GREAT CANADIAN GAMING CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month and Six Month Periods Ended
June 30, 2018 and 2017

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

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

		June 30, 2018	December 31, 2017
Assets			
Current			
Cash and cash equivalents		**$ 495.9**	$ 322.3
Accounts receivable		**64.0**	21.8
Land held for sale		**8.1**	8.1
Prepaids, deposits and other assets		**25.7**	12.1
		593.7	364.3
Property, plant and equipment	Note 7	**863.7**	665.4
Intangible assets		**103.8**	70.8
Goodwill		**22.2**	21.8
Deferred tax assets		**12.7**	11.4
Cash on deposit with Canada Revenue Agency	Note 8	**43.7**	29.3
Other assets		**2.3**	8.4
		$ 1,642.1	$ 1,171.4
Liabilities			
Current			
Accounts payable and accrued liabilities		**$ 152.3**	$ 91.9
Income taxes payable		**10.7**	4.3
Other liabilities		**3.2**	2.8
		166.2	99.0
Long-term debt	Note 4	**704.3**	482.6
Deferred credits, provisions and other liabilities		**30.4**	28.6
Deferred tax liabilities		**90.8**	91.0
		991.7	701.2
Equity			
Share capital and reserves	Note 5	**328.9**	318.6
Accumulated other comprehensive income		**3.2**	2.0
Retained earnings		**215.5**	144.3
Equity attributable to shareholders of the Company		**547.6**	464.9
Non-controlling interests		**102.8**	5.3
Total equity		**650.4**	470.2
		$ 1,642.1	$ 1,171.4

These condensed interim consolidated financial statements were approved and authorized by the Company's Board of Directors for issuance on August 13, 2018.

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

		Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenues	Note 6	**$ 305.3**	$ 161.0	**$ 535.8**	$ 303.7
Expenses					
Human resources		**90.2**	54.6	**164.7**	107.2
Property, marketing and administration		**91.2**	44.3	**158.9**	86.8
Share of profit of equity investments		**(0.2)**	(0.7)	**(0.2)**	(1.3)
Amortization		**21.0**	14.0	**37.5**	28.6
Share-based compensation	Note 5	**4.7**	1.5	**6.9**	2.6
Impairment reversal of long-lived assets		**-**	-	**-**	(0.9)
Interest and financing costs, net		**12.8**	8.6	**21.7**	17.1
Business acquisition, restructuring and other		**6.4**	1.5	**11.3**	1.3
Foreign exchange gain and other		**(0.3)**	(0.1)	**(0.9)**	-
		225.8	123.7	**399.9**	241.4
Earnings before income taxes		**79.5**	37.3	**135.9**	62.3
Income taxes	Note 8	**15.5**	9.9	**26.6**	17.0
Net earnings		**$ 64.0**	$ 27.4	**$ 109.3**	$ 45.3
Net earnings attributable to:					
Shareholders of the Company		**$ 42.0**	$ 26.7	**$ 71.2**	$ 44.5
Non-controlling interests		**22.0**	0.7	**38.1**	0.8
		$ 64.0	$ 27.4	**$ 109.3**	$ 45.3
Net earnings		**$ 64.0**	$ 27.4	**$ 109.3**	$ 45.3
Other comprehensive income (loss)					
Items that may be reclassified subsequently to net earnings					
Current period changes in fair values of derivatives designated as cash flow hedges, net of taxes		**(0.1)**	0.1	**(0.1)**	0.1
Unrealized gain (loss) of foreign currency translation of foreign operations		**0.6**	(0.6)	**1.3**	(0.8)
		0.5	(0.5)	**1.2**	(0.7)
Total comprehensive income		**$ 64.5**	$ 26.9	**$ 110.5**	$ 44.6
Total comprehensive income attributable to:					
Shareholders of the Company		**$ 42.5**	$ 26.2	**$ 72.4**	$ 43.8
Non-controlling interests		**22.0**	0.7	**38.1**	0.8
		$ 64.5	$ 26.9	**$ 110.5**	$ 44.6
Net earnings per common share attributable to shareholders of the Company	Note 9				
Basic		**$ 0.69**	$ 0.43	**$ 1.17**	$ 0.72
Diluted		**$ 0.66**	$ 0.43	**$ 1.13**	$ 0.71
Weighted average number of common shares (in thousands)					
Basic		**61,116**	61,565	**61,043**	61,445
Diluted		**63,671**	62,486	**63,259**	62,449

GREAT CANADIAN GAMING CORPORATION

Condensed Interim Consolidated Statements of Changes in Equity

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

		Share Capital				Accumulated		Equity		
					Share Capital	Other		Attributable	Non-	
					and	Comprehensive	Retained	To	Controlling	Total
		Number [1]	Amount	Reserves	Reserves	Income	Earnings	Shareholders	Interests	Equity
At January 1, 2017		60,792	$ 258.9	$ 46.8	$ 305.7	$ 3.2	$ 76.5	$ 385.4	$ 3.9	$ 389.3
Share-based compensation	Note 5	-	-	2.5	2.5	-	-	2.5	-	2.5
Exercise of incentive share options	Note 5	868	11.3	(1.7)	9.6	-	-	9.6	-	9.6
Repurchase of common shares		(283)	(1.2)	-	(1.2)	-	(5.4)	(6.6)	-	(6.6)
Net earnings		-	-	-	-	-	44.5	44.5	0.8	45.3
Other comprehensive loss		-	-	-	-	(0.7)	-	(0.7)	-	(0.7)
At June 30, 2017		61,377	$ 269.0	$ 47.6	$ 316.6	$ 2.5	$ 115.6	$ 434.7	$ 4.7	$ 439.4
At January 1, 2018		60,894	$ 268.2	$ 50.4	$ 318.6	$ 2.0	$ 144.3	$ 464.9	$ 5.3	$ 470.2
Share-based compensation	Note 5	-	-	3.4	3.4	-	-	3.4	-	3.4
Exercise of incentive share options	Note 5	387	8.3	(1.4)	6.9	-	-	6.9	-	6.9
Net earnings		-	-	-	-	-	71.2	71.2	38.1	109.3
Other comprehensive loss		-	-	-	-	1.2	-	1.2	-	1.2
Contributions		-	-	-	-	-	-	-	59.4	59.4
At June 30, 2018		**61,281**	**$ 276.5**	**$ 52.4**	**$ 328.9**	**$ 3.2**	**$ 215.5**	**$ 547.6**	**$ 102.8**	**$ 650.4**

[1] Number of shares presented in thousands.

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

		Six months ended June 30, 2018	2017
Cash Flows from Operating Activities			
Earnings before income taxes		**$ 135.9**	$ 62.3
Adjustments to reconcile earnings before income taxes to cash generated by operating activities:			
Amortization		**37.5**	28.6
Impairment reversal of long-lived assets		**-**	(0.9)
Share-based compensation	Note 5	**6.9**	2.6
Interest and financing cost, net		**21.7**	17.1
Other		**(1.7)**	(2.5)
Changes in non-cash operating working capital	Note 10	**7.6**	(4.2)
Income taxes paid		**(21.8)**	(20.5)
Cash generated by operating activities		**186.1**	82.5
Cash Flows from Investing Activities			
Purchase of property, plant and equipment, net of related accounts payable of $11.5 (2017 - $14.9)		**(65.0)**	(30.2)
Acquisition of GTA Gaming Bundle	Note 13(a)	**(92.1)**	-
Acquisition of West GTA Gaming Bundle	Note 13(b)	**(99.2)**	-
Receivable from OLG related to acquisition of West GTA Gaming Bundle		**(1.3)**	-
HST receivable related to acquisition of West GTA Gaming Bundle		**(11.9)**	-
Interest income received		**2.5**	1.1
Amounts deposited with Canada Revenue Agency	Note 8	**(14.4)**	-
Other		**(0.4)**	(0.8)
Cash used in investing activities		**(281.8)**	(29.9)
Cash Flows from Financing Activities			
Increase in borrowings under credit facilities	Note 4	**240.7**	3.0
Debt financing transaction costs	Note 4	**(20.9)**	-
Proceeds from exercise of incentive share options, net of issuance costs	Note 5	**6.9**	9.6
Repurchase of common shares	Note 5	**-**	(5.9)
Contributions from non-controlling interests		**62.1**	-
Interest paid		**(21.1)**	(17.1)
Cash generated by (used in) financing activities		**267.7**	(10.4)
Effect of foreign exchange on cash and cash equivalents		**1.6**	(0.3)
Cash inflow		**173.6**	41.9
Cash and cash equivalents, beginning of period		**322.3**	228.7
Cash and cash equivalents, end of period		**$ 495.9**	$ 270.6

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

1. BASIS OF PRESENTATION

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*. Certain information and note disclosures normally included in the audited annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Standards Interpretation Committee ("IFRIC") have been omitted or condensed. As a result, these condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Great Canadian Gaming Corporation (the "Company" or "GCGC") for the year ended December 31, 2017 ("Annual Financial Statements").

As at June 30, 2018, the Company's principal operating entities which the Company consolidates were:

Entity	Abbreviation	Location of operations	Ownership interest at June 30, 2018
Chilliwack Gaming Ltd.	CGL	British Columbia	100%
Flamboro Downs Limited	FDL	Ontario	100%
Georgian Downs Limited	GDL	Ontario	100%
Great American Gaming Corporation	GAGC	Washington	100%
Great Canadian Casinos Inc.	GCCI	British Columbia	100%
Great Canadian Entertainment Centres Ltd.	GCEC	British Columbia	100%
Great Canadian Gaming (New Brunswick) Ltd.	GCGNB	New Brunswick	100%
Hastings Entertainment Inc.	HEI	British Columbia	100%
Metropolitan Entertainment Group	MEG	Nova Scotia	100%
Orangeville Raceway Limited	ORL	British Columbia	100%
Ontario Gaming East Limited Partnership	OGELP	Ontario	90.5%
Ontario Gaming GTA Limited Partnership(1)	OGGTA	Ontario	49%
Ontario Gaming West GTA Limited Partnership(2)	OGWGLP	Ontario	55%

(1) Ontario Gaming GTA Limited Partnership (doing business as One Toronto Gaming ("OTG")) became a principal operating entity of the Company after acquiring certain gaming assets of the GTA Gaming Bundle on January 23, 2018 (see Note 13(a)). For the six months ended June 30, 2018, OTG was a principal operating entity of the Company for 159 days.

(2) OGWGLP became a principal operating entity of the Company after acquiring certain gaming assets and leased real property of the West GTA Gaming Bundle on May 1, 2018 (see Note 13(b)). For the six months ended June 30, 2018, OGWGLP was a principal operating entity of the Company for 61 days.

2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these condensed interim consolidated financial statements are the same as those disclosed in Note 2 of the Company's Annual Financial Statements.

The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending December 31, 2018.

a) Standards, amendments and interpretations effective and applied

Effective January 1, 2018, the Company adopted the following revised IASs and IFRSs issued by the IASB.

i) IFRS 9*, Financial Instruments* ("IFRS 9") – replaced IAS 39, *Financial Instruments: Recognition and* Measurement. IFRS 9 introduced amendments to classification and measurement for financial assets, a new expected loss impairment model and a new hedge accounting model. IFRS 9 became effective on January 1, 2018 and is applied retrospectively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Management completed its assessment of the new standard and concluded that it does not have a material impact on the Company's condensed interim consolidated financial statements.

2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Standards, amendments and interpretations effective and applied (Continued)

ii) IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") – requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers and replaced IAS 18. Under IFRS 15, a five-step model is utilized to achieve the core revenue recognition principle: (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the obligations in the contract; and (5) recognize revenue when (or as) the Company satisfies a performance obligation. New disclosures are also required.

The Company has adopted IFRS 15 using the modified retrospective method whereby the cumulative effect of the change determined by applying the principles and practices in IFRS 15 for contracts that are incomplete on the date of adoption, if any, are recognized in retained earnings at January 1, 2018. Upon application of the new revenue standard, there was no cumulative effect adjustment required to be recognized at January 1, 2018. The comparative information has not been adjusted and continues to be reported under the accounting standards in effect for those periods.

The Company has determined there has been no material impact on recognized revenue in the period ended June 30, 2018 from the adoption of the new revenue standard. The principal effects of the new standard on the Company's previous revenue recognition practices relate to the accounting for certain of the Company's customer loyalty programs and promotional allowances.

The Company has various customer loyalty programs it operates in each of its jurisdictions. Under the new revenue standard, loyalty points earned by our customers are ascribed a value and recognized in revenue when the rewards are redeemed or expire. The impact of adopting this new policy for customer loyalty programs was not material at January 1, 2018. For customer loyalty programs operated by the Provincial Crown corporations, there is no impact to the Company under the new guidance. Loyalty points that offer customers the rights to receive cash meet the definition of financial liability under IFRS 9, and therefore are outside of the scope of IFRS 15.

The Company previously presented the various sources of revenue gross of complimentary goods and services provided to guests with a corresponding reduction in promotional allowances in the notes to its financial statements. Under the new standard, the Company's note disclosure of the sources of revenue are now presented net of their respective promotional allowances (see Note 6). This change in presentation has been made retrospectively to the comparable period. There was no impact from this change in presentation on total revenue in these condensed interim consolidated statements of earnings and other comprehensive income.

Certain additional disclosures are required under the new revenue standard to be made in the Company's interim and annual financial statements.

The Company's revenue recognition accounting policy in accordance with IFRS 15 is provided below.

The Company evaluates all contractual arrangements it enters into and evaluates the nature of the promises it makes, and rights and obligations under the arrangement, in determining the nature of its performance obligations. Where such performance obligations are concluded to be distinct from each other, the consideration the Company expects to be entitled under the arrangement is allocated to each performance obligation based on its relative estimated stand-alone selling prices. Performance obligations that are concluded not to be distinct are combined together into a single unit of account. Revenue is recognized at an amount equal to the transaction price allocated to the specific performance obligation when it is satisfied.

2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Standards, amendments and interpretations effective and applied (Continued)

ii) IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”) (Continued)

The Company’s arrangements include some or all of the following sources of revenue:

Gaming revenues
Gaming revenues presented in these condensed interim consolidated financial statements include the following sources:

- *Operational services agreements with Provincial Crown corporations*

  The Company’s gaming operations in Canada are conducted pursuant to operational services agreements with Provincial Crown corporations. The Company earns remuneration for services provided in connection with, or that are necessary for, the operation and management under contract of gaming facilities, including services related to the Facility Development Commission (“FDC”) program from the British Columbia Lottery Corporation (“BCLC”) and Permitted Capital Expenditures (“PCE”) from the Ontario Lottery and Gaming Corporation (“OLG”). Revenue from the operation and management under contract of gaming facilities includes the aggregate net difference between gaming wins and losses calculated on a daily basis from table games, slot machines, and bingo games, after deduction for the portion of gaming and other revenues belonging to BCLC, OLG, Nova Scotia Gaming Corporation (“NSGC”), and the New Brunswick Lotteries and Gaming Corporation (“NBLGC”) and accruals for payouts on progressive games. Services that give rise to gaming revenues are earned on an ongoing basis as calculated in accordance with the related contract.

  On June 3, 2018, the Company signed new Operational Services Agreements (“OSAs”) with BCLC which replaced all existing Casino Operating Service Agreements (“COSAs”) with BCLC for all its gaming facilities in British Columbia (“B.C.”).

- *Gaming in Washington State*

  The Company operates table games in Washington State pursuant to annual gaming licenses issued by the Washington State Gaming Commission. Gaming revenues are the net difference between gaming wins and losses calculated on a daily basis from table games and exclude county or municipal gaming taxes which are presented as an expense.

- *Facility Development Commission and Facility Investment Commission*

  Prior to June 3, 2018, the Company received FDC from BCLC, calculated as a fixed percentage of Gross Gaming Revenues (defined as amounts wagered on gaming activities, less the payout or prizes to winning customers) generated by the B.C. properties, for incurring Approved Amounts (a defined term in the Company’s Casino COSA) of qualified, primarily capital, gaming-related expenditures. Provided that the Company’s operating agreements with BCLC remain in good standing and that sufficient Gross Gaming Revenues are generated, the Company continued to receive FDC until the related Approved Amounts are recovered. Approved Amounts were not recorded in the consolidated statements of financial position. For accounting purposes, FDC has been recorded when received, subject to having sufficient BCLC Approved Amounts remaining to be recovered. For income tax purposes, management believes that FDC received from BCLC is appropriately characterized under the relevant income tax regulations as a reduction of the cost of either the related long-lived asset (primarily equipment and buildings) or the operating expenses being reimbursed, which gives rise to deferred income taxes being recognized.

2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Standards, amendments and interpretations effective and applied (Continued)

ii) IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") (Continued)

- *Facility Development Commission and Facility Investment Commission (Continued)*

  Effective June 3, 2018, FDC has been replaced by the Facility Investment Commission ("FIC") under new OSAs with BCLC. Similar to FDC, the Company receives FIC from BCLC, calculated as a fixed percentage of Gross Gaming Revenues generated by its B.C. properties for qualified expenditures that the Company is committed to make for its Minimum Investment Required ("MIR"), a term defined in the OSA. Certain non-capital expenditures, such as marketing and maintenance costs, are considered to be qualified costs eligible for FIC. FIC is earned when Gross Gaming Revenues are generated and subject to meeting MIR requirements. The closing approved FDC amounts prior to the effective date of the OSAs will reduce the minimum spend requirements for each property under the MIR program. Under this new program, FIC earned is included as income for tax purposes.

- *Permitted Capital Expenditures*

  In Ontario, the Company is entitled to remuneration from OLG for services provided up to a predefined annual amount per gaming property in each operating year for incurring PCE, a term defined in the Company's COSAs with OLG. Revenue is recognized as eligible expenditures are incurred up to the predefined annual amount. PCE approved by OLG can be carried forward for up to four years. PCE incurred, including amounts incurred in prior years that are carried forward, in excess of the current period's annual amount represents variable consideration which is not recorded in the consolidated financial statements until the Company is able to conclude that it will receive consideration for the services provided.

- *Customer loyalty programs*

  For customer loyalty programs operated by the Company, a portion of gaming revenues received for which loyalty rights are earned by our customers are recorded as a contract liability based on the rewards' allocated amount using their relative selling price and then subsequently recognized as revenue in a future period when the rewards are redeemed. The revenue classification at that time will depend on the type of rewards redeemed.

  The estimated selling price of loyalty rewards is determined using an equivalent cash cost approach which uses historical data of award redemption patterns considering the alternative goods or services for which the rewards can be redeemed. The estimated selling price of rewards is adjusted for an estimate of rewards that will not be redeemed based on historical redemption patterns. Historically non-redeemed loyalty rewards have not been significant.

- *Promotional allowances*

  Promotional allowances relating to gaming revenues are recorded at the face value awarded to guests without charge and are deducted from revenues when redeemed.

Hospitality revenues
Hospitality revenues, which include food and beverage revenues, hotel revenues, and theatre offerings, are recorded as goods are delivered, or services are performed. Advance deposits on rooms and advance ticket sales are recorded as a deposit liability until services are provided to the customer.

Promotional allowances related to hospitality revenues are recorded at the retail value of food and beverage, accommodations, and other incentives furnished to guests without charge and are deducted from hospitality revenues when redeemed.

2. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Standards, amendments and interpretations effective and applied (Continued)

ii) IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") (Continued)

Racetrack, lease and other revenues
On-site and simulcast racetrack revenues generated in B.C., net of amounts returned as winning wagers, simulcast fees, and provincial and federal pari-mutuel taxes, are pooled into a shared industry fund (the "B.C. Horse Racing Industry Fund") and then distributed to the Company and the B.C. racing breed associations according to an agreed allocation. During 2018, the Company is allocated 43% of the shared industry funds (2017 - 43%). The remainder is allocated to the B.C. racing breed associations for administration and distribution of racing purses and breeder supplements.

In Ontario, under the terms of the revenue sharing agreements among the Standardbred Alliance members, racetracks' pari-mutuel revenues and transitional funding received from the Province of Ontario are pooled and shared among the Ontario Alliance Racetracks. The Company's share of this revenue is recognized on a systematic basis over the periods in which the Company records the related eligible horse racing costs for which the funding is intended to compensate.

Lease revenues include income for leasing the slot machine areas at Georgian Downs and Flamboro Downs to OLG, and are recorded over time, generally on a straight-line basis over the term the leasing service is provided. Effective May 1, 2018, OLG assigned its rights under the lease agreement with Flamboro Downs to Elements Casino Flamboro, a gaming facility operated by OGWGLP. Since the Company controls OGWGLP, the lease revenues earned by Flamboro Downs and the related expense incurred by OGWGLP have been eliminated upon consolidation starting May 1, 2018.

Other revenues include automated teller machine commissions, and other income from ancillary services.

b) Accounting standards issued but not yet effective

Effective January 1, 2019

- IFRS 16, *Leases* ("IFRS 16") – specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with lessor accounting substantially unchanged from its predecessor, IAS 17, *Leases*. The Company currently has operating lease commitments. The presentation of the majority of these operating leases will change by increasing the "property, plant and equipment", current and long-term lease liability amounts on the Consolidated Statements of Financial Position. The current presentation of lease expenses on the Consolidated Statements of Earnings and Other Comprehensive Income as a component of "property, marketing and administration" expense will change to "amortization" and "interest and financing costs, net". As the "principal" on the lease obligations is repaid, the 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 continues to assess the impact of the new standard on its consolidated financial statements. Management has formed a working group who have reviewed the nature of the Company's material lease contracts and continues to evaluate the implications of the new standard. The working group will continue to evaluate the quantitative impact of IFRS 16 through to the date of its adoption.

- IFRIC 23, *Uncertainty Over Income Tax Treatments* ("IFRIC 23") - On June 7, 2017, the IASB published IFRIC 23 which includes requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Company is currently assessing the impact of this interpretation.

3. CHANGES IN CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Except as described below, the critical accounting estimates and judgments applied in these condensed interim consolidated financial statements are the same as those disclosed in Note 3 of the Company's Annual Financial Statements.

The changes in critical accounting estimates and judgments are also expected to be reflected in the Company's consolidated financial statements as at and for the year ending December 31, 2018.

- *Control of Subsidiaries*

  The Company consolidates the balances, operations and cash flows of the entities in which it controls. In determining control, management assesses whether the Company has power over the entity, exposure, or rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee.

  In determining if the Company has power over its Ontario partnerships, management makes judgments when identifying which activities of these partnerships are relevant in significantly affecting returns and the extent of the existing rights that give the Company the current ability to direct the relevant activities.

  The operating and development of the Ontario partnerships are the key relevant activities and through the management service agreement and development service agreement, the Company has the ability to contractually direct the relevant activities of these partnerships. Other parties with protective rights do not have power that prevents the Company's power over these partnerships. Based on management's evaluation of the key criteria, it was determined the Company controls its Ontario partnerships.

- *Revenue Recognition*

  The application of IFRS 15 requires the Company to make a number of estimates and judgments, including determination of the nature of its performance obligations under its contracts, the assessment of amount we expect to be entitled for variable consideration in determining the transaction price and the timing of recognition and allocation of the transaction price to loyalty programs based on the estimated relative selling price method.

  In analyzing its contracts with the differing Provincial Crown corporations, the Company first evaluates whether its various promises to provide goods or services represents that of the principal in the transactions with casino patrons or as the provincial body's agent in providing such services. In Canada, the Company has concluded its services are as an agent since the legal party in the wagering transaction with customers rests with the Provincial Crown corporations and the Company is engaged to provide services under their authority. As a result, revenue is recognized net of the amounts paid to the Provincial Crown corporations.

- *Segment reporting*

  The preparation of financial statements requires management to make judgments that affect the financial statement disclosure of information regularly reviewed by the Company's Chief Operating Decision Maker ("CODM") used to make resource allocation decisions and to assess performance.

  Significant judgments were made in determining operating segments to reflect the manner in which the CODM now reviews the operations and business performance of the Company. Management has considered the regular process used by the CODM to assess performance, the budgeting process, and public statements about how an entity operates its business. As the CODM monitors the Company's operating results on a regional basis, management has determined each region to be an operating segment.

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

4. LONG-TERM DEBT

		June 30, 2018		December 31, 2017
Senior Unsecured Notes, net of unamortized transaction costs of $4.3 (2017 - $4.9) (Note 4(a)(i))	**$**	**445.7**	$	445.1
Non-recourse Revolving and Capital Expenditure Credit Facilities of OTG, net of unamortized transaction costs of $16.4 (2017 - $nil) (Note 4(b))		**125.3**		-
Non-recourse Revolving Credit Facility of OGWGLP, net of unamortized transaction costs of $3.3 (2017 - $nil) (Note 4(c))		**95.7**		-
Non-recourse Revolving Credit Facility of OGELP, net of unamortized transaction costs of $0.4 (2017 - $0.5) (Note 4(d))		**37.6**		37.5
	$	**704.3**	$	482.6

a) *Long-term debt of GCGC*

i) Senior Unsecured Notes

The Senior Unsecured Notes are guaranteed by the Company's material restricted subsidiaries as defined in the long-term debt agreement covering the Trust Indenture. Interest on the Senior Unsecured Notes is payable semi-annually in arrears on January 25 and July 25 of each year. There are customary provisions for early redemptions of the Senior Unsecured Notes during defined periods prior to maturity with payment of defined premiums. The Senior Unsecured Notes are due on July 25, 2022.

ii) Senior Secured Revolving Credit Facility

As at June 30, 2018, subject to compliance with the related financial covenants, the Company had $346.8 (December 31, 2017 - $281.8) of available undrawn credit on its Senior Secured Revolving Credit Facility after deducting outstanding letters of credit of $3.2 (December 31, 2017 - $68.2).

As at June 30, 2018, the Company was in compliance with its financial covenants under the terms of its Senior Unsecured Notes and the Senior Secured Revolving Credit Facility.

b) *Non-recourse Revolving and Capital Expenditures Credit Facilities of OTG*

OTG arranged credit facilities in the aggregate capacity of up to $1,100.0 for the acquisition, operation, construction and development of its gaming facilities in the Greater Toronto Area ("GTA") acquired from OLG. Upon entering the credit facilities agreement on March 6, 2018, the credit facilities comprised a $200.0 revolving facility and an $850.0 capital expenditures facility. Effective May 18, 2018, the capacity of the capital expenditures facility was increased by $50.0. Draws on the credit facilities can be prime rate loans or bankers' acceptances. Until project completion, prime rate loans and bankers' acceptances are subject to prime plus margin of 1.25% and current market rate plus margin of 2.25%, respectively. OTG's assets are pledged as collateral on the credit facilities. The counterparties to the credit facilities are major financial institutions with minimum "A" credit ratings. The credit facilities, which expire on March 6, 2023, are not subject to any financial covenants.

As at June 30, 2018, OTG had $903.3 of available credit on its Non-recourse Revolving and Capital Expenditures credit facilities, after deducting outstanding letters of credit of $55.0.

Transaction costs associated with the issuance of the credit facilities totalling $17.5 are amortized through the "interest and financing costs, net" line of the condensed interim consolidated statements of earnings and other comprehensive income over the term of the credit facilities using the straight-line method.

In accordance with a condition under the credit agreement for the advancing of funds, the Company has agreed to contribute its 50% share of the 35% equity contribution target to support the completion of the GTA development program. The equity contributions can first be satisfied by reinvested cash flows generated from the business, with any shortfalls of the target coming from cash injections from the sponsors, of which $100.0 can be deferred and drawn against the credit facility. In the event of default, the remaining committed equity amount can be called to complete the balance of the development program.

4. LONG-TERM DEBT (Continued)

c) Non-recourse Revolving Credit Facility of OGWGLP

OGWGLP arranged a non-recourse revolving credit facility with a capacity of $285.0 for the acquisition, operation, construction and development of its gaming facilities in the West GTA Gaming Bundle acquired from OLG. Upon entering the credit facility agreement on April 30, 2018, the credit facility had an available capacity of $260.0. Effective May 3, 2018, the capacity of the credit facility was increased by $25.0. Draws on the credit facility can be prime rate loans or bankers' acceptances. Until project completion, prime rate loans and bankers' acceptances are subject to prime plus margin of 1.75% and current market rate plus margin of 2.75%, respectively. OGWGLP's assets are pledged as collateral on the credit facility. The counterparties to the credit facilities are major financial institutions with minimum "A" credit ratings. The credit facility matures on May 1, 2023.

As at June 30, 2018, subject to compliance with the related financial covenants, OGWGLP had $151.0 of available credit on its non-recourse revolving credit facility, after deducting outstanding letters of credit of $35.0.

Transaction costs associated with the issuance of the credit facility totalling $3.4 are amortized through the "interest and financing costs, net" line of the condensed interim consolidated statements of earnings and other comprehensive income over the term of the credit facility using the straight-line method.

As at June 30, 2018, OGWGLP was in compliance with its financial covenants under the terms of its non-recourse revolving credit facility.

In accordance with a condition under the credit agreement for the advancing of funds, the Company has agreed to contribute its proportionate share of the 35% equity contribution target to support completion of the West GTA development program. The equity contributions can first be satisfied by reinvested cash flows generated from the business, with any shortfalls of the target coming from cash injections from the sponsors, of which $15.0 can be deferred and drawn against the credit facility. In the event of default, the remaining committed equity amount can be called to complete the balance of the development program.

d) Long-term debt of OGELP

i) Non-recourse Revolving Credit Facility of OGELP

On January 11, 2016, OGELP arranged a $60.0 revolving credit facility for the acquisition of the assets and operations of certain casinos in Ontario from OLG. The non-recourse revolving credit facility agreement, which expires on January 11, 2020, is non-recourse to the Company 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, 2018, subject to compliance with the related financial covenants, OGELP had $5.7 (December 31, 2017 - $5.7) of available undrawn credit on its credit facility after deducting outstanding letters of credit of $16.3 (December 31, 2017 - $16.3).

As at June 30, 2018, OGELP was in compliance with its financial covenants under the terms of its non-recourse revolving credit facility.

4. LONG-TERM DEBT (Continued)

d) Long-term debt of OGELP (Continued)

ii) 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, 2018, the interest rate swap had a notional principal of $35.0 and matures on January 10, 2020. OGELP receives interest based on a 3-month Canadian Dealer Offered Rate and pays interest at 0.813% per annum.

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

At June 30, 2018, the fair value of the interest rate swap was in a $0.8 (December 31, 2017 - $0.9) asset position and the amount was recorded in "other assets" on the condensed interim consolidated statements of financial position.

5. SHARE CAPITAL AND RESERVES

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

a) Share repurchases

In March 2017, the Company received approval from the TSX to renew a normal course issuer bid for up to 3,995,203 of its common shares. The bid commenced on March 15, 2017 and ended on March 14, 2018. During the six months ended June 30, 2018, the Company did not purchase any common shares for cancellation under the normal course issuer bid which ended on March 14, 2018 (2017 – 282,700 common shares at weighted-average share price of $23.44).

On June 27, 2018, the Company received approval from the TSX to renew a normal course issuer bid for up to 4,108,074 of its common shares, representing approximately 10% of the Company's common shares in the public float. The bid commenced on July 3, 2018 and will end on July 2, 2019, 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 40,170 common shares or 25% of the prior six-month average trading volume of 160,680 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.

b) Share option plan

The changes in the number of share options and their weighted-average exercise price during the six months ended June 30, 2018 and 2017 were as follows:

	June 30, 2018			June 30, 2017		
	Options [(1)]		**Weighted-Average Exercise Price**	Options [(1)]		Weighted-Average Exercise Price
Outstanding, beginning of period	**5,346**	**$**	**20.86**	4,226	$	15.77
Granted	**640**		**33.79**	1,599		24.07
Forfeited	**(67)**		**21.54**	(343)		20.91
Exercised	**(387)**		**17.99**	(868)		11.05
Outstanding, end of period	**5,532**	**$**	**22.55**	4,614	$	19.15

(1) Option information is presented in thousands.

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

	Six months ended June 30,			
		2018		2017
Option award fair value	**$**	**8.36**	$	5.28
Risk-free interest rate		**1.6%**		1.0%
Expected lives [(1)]		**3.8 years**		3.5 years
Expected volatility [(2)]		**29.4%**		27.8%

(1) Estimated based on the Company's vesting policy and historical exercise pattern.

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

The Company recorded equity-settled share-based compensation expense of $1.2 associated with share options for the three months ended June 30, 2018 (2017 - $1.3) and $3.4 for the six months ended June 30, 2018 (2017 - $2.5)

5. SHARE CAPITAL AND RESERVES (Continued)

c) Deferred Share Units ("DSUs")

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

	Six months ended June 30,	
Number of Units (in thousands)	**2018**	2017
Outstanding, beginning of period	**169**	217
Issued	**10**	4
Settled in cash	**-**	(56)
Outstanding, end of period	**179**	165

Related to these DSUs, the Company recorded a liability of $8.7 in "deferred credits, provisions and other liabilities" at June 30, 2018 (December 31, 2017 - $6.1), and cash-settled share-based compensation expense of $2.7 for the three months ended June 30, 2018 (2017 – recovery of $0.1) and expense of $2.6 for the six months ended June 30, 2018 (2017 - $nil).

d) Restricted Share Units ("RSUs")

The Company has two RSU plans:

- *Great Canadian Incentive Plan RSU ("GCIP RSU")*
  The Company's GCIP RSU is an employee incentive program that provides the opportunity for eligible employees to be awarded cash-settled RSUs if they exceed certain business targets for a prior fiscal year. RSUs granted vest in two equal tranches, one on each of the two anniversary dates following the date of grant.

- *Cash RSU*
  On March 14, 2018, a new cash-settled RSU plan was created to align the interest of eligible employees with the long term success of the Company. Cash RSUs represent a right to a bonus to eligible employees for services rendered in a fiscal year to be paid within three years following the fiscal year. Generally, the cash RSUs granted vest in three equal tranches, one on each of the three anniversary dates following the date of grant.

Related to these RSU plans, the changes in RSUs provided to employees of the Company were as follows:

	Six months ended June 30,	
Number of Units (in thousands)	**2018**	2017
Outstanding, beginning of period	**30**	34
Issued	**109**	31
Forfeited	**-**	(4)
Settled in cash	**(15)**	(30)
Outstanding, end of period	**124**	31

Assuming both a constant market price for the Company's common shares and no award forfeitures, the RSUs would result in cash settlement payments of $2.4 to employees after they vest in 2019, $2.1 in 2020 and $1.6 in 2021, and $1.6 in 2021.

Related to these RSUs, the Company recorded a liability of $0.8 in "accounts payable and accrued liabilities" at June 30, 2018 (December 31, 2017 - $0.5), $0.2 in "deferred credits, provisions and other liabilities" at June 30, 2018 (December 31, 2017 - $0.5), and cash-settled share-based compensation of $0.8 for the three months ended June 30, 2018 (2017 - $0.3) and $0.9 for the six months ended June 30, 2018 (2017 - $0.1).

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

6. REVENUES

The Company's sources of revenue are shown below. For the three and six months ended June 30, 2017, certain revenues were retrospectively reclassified to conform with the presentation adopted in the current year.

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Gaming revenues (1) (2)	**$ 263.6**	$ 123.0	**$ 456.1**	$ 231.6
Hospitality revenues (1) (3)	**28.5**	24.9	**51.9**	47.3
Racetrack, lease and other revenues (3)	**13.2**	13.1	**27.8**	24.8
	$ 305.3	$ 161.0	**$ 535.8**	$ 303.7

(1) Promotional allowances of $12.3 and $22.4 for the three and six months ended June 30, 2017, respectively, previously presented separately as a reduction to total revenue, has been reclassified to net against its related revenue streams. For the three and six months ended June 30, 2017, promotional allowances of $5.9 and $10.2 have been netted against "gaming revenues", respectively, and promotional allowances of $6.4 and $12.2 have been netted against "hospitality revenues", respectively.

(2) Facility Development Commission of $10.1 and $19.4 previously presented separately for the three and six months ended June 30, 2017, respectively, has been included in gaming revenues.

(3) Lease and other revenues of $9.9 and $18.8, previously included in hospitality, lease and other revenues for the three and six months ended June 30, 2017, respectively, has been grouped with racetrack, lease and other revenues.

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

7. PROPERTY, PLANT AND EQUIPMENT

a) *Reconciliation of carrying amount*

	Land	Buildings, Building Improvements and Leasehold Improvements	Equipment	Properties Under Development	Total
Cost					
Balance at January 1, 2017	$ 84.0	$ 856.3	$ 152.8	$ 42.6	$ 1,135.7
Additions	0.1	0.6	2.0	44.1	46.8
Disposals	-	-	(0.3)	-	(0.3)
Transfers	-	27.2	26.2	(53.4)	-
Translation and other	(0.2)	(1.1)	(0.4)	-	(1.7)
Balance at December 31, 2017	$ 83.9	$ 883.0	$ 180.3	$ 33.3	$ 1,180.5
Additions	**3.4**	**0.2**	**2.2**	**70.6**	**76.4**
Acquired through business combinations [(1)]	**5.2**	**81.5**	**66.8**	**-**	**153.5**
Transfers	**-**	**27.5**	**19.2**	**(46.7)**	**-**
Translation and other	**0.1**	**0.8**	**0.2**	**-**	**1.1**
Balance at June 30, 2018	**$ 92.6**	**$ 993.0**	**$ 268.7**	**$ 57.2**	**$ 1,411.5**
Accumulated amortization and reversal of impairment					
Balance at January 1, 2017	$ (11.2)	$ (331.5)	$ (125.3)	$ -	$ (468.0)
Amortization	-	(30.6)	(17.7)	-	(48.3)
Disposals	-	-	0.2	-	0.2
Impairment reversal [(2)]	-	0.3	-	-	0.3
Translation and other	-	0.5	0.3	-	0.8
Balance at December 31, 2017	$ (11.2)	$ (361.3)	$ (142.5)	$ -	$ (515.0)
Amortization	**-**	**(17.6)**	**(14.6)**	**-**	**(32.2)**
Translation and other	**-**	**(0.4)**	**(0.2)**	**-**	**(0.6)**
Balance at June 30, 2018	**$ (11.2)**	**$ (379.3)**	**$ (157.3)**	**$ -**	**$ (547.8)**
Carrying amount					
At December 31, 2017	$ 72.7	$ 521.6	$ 37.8	$ 33.3	$ 665.4
At June 30, 2018	**$ 81.4**	**$ 613.7**	**$ 111.4**	**$ 57.2**	**$ 863.7**

(1) The assets were acquired through business combinations related to OTG's acquisition of the GTA Gaming Bundle and OGWGLP's acquisition of the West GTA Gaming Bundle (see Note 13).

(2) In 2012, the Company recorded impairment of property, plant, and equipment of $5.2 in connection with the early termination of Flamboro Down's site holder agreement. In 2013, $1.5 of the impairment was reversed after the Company and OLG signed a five-year lease term for Flamboro Downs ending March 31, 2018. In 2017, a five-year lease extension agreement ending on March 31, 2023 for Flamboro Downs was signed, resulting in a reversal of impairment of property, plant, and equipment of $0.3 for the year ended December 31, 2017.

b) *Change in estimates*

As a result of a depreciation study, the Company reviewed the estimated useful lives of its property, plant and equipment and determined certain building improvements and equipment to have longer expected useful lives than previously estimated by management.

The amortization policy of building improvements, previously estimated to be the lesser of useful life or 5 years, has been revised to lesser of useful life or 10 years. The amortization policy of equipment, previously estimated to be 1 to 5 years, has been revised to lesser of useful life or 10 years.

The prospective effect of these changes on amortization expense for building improvements and equipment existed as at December 31, 2017 is approximately $2.3 and $4.6 lower for the three and six months ended June 30, 2018, respectively. For the remaining six months of 2018, amortization expense will be approximately $4.6 lower.

The prospective effect of these changes for future periods is shown below:

Increase (decrease) in amortization expense	**2019**	**2020**	**2021**	**2022**	**Thereafter**
Building improvements	$ (1.4)	$ (1.2)	$ 0.9	$ 1.4	$ 4.3
Equipment	(3.6)	(2.8)	0.7	3.8	7.1
	$ (5.0)	$ (4.0)	$ 1.6	$ 5.2	$ 11.4

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

8. INCOME TAXES

The Company's income tax expense is as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
		2018		2017		**2018**		2017
Current tax expense	**$**	**16.8**	$	8.3	**$**	**28.1**	$	14.1
Deferred tax expense		**(1.3)**		1.6		**(1.5)**		2.9
Total tax expense	**$**	**15.5**	$	9.9	**$**	**26.6**	$	17.0

The Company's income tax expense for the three and six months ended June 30, 2018 can be reconciled to earnings before income taxes as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
		2018		2017		**2018**		2017
Applicable federal and provincial statutory income tax rate(1)		**27%**		26%		**27%**		26%
Earnings before income taxes(2)	**$**	**79.5**	$	37.3	**$**	**135.9**	$	62.3
Expected income tax expense for the period		**21.5**		9.7		**36.7**		16.2
Effect of:								
Non-deductible stock-based compensation		**0.3**		0.3		**0.9**		0.6
Impact of different jurisdictional statutory tax rates on earnings of subsidiaries		**(0.5)**		0.2		**(0.6)**		0.4
Non-controlling interest(2)		**(5.7)**		(0.2)		**(10.0)**		(0.2)
Other items		**(0.1)**		(0.1)		**(0.4)**		-
	$	**15.5**	$	9.9	**$**	**26.6**	$	17.0

(1) The applicable federal and provincial statutory income tax rate used for the 2018 and 2017 reconciliations above is the income tax rate payable by corporate entities in the province of B.C. on taxable profits under tax law in that jurisdiction. The rate increased on January 1, 2018 from 26% to 27% due to an increase in the B.C. corporate income tax rate of 1%.

(2) Earnings before income taxes includes 100% of OTG's, OGWGLP's, and OGELP's earnings, however, the Company is only required to pay corporate income tax on its 49%, 55% and 90.5% share of OTG's, OGWGLP's and OGELP's taxable income, respectively, with the remaining taxable income picked up by the non-controlling interest partners of the partnerships. Accordingly, there is a reconciling item relating to the partnerships' earnings allocated to the non-controlling interest.

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 position 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 current position prevails, it would accelerate the timing of the Company's and its subsidiaries' recognition of 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, 2018, if CRA's current position of FDC prevails, preliminary estimates indicate the Company's consolidated current tax expense would increase $65.2, deferred tax expense would decrease $63.7, and interest and financing costs would increase $12.7, resulting in a one-time $14.2 decrease in net earnings and a corresponding decrease to basic net earnings per share of approximately $0.23 per share. The Company expects that the effect of the estimated $8.1 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, 2018, 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.

8. INCOME TAXES (Continued)

During 2015, the Company received notices of reassessment from CRA for itself and three of its subsidiaries 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, and 2012, and in some cases 2013. As a part of the notices of reassessment received during 2016, the CRA waived $1.1M of interest relating to the 2011 and 2012 taxation years. During 2017, the Company and five of its subsidiaries received notices of reassessment related to the income tax treatment of FDC received from BCLC in 2013 and 2014.

The Company strongly disagrees with the CRA's current position 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 2014 have filed notices of objection with CRA's Appeals Division. 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, 2018, the Company and its subsidiaries have deposited a net amount of $38.9 (December 31, 2017 - $29.3) to CRA and is reflected in "cash on deposit with Canada Revenue Agency" on the condensed interim consolidated statements of financial position.

During the three months ended June 30, 2018, four of the Company's subsidiaries received notices of confirmation for the taxation years under audit. The four subsidiaries plan to file notices of appeal to the Tax Court of Canada to each notice of confirmation received. 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.

Effective June 3, 2018, the Company will no longer receive FDC from BCLC due to the new OSAs signed for its B.C. properties, which introduces FIC and terminates FDC. The Company concluded that the tax treatment of FIC should be treated as income in the year earned, because the FIC is not directly tied to qualified amounts spent under the MIR program. Management is of the opinion that the appropriate income tax treatment of FDC under CRA audit is unaffected by the introduction of the MIR program.

The CRA also challenged the tax treatment of a payment Georgian Downs Ltd ("GDL") received from OLG in 2013, as a result of the termination of the Slots at Racetracks Program and GDL received a notice of reassessment for its 2013 taxation year. GDL treated the payment as a reimbursement of property, plant and equipment costs reducing the capital cost of related assets but CRA's position was the payment should be treated as ordinary business income. GDL filed a notice of objection in the first quarter to appeal the notice of reassessment and paid the minimum amount required to dispute the reassessment. As at June 30, 2018, the balance that GDL deposited to CRA was $4.8 (December 31, 2017 - $nil) and is reflected in "cash on deposit with Canada Revenue Agency" on the condensed interim consolidated statements of financial position. Management believes that it is probable that GDL's tax filing position will prevail and consequently has not accrued any potential liability arising from this matter.

Subsequent to June 30, 2018, GDL received a letter from CRA accepting GDL's representation in the notice of objection. GDL expects to receive another notice of reassessment for the 2013 taxation year that reverses the prior reassessment along with a refund of the balance on deposit.

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

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

		Three months ended June 30,		Six months ended June 30,	
		2018	2017	**2018**	2017
Shareholders' net earnings	(A)	**$ 42.0**	$ 26.7	**$ 71.2**	$ 44.5
Weighted-average number of common shares outstanding [(1)]	(B)	**61,116**	61,565	**61,043**	61,445
Dilutive adjustment for share options [(1)]		**2,555**	921	**2,216**	1,004
Diluted weighted-average number of common shares [(1)]	(C)	**63,671**	62,486	**63,259**	62,449
Shareholders' net earnings per common share					
Basic	(A/B)	**$ 0.69**	$ 0.43	**$ 1.17**	$ 0.72
Diluted	(A/C)	**$ 0.66**	$ 0.43	**$ 1.13**	$ 0.71

(1) Share information is presented in thousands.

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Share options [(2)]	**-**	1,502	**640**	1,502

(2) Share option information is presented in thousands.

10. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Six months ended June 30,	
	2018	2017
Accounts receivable	**$ (28.5)**	$ 2.8
Prepaids, deposits and other assets	**(6.2)**	(3.0)
Accounts payable and accrued liabilities	**42.3**	(4.0)
	$ 7.6	$ (4.2)

(1) The change in balance due from NSGC of $1.2, previously presented as "Other" under "Cash Flows From Investing Activities" for the six months ended June 30, 2017, has been retrospectively reclassified to "Accounts Receivable" under "Changes in non-cash operating working capital" to conform with the presentation of the current period.

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

11. SEGMENT INFORMATION

As part of the integration of the GTA Gaming Bundle, which was acquired on January 23, 2018 (Note 13(a)), the Company reorganized its operational structure to reflect the manner in which the CODM now reviews the operations and business performance of the Company. The CODM monitors the Company's operating results on a regional basis using Adjusted EBITDA(1) to assess each region's performance and makes decisions about resources to be allocated to each region. The Company's operating results are divided into four regions and Corporate. The four regions, each of which are operating segments, are: Ontario, B.C., Atlantic, and United States ("U.S."). Comparative historical segmented information has been adjusted based on available information. Segment information for each operating segment are as follows:

Segment Revenues and Adjusted EBTIDA (1)	Ontario	B.C.	Atlantic	U.S.	Corporate	Total
Three months ended June 30, 2018						
Gaming revenues	**$ 173.6**	**$ 64.1**	**$ 16.9**	**$ 9.0**	**$ -**	**$ 263.6**
Hospitality revenues	**4.5**	**16.9**	**6.1**	**1.0**	**-**	**28.5**
Racetrack, lease and other revenues	**6.5**	**5.6**	**1.0**	**0.1**	**-**	**13.2**
Revenues	**$ 184.6**	**$ 86.6**	**$ 24.0**	**$ 10.1**	**$ -**	**$ 305.3**
Adjusted EBITDA (1)	**$ 81.3**	**$ 39.6**	**$ 8.3**	**$ 1.9**	**$ (6.5)**	**$ 124.6**
Three months ended June 30, 2017						
Gaming revenues	$ 25.8	$ 71.0	$ 16.7	$ 9.5	$ -	$ 123.0
Hospitality revenues	2.8	15.4	5.4	1.3	-	24.9
Racetrack, lease and other revenues	6.1	5.8	1.1	0.1	-	13.1
Revenues	$ 34.7	$ 92.2	$ 23.2	$ 10.9	$ -	$ 161.0
Adjusted EBITDA (1)	$ 15.2	$ 43.5	$ 7.3	$ 1.8	$ (5.0)	$ 62.8
Six months ended June 30, 2018						
Gaming revenues	**$ 276.1**	**$ 129.8**	**$ 32.3**	**$ 17.9**	**$ -**	**$ 456.1**
Hospitality revenues	**8.4**	**30.5**	**10.9**	**2.1**	**-**	**51.9**
Racetrack, lease and other revenues	**14.5**	**11.3**	**1.9**	**0.1**	**-**	**27.8**
Revenues	**$ 299.0**	**$ 171.6**	**$ 45.1**	**$ 20.1**	**$ -**	**$ 535.8**
Adjusted EBITDA (1)	**$ 132.0**	**$ 75.1**	**$ 14.1**	**$ 3.3**	**$ (11.0)**	**$ 213.5**
Six months ended June 30, 2017						
Gaming revenues	$ 45.5	$ 136.4	$ 30.8	$ 18.9	$ -	$ 231.6
Hospitality revenues	5.5	29.0	10.2	2.6	-	47.3
Racetrack, lease and other revenues	12.2	10.6	1.9	0.1	-	24.8
Revenues	$ 63.2	$ 176.0	$ 42.9	$ 21.6	$ -	$ 303.7
Adjusted EBITDA (1)	$ 23.7	$ 79.4	$ 12.3	$ 5.1	$ (9.5)	$ 111.0

Segment Assets	Ontario	B.C.	Atlantic	U.S.	Corporate	Total
As at June 30, 2018						
Cash and cash equivalents	**$ 249.7**	**$ 152.4**	**$ 34.4**	**$ 13.0**	**$ 46.4**	**$ 495.9**
Total assets	**$ 675.8**	**$ 785.2**	**$ 94.7**	**$ 36.4**	**$ 50.0**	**$ 1,642.1**
As at December 31, 2017						
Cash and cash equivalents	$ 31.5	$ 201.3	$ 40.6	$ 12.6	$ 36.3	$ 322.3
Total assets	$ 175.4	$ 789.6	$ 130.5	$ 35.3	$ 40.6	$ 1,171.4

(1) 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, business acquisition, restructuring and other, and foreign exchange gain (loss) and other. Adjusted EBITDA can be computed as revenues less human resources and property, marketing and administration expenses plus share of profit of operating equity investees.

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

11. SEGMENT INFORMATION (Continued)

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Adjusted EBITDA	**$ 124.6**	$ 62.8	**$ 213.5**	$ 111.0
Less:				
Amortization	**21.0**	14.0	**37.5**	28.6
Share-based compensation	**4.7**	1.5	**6.9**	2.6
Impairment reversal of long-lived assets	**-**	-	**-**	(0.9)
Interest and financing costs, net	**12.8**	8.6	**21.7**	17.1
Business acquisition, restructuring and other [2]	**6.9**	1.5	**12.4**	1.3
Foreign exchange gain and other	**(0.3)**	(0.1)	**(0.9)**	-
Income taxes	**15.5**	9.9	**26.6**	17.0
Net earnings	**$ 64.0**	$ 27.4	**$ 109.3**	$ 45.3

(2) In calculating Adjusted EBITDA for the three and six months ended June 30, 2018, "share of profit of equity investment" does not include the loss of $0.5 and $1.1, respectively, relating to the Company's share of OGWGLP's transition costs incurred for the West GTA Gaming Bundle (Note 13(b)) prior to the acquisition on May 1, 2018, in which OGWGLP was accounted for as an equity method investee. The loss of $0.5 and $1.1 has been classified under "business acquisition, restructuring and other" instead.

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

12. FAIR VALUE MEASUREMENTS

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

The disclosure of the three-level fair value hierarchy reflects the significance of the inputs used in measuring fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, either directly or indirectly.

Level 3 – Inputs that are not based on observable market data.

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

The Company's long-term debt instruments are Level 2 financial instruments as they are estimated based on quoted prices that are observable for similar instruments or on the current rates offered to the Company for debt of the same maturity. As at June 30, 2018, the Company's long-term debt instruments had a fair value of $740.0 (December 31, 2017 - $504.3) and a carrying value of $704.3 (December 31, 2017 - $482.6). As at June 30, 2018, the Company's interest rate swap had a carrying value equal to its fair value of $0.8 (December 31, 2017 - $0.9) as described in Note 4.

The Company's contingent future trailing payments are recurring Level 3 financial instruments as they require management to make assumptions regarding the measurement of fair value using significant inputs that are not based on observable market data. As at June 30, 2018, the fair value and carrying value of the Company's contingent future trailing payments was $5.9 (December 31, 2017 - $6.2), of which $0.9 (December 31, 2017 - $0.7) was recorded in "other liabilities" and $5.0 (December 31, 2017 – $5.5) was recorded in "deferred credits, provisions and other liabilities" on the condensed interim consolidated statements of financial position. The following table reconciles the opening to the ending balances of the trailing payments:

	Trailing payments
Balance at January 1, 2018	$ 6.2
Net charge to earnings[(1)]	0.3
Settlement	(0.6)
Balance at June 30, 2018	**$ 5.9**

[(1)] The net charge to earnings includes accretion of $0.3 recorded in "interest and financing costs, net" and a decrease in the estimated provision of $nil recorded in "business acquisition, restructuring and other" on the condensed interim consolidated statements of earnings and other comprehensive income.

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

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

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

13. ACQUISITIONS

a) GTA Gaming Bundle

On January 23, 2018, OTG, a partnership in which the Company owns a 49% interest, signed a minimum 22-year term COSA with OLG. Under the business transition and asset purchase agreement ("TAPA"), OTG acquired certain of OLG's gaming assets in the GTA Gaming Bundle, related to OLG Slots at Woodbine (rebranded as Casino Woodbine), OLG Slots at Ajax Downs (rebranded as Casino Ajax), and Great Blue Heron Casino. The purchase price for such assets was $158.0, including working capital of $62.6, paid in cash.

The fair value of the identifiable assets acquired and liabilities assumed as at January 23, 2018 were as follows:

Assets acquired		
Cash	$	62.0
Prepaids, deposits and other assets		3.9
Property, plant and equipment (1)		84.7
Intangible assets (2)		10.7
Total assets acquired	$	161.3
Liabilities assumed		
Accounts payable and accrued liabilities	$	3.3
Total liabilities assumed		3.3
Net assets acquired	$	158.0

(1) Of the $84.7 of property, plant and equipment acquired, $42.5 was assigned to leasehold improvements and $42.2 was assigned to equipment.

(2) Intangible assets of $10.7 relate to the casino operating and services agreement with OLG which expires on March 31, 2040 and will be amortized on a straight-line basis over that period.

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

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

13. ACQUISITIONS (Continued)

b) West GTA Gaming Bundle

On May 1, 2018, OGWGLP, a partnership in which the Company owns a 55% interest, signed a minimum 20-year term COSA with OLG to acquire certain gaming assets in the West GTA Gaming Bundle. Under the TAPA signed on December 18, 2017, and the Brantford lease agreement dated May 1, 2018, OGWGLP acquired certain gaming assets and leased real property from OLG in the West GTA Gaming Bundle, related to OLG Casino Brantford, OLG Slots at Mohawk Racetrack, OLG Slots at Flamboro Downs, and OLG Slots at Grand River Raceway, which have been repositioned to the Company's Elements Casino brand. The purchase price of the acquired assets and the prepaid rent on the leased real property totaled $121.6, including working capital of approximately $25.2, paid in cash.

The fair value of the identifiable assets acquired and liabilities assumed as at May 1, 2018 were as follows:

Assets acquired		
Cash	$	23.3
Prepaids, deposits and other assets		3.1
Property, plant and equipment[(1)]		68.8
Intangible assets[(2)]		27.6
Total assets acquired	$	122.8
Liabilities assumed		
Accounts payable and accrued liabilities	$	1.2
Total liabilities assumed		1.2
Net assets acquired	$	121.6

(1) Property, plant and equipment of $68.8 consists of $6.7 assigned to leasehold improvements, $24.6 assigned to equipment, and $37.5 assigned to leased real property, of which $5.2 was assigned to land and $32.3 was assigned to building and building improvements.

(2) Intangible assets of $27.6 relate to the casino operating and services agreement with OLG which expires on March 31, 2038 and will be amortized on a straight-line basis over that period.

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

c) Revenues and Net earnings of GTA Gaming Bundle and West GTA Gaming Bundle

Since the acquisitions, Revenues from the GTA Gaming Bundle and the West GTA Gaming Bundle to June 30, 2018 were $205.6 and $34.9, respectively, and Net earnings of the GTA Gaming Bundle and West GTA Gaming Bundle to June 30, 2018 were $67.2 and $4.5, respectively.

If both acquisitions occurred on January 1, 2018, management estimates that the Company's consolidated Revenues and Net earnings would have been $623.5 and $124.6, respectively, for the six months ended June 30, 2018. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of the acquisitions would have been the same if the acquisitions had occurred on January 1, 2018.