrospectively with the cumulative effect of initially applying the new standard recognized at the date of initial application ("modified retrospective method"). The Company currently anticipates adoption of the new standard under the modified retrospective method. The Company continues to assess the impact of the new standard on its consolidated financial statements and it is not yet possible to make a reliable estimate of its impact and will provide a detailed update of the adoption of IFRS 15 in its Condensed Interim Consolidated Financial Statements for the

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period ending September 30, 2017. The Company also commenced analysis to determine what effect, if any, the new standard will have on its business practices.

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 is currently assessing 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.

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- 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.
- 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.
- 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.
- Horse racing in Ontario – racetrack revenues includes the Company's share of pari-mutuel wagering revenue.
- 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.
- Casino gaming in Washington – gaming revenues are not reduced for county or municipal gaming taxes.
- 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.

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.

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SUPPLEMENTAL FINANCIAL INFORMATION

Consolidated Quarterly Results Trend

| | Q2 2017 | Q1 2017 | Q4 2016 | Q3 2016 | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Gaming Revenues | | | | | | | | |
| River Rock Casino Resort | \$ 31.1 | \$ 26.9 | \$ 25.9 | \$ 32.0 | \$ 28.3 | \$ 28.4 | \$ 30.4 | \$ 33.7 |
| Hard Rock Casino Vancouver | 12.2 | 12.3 | 12.9 | 11.2 | 11.1 | 11.6 | 11.3 | 10.4 |
| Other Vancouver Area Casinos | 7.1 | 6.6 | 6.3 | 6.3 | 6.3 | 6.2 | 5.2 | 5.2 |
| Vancouver Island Casinos | 9.5 | 8.5 | 8.3 | 8.2 | 8.2 | 7.8 | 7.8 | 7.6 |
| Other BC Casinos | 5.2 | 4.6 | 4.3 | 4.4 | 4.3 | 4.1 | 3.8 | 4.0 |
| Atlantic Casinos | 18.4 | 15.5 | 16.2 | 18.9 | 17.0 | 14.8 | 16.4 | 10.6 |
| Great American Casinos | 9.5 | 9.5 | 9.2 | 8.1 | 7.9 | 9.9 | 8.1 | 7.8 |
| Ontario Properties | 25.8 | 19.6 | 17.2 | 20.2 | 16.7 | 11.1 | - | - |
| | 118.8 | 103.5 | 100.3 | 109.3 | 99.8 | 93.9 | 83.0 | 79.3 |
| Facility Development Commission | | | | | | | | |
| River Rock Casino Resort | 4.3 | 4.1 | 3.8 | 4.7 | 4.2 | 4.2 | 4.4 | 4.8 |
| Hard Rock Casino Vancouver | 1.9 | 2.0 | 2.0 | 1.8 | 1.8 | 1.8 | 1.8 | 1.7 |
| Other Vancouver Area Casinos | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 0.8 | 0.9 |
| Vancouver Island Casinos | 1.8 | 1.2 | 1.2 | 1.3 | 1.3 | 1.2 | 1.2 | 1.2 |
| Other BC Casinos | 0.9 | 0.9 | 0.8 | 0.8 | 0.8 | 0.8 | 0.7 | 0.8 |
| | 10.1 | 9.4 | 9.0 | 9.8 | 9.3 | 9.2 | 8.9 | 9.4 |
| Hospitality, Lease and Other Revenues | | | | | | | | |
| River Rock Casino Resort | 14.0 | 12.5 | 14.7 | 15.0 | 13.9 | 12.1 | 14.1 | 14.6 |
| Hard Rock Casino Vancouver | 3.5 | 3.2 | 4.0 | 2.8 | 3.4 | 3.4 | 4.6 | 3.4 |
| Other Vancouver Area Casinos | 2.5 | 1.7 | 2.0 | 2.5 | 2.4 | 2.0 | 1.6 | 2.1 |
| Vancouver Island Casinos | 1.1 | 1.0 | 1.3 | 1.3 | 1.3 | 1.2 | 1.3 | 1.2 |
| Other BC Casinos | 1.4 | 1.4 | 1.4 | 1.3 | 1.3 | 1.2 | 1.2 | 1.1 |
| Atlantic Casinos | 7.5 | 6.4 | 7.5 | 7.8 | 6.5 | 6.4 | 8.0 | 2.1 |
| Great American Casinos | 2.4 | 2.4 | 2.4 | 2.2 | 2.2 | 2.5 | 2.4 | 2.2 |
| Ontario Properties | 8.8 | 8.5 | 7.2 | 7.1 | 6.6 | 6.4 | 5.2 | 5.2 |
| | 41.2 | 37.1 | 40.5 | 40.0 | 37.6 | 35.2 | 38.4 | 31.9 |
| Racetrack Revenues | | | | | | | | |
| Other Vancouver Area Casinos | 2.1 | 1.6 | 1.9 | 2.2 | 2.2 | 1.9 | 1.7 | 2.0 |
| Ontario Properties | 1.1 | 1.2 | 1.2 | 1.2 | 1.1 | 1.2 | 1.2 | 1.2 |
| | 3.2 | 2.8 | 3.1 | 3.4 | 3.3 | 3.1 | 2.9 | 3.2 |
| Promotional Allowances | (12.3) | (10.1) | (9.9) | (11.1) | (9.5) | (9.9) | (8.5) | (7.2) |
| Revenues | \$ 161.0 | \$ 142.7 | \$ 143.0 | \$ 151.4 | \$ 140.5 | \$ 131.5 | \$ 124.7 | \$ 116.6 |
| Adjusted EBITDA | | | | | | | | |
| River Rock Casino Resort | \$ 24.1 | \$ 18.2 | \$ 18.6 | \$ 25.6 | \$ 21.2 | \$ 18.6 | \$ 22.3 | \$ 27.4 |
| Hard Rock Casino Vancouver | 6.2 | 6.6 | 7.4 | 5.1 | 5.9 | 5.9 | 5.9 | 4.1 |
| Other Vancouver Area Casinos | 3.1 | 2.5 | 2.3 | 3.5 | 3.3 | 2.1 | 1.1 | 2.5 |
| Vancouver Island Casinos | 6.3 | 5.4 | 5.4 | 5.4 | 5.7 | 5.3 | 5.3 | 5.4 |
| Other BC Casinos | 3.8 | 3.2 | 3.0 | 2.9 | 2.8 | 2.7 | 2.4 | 2.7 |
| Atlantic Casinos | 7.3 | 5.0 | 6.5 | 8.6 | 6.9 | 4.4 | 5.9 | 4.1 |
| Great American Casinos | 1.8 | 3.4 | 3.0 | 2.2 | 2.4 | 3.8 | 2.2 | 1.9 |
| Ontario Properties | 15.2 | 8.5 | 5.0 | 13.9 | 11.1 | 5.4 | 3.3 | 3.4 |
| Corporate & Other | (5.0) | (4.6) | (4.0) | (4.3) | (4.0) | (4.7) | (3.3) | (4.0) |
| | \$ 62.8 | \$ 48.2 | \$ 47.2 | \$ 62.9 | \$ 55.3 | \$ 43.5 | \$ 45.1 | \$ 47.5 |