



GREAT CANADIAN GAMING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Month and Nine Month Periods Ended
September 30, 2018

(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", "GCGC", "we", "our") is dated as of November 5, 2018.

This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2018 ("Condensed Interim Financial Statements"), our audited consolidated financial statements for the year ended December 31, 2017 ("Annual Financial Statements"), our MD&A for the year ended December 31, 2017 and our Annual Information Form for the year ended December 31, 2017. 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 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. Unless expressly stated otherwise, all financial information is expressed in Canadian dollars.

This MD&A is presented on a regional or consolidated basis as described (and defined) in the "Business Description" and "Consolidated Results of Operations" section of this document. Capitalized terms are either defined when they first appear.

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 income, and can be computed as revenues less human resources expenses and property, marketing and administration expenses plus the share of profit of operating equity investees. 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 net earnings under IFRS is shown in the "Financial Highlights" section of this MD&A.

In order to view its operations on a more stand-alone basis based on its shareholders' proportionate interests in its Ontario partnerships, the Company has presented its Adjusted EBITDA attributable to the shareholders of the Company for the Ontario region. Adjusted EBITDA attributable to shareholders of the Company is Adjusted EBITDA, as defined above, less the non-controlling interest portion of Adjusted EBITDA.

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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:

- Gross Gaming Revenues are the amounts wagered on gaming activities, less the payout or prizes won by customers, and comprises table hold, slot win and poker rake.
- Table drop means the collective amount of money customers pay 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, expected future expenditures, costs, operating and financial results, expected impact of future commitments, the future ability of the Company to operate the Georgian Downs facility beyond the terms of the signed Ontario Lease Agreement and Ontario Racing Agreements, the impact of conditions imposed on certain VIP players in British Columbia, the impact of unionization activities and labour organization, 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 B.C. horse racing industry revenue in future years, and expectations and implications of changes in legislation and government policies, volatile gaming holds, the effects of competition in the market and potential difficulties in employee retention and recruitment. 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 existing operational services agreements with lottery

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corporations; terms of new 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 related to anti-money laundering legislation or policy that may impact VIP play), volatile gaming holds, the effects of competition in the market; the development of properties in Ontario and transitioning of operations to the Company and affiliates; the Company's ability to obtain and renew required business licenses, leases, and operational services agreements; unanticipated fines, sanctions and suspensions imposed on the Company by its regulators; impact of global liquidity and credit availability; actual and possible reassessments of the Company's prior tax filings by tax authorities; the results of the Company's notices of objection and subsequent appeals challenging reassessments received by the Canada Revenue Agency; the Company's tax position on its facility development commission prevailing; the results of the Company's litigation with BCLC; 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 and potential labour disruption; adverse changes in the Company's labour relations; the Company's ability to manage its capital projects and its expanding operations in jurisdictions where it operates; 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; the risk associated with partnership relationship; 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 2017, 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 September 30,			Nine months ended September 30,		
	2018	2017	% Chg	2018	2017	% Chg
Gaming revenues ^{(1) (2)}	\$ 298.6	\$ 119.9	149%	\$ 754.7	\$ 351.5	115%
Hospitality revenues ^{(1) (3)}	30.0	26.9	12%	81.9	74.2	10%
Racetrack, lease and other revenues ⁽³⁾	14.6	12.8	14%	42.4	37.6	13%
Revenues	343.2	159.6	115%	879.0	463.3	90%
Human resources	100.6	54.4	85%	265.3	161.6	64%
Property, marketing and administration	102.7	43.3	137%	261.6	130.1	101%
Share of profit of equity investment ⁽⁴⁾	(0.7)	(0.8)	(13%)	(2.0)	(2.1)	(5%)
	202.6	96.9	109%	524.9	289.6	81%
Adjusted EBITDA ⁽⁵⁾	\$ 140.6	\$ 62.7	124%	\$ 354.1	\$ 173.7	104%
Human resources as a % of Revenues	29.3%	34.1%		30.2%	34.9%	
Adjusted EBITDA as a % of Revenues	41.0%	39.3%		40.3%	37.5%	
Less:						
Amortization	22.5	14.3		60.0	42.9	
Share-based compensation	3.1	3.3		10.0	5.9	
Impairment reversal of long-lived assets	-	-		-	(0.9)	
Interest and financing costs, net	12.4	8.6		34.1	25.7	
Business acquisition, restructuring and other ⁽⁴⁾	1.9	(0.3)		14.3	1.0	
Foreign exchange (gain) loss and other	(0.4)	0.1		(1.3)	0.1	
Income taxes	19.8	9.2		46.4	26.2	
Net earnings	\$ 81.3	\$ 27.5	196%	\$ 190.6	\$ 72.8	162%
Net earnings attributable to:						
Shareholders of the company	\$ 52.6	\$ 26.9		\$ 123.8	\$ 71.4	
Non-controlling interests	28.7	0.6		66.8	1.4	
	\$ 81.3	\$ 27.5	196%	\$ 190.6	\$ 72.8	162%
Shareholders' net earnings per common share						
Basic	\$ 0.86	\$ 0.44		\$ 2.03	\$ 1.17	
Diluted	\$ 0.82	\$ 0.43		\$ 1.95	\$ 1.14	
Weighted average number of common shares (in thousands)						
Basic	61,284	60,880		61,124	61,254	
Diluted	63,864	62,257		63,460	62,377	
				September 30,	December 31,	
				2018	2017	% Chg
Cash and cash equivalents	\$ 579.5	\$ 322.3	80%			
Total assets	\$ 1,774.3	\$ 1,171.4	51%			
Long-term debt	\$ 705.7	\$ 482.6	46%			

(1) Promotional allowances of \$13.1 and \$35.5 for the three and nine months ended September 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 nine months ended September 30, 2017, promotional allowances of \$6.7 and \$16.9 have been netted against gaming revenues, respectively, and promotional allowances of \$6.4 and \$18.6 have been netted against hospitality revenues, respectively.

(2) Facility Development Commission of \$10.1 and \$29.5 previously presented separately for the three and nine months ended September 30, 2017, respectively, has been included in gaming revenues.

(3) Lease and other revenues of \$9.5 and \$28.3, previously included in hospitality, lease and other revenues for the three and nine months ended September 30, 2017, respectively, has been grouped with racetrack, lease and other revenues.

(4) In calculating Adjusted EBITDA for the nine months ended September 30, 2018, "share of profit of equity investment" does not include the loss of \$1.1 relating to the Company's share of Ontario Gaming West GTA Limited Partnership's ("OGWGLP") transition costs incurred for the West GTA Gaming Bundle prior to the acquisition on May 1, 2018, in which OGWGLP was accounted for as an equity method investee. The loss of \$1.1 has been classified under "business acquisition, restructuring and other" instead.

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

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Revenues

For the three months ended September 30, 2018, the Company recorded revenues of \$343.2, a \$183.6 or 115% increase from the three months ended September 30, 2017. For the nine months ended September 30, 2018, the Company recorded revenues of \$879.0, a \$415.7 or 90% increase from the nine months ended September 30, 2017. The increases were primarily attributable to revenues from the Greater Toronto Area Gaming Bundle ("GTA Gaming Bundle") and the West Greater Toronto Area Gaming Bundle ("West GTA Gaming Bundle") since their acquisitions on January 23, 2018 and May 1, 2018, respectively. For the three and nine months ended September 30, 2018, the increases in revenues were partially offset by a decline in revenues in British Columbia due to the ongoing effects from the labour disruption at Hard Rock Casino Vancouver ("Hard Rock").

Adjusted EBITDA

For the three months ended September 30, 2018, Adjusted EBITDA was \$140.6, a \$77.9 or 124% increase from the three months ended September 30, 2017. For the nine months ended September 30, 2018, Adjusted EBITDA was \$354.1, a \$180.4 or 104% increase from the nine months ended September 30, 2017. The increases were primarily due to the previously mentioned additional revenues from the GTA Gaming Bundle and West GTA Gaming Bundle.

Shareholders' net earnings

Shareholders' net earnings for the three and nine months ended September 30, 2018 increased when compared to the same periods in the prior year, as a result of increased Adjusted EBITDA, partially offset by increases in amortization, interest and financing costs (net), business acquisition, restructuring and other, and income taxes, primarily due to the acquisition of the GTA Gaming Bundle and the West GTA Gaming Bundle.

BUSINESS DESCRIPTION

As at September 30, 2018, Great Canadian operated 28 gaming, entertainment and hospitality facilities in four regions: Ontario, British Columbia ("B.C."), Atlantic, and United States ("U.S.):

Ontario	British Columbia	Atlantic	United States
<u>GTA Gaming Bundle</u>	River Rock Casino Resort	Casino New Brunswick	Great American Casino Des Moines
Casino Ajax	Hard Rock Casino Vancouver	Casino Nova Scotia Halifax	Great American Casino Everett
Casino Woodbine	Elements Casino Surrey	Casino Nova Scotia Sydney	Great American Casino Lakewood
Great Blue Heron Casino	Elements Casino Victoria ⁽²⁾		Great American Casino Tukwila
	Casino Nanaimo		
<u>West GTA Gaming Bundle</u>	Chances Chilliwack		
Elements Casino Brantford	Chances Maple Ridge		
Elements Casino Mohawk	Chances Dawson Creek		
Elements Casino Flamboro ⁽¹⁾	Hastings Racecourse & Casino		
Elements Casino Grand River	Bingo Esquimalt		
<u>East Gaming Bundle</u>			
Shorelines Casino Belleville			
Shorelines Casino Thousand Islands			
Shorelines Slots at Kawartha Downs			
Flamboro Downs Racetrack ⁽¹⁾			
Georgian Downs Racetrack			

⁽¹⁾ Elements Casino Flamboro and Flamboro Downs Racetrack operate in the same location, and together, they are considered as one gaming facility.

⁽²⁾ Formerly View Royal Casino.

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MAJOR DEVELOPMENTS

Ontario

The Company manages the GTA Gaming Bundle, the West GTA Gaming Bundle, and the East Gaming Bundle (collectively, the "Ontario Gaming Bundles") through management and development services agreements with the respective partnerships. As part of their respective acquisitions under the Ontario Lottery and Gaming Corporation's ("OLG") Modernization process, each partnership signed a casino operating and services agreement ("COSA") with OLG. Through the compensation model under the COSAs, OLG and the Province of Ontario continue to be the primary beneficiaries of current and future financial benefits from the Gross Gaming Revenues generated by the Ontario Gaming Bundles. Similar to the Provincial Crown corporations in other Canadian jurisdictions, OLG retains all gaming revenues while the Ontario partnerships earn a fee based on a prescribed gaming revenue sharing formula that provides for an appropriate return on the significant investments in the facilities.

Greater Toronto Area Gaming Bundle

On January 23, 2018, One Toronto Gaming ("OTG") (previously referred to as Ontario Gaming GTA Limited Partnership or "OGGTA"), 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 (limited to leasehold improvements and equipment) was \$158.0, including working capital of \$62.6.

The Company plans to spend up to \$1,500.0 on the initial phase of a long-term development program for the GTA Gaming Bundle, which is expected to be the catalyst for future development and significant third party investment at our facilities and on adjacent lands. The initial development plan is supported by OTG's \$1,100.0 non-recourse revolving and capital expenditures credit facilities as well as equity contributions, comprising both reinvested cash flows from the business or any partner contributions required. The cash flows generated from the GTA Gaming Bundle will primarily be used to fund capital investments up to completion of the initial phase of the development program.

OTG's key development initiatives are discussed as follows:

Casino Woodbine

OTG's plans for Casino Woodbine will transform the property into an international destination casino resort, fully integrated with the current racing operations. The redeveloped property will offer hotels, state-of-the-art theatre, performance venue for live entertainment, extensive dining and retail options, as well as expanded gaming. During the second quarter of 2018, OTG received approval from the City of Toronto confirming that the required 21 conditions have been satisfied permitting expanded gaming on the property for table games and additional slot machines. In late August 2018, OTG introduced for the first time within the Greater Toronto Area, 50 live dealer table games, and further added 50 table games in early October 2018, including a VIP gaming offering, bringing the total gaming capacity at Casino Woodbine to approximately 3,700 slot machines and 100 table games.

Durham Region Casino

OTG intends to develop a world-class casino resort in Pickering, Ontario. The casino resort will include expanded gaming, hotel, retail, restaurants, and a multi-purpose entertainment venue. During the first quarter of 2018, OTG received approval to move forward with municipal permitting from the City of Pickering. Construction of the new casino has commenced and is targeted to open by the end of 2019, with development plans for the hotel and theatre to follow afterwards.

Great Blue Heron Casino

Redevelopment plans for the Great Blue Heron Casino include a new hotel, dining, multi-purpose entertainment venue and a new casino building addition to expand the gaming floor capacity. The Company has received all development approvals for the expansion and has commenced construction of the new casino expansion. Completion of these plans is targeted for the end of 2018 for the new casino building addition, the first half of 2019 for the casino renovations to the existing facility, and the end of 2019 for the hotel.

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West GTA Gaming Bundle

On May 1, 2018, Ontario Gaming West GTA Limited Partnership ("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, including assets 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 (limited to leasehold improvements and equipment) and the prepaid rent on the leased real property totalled \$121.6, including working capital of approximately \$25.2.

The Company plans to spend up to \$360.0 on the initial phase of a long-term development program for the West GTA Gaming Bundle, which is expected to be the catalyst for future development and significant third party investment at our facilities and on adjacent lands. The initial development plan is supported by OGWGLP's \$285.0 non-recourse revolving credit facility as well as equity contributions, comprising both reinvested cash flows from the business or any partner contributions required. The cash flows generated from the West GTA Gaming Bundle will primarily be used to fund capital investments up to completion of the initial phase of the development program.

OGWGLP's key development initiatives are discussed as follows:

Elements Casino Mohawk

The Company's plans for Elements Casino Mohawk include a phased transformation of the site into a premiere casino resort integrated with horse racing, offering expanded gaming, a hotel, and enhanced food and beverage offerings. The initial development phase, currently underway, will see new gaming capacity to include the introduction of table games by the end of 2018, followed by a renovation of the second floor to further expand slots and tables, including VIP gaming. Master planning for the casino resort which is also underway, will subsequently add an integrated hotel and conference space, expansion of the grandstand building to increase the gaming floor, and additional premium non-gaming amenities.

Elements Casino Flamboro

Similar to Elements Casino Mohawk, OGWGLP's future plans for Elements Casino Flamboro include a phased expansion of the facility to a casino resort, fully integrated with the current horse racing operations. The initial development phase, which has commenced, will see a comprehensive interior refresh of the existing grandstand. The renovation will provide additional gaming capacity, including the introduction of table games and additional slot machines, and enhanced food and beverage offering upgrades. The initial phase is expected to complete at the end of 2018. The Company is also continuing with its expansion plans to add an integrated hotel, new complementary non-gaming amenities, and a further increase to the gaming floor capacity.

Elements Casino Grand River

OGWGLP has plans to immediately expand the building footprint outside of the existing grandstand to increase the floor area, add new gaming capacity including introduction of table games, improve integration with horse racing, and provide enhanced food and beverage offerings. Renovations to the existing facility, which are underway, will open up additional gaming space for slot machines, including electronic table games, in the first quarter of 2019, and live dealer table games will be introduced shortly afterwards.

Elements Casino Brantford

OGWGLP's redevelopment plans for Elements Casino Brantford include a complete renovation of the gaming floor to increase gaming capacity, enhance food and beverage offerings, as well as introduce additional VIP amenities. The Company has completed gaming layout revisions to enhance the current gaming offerings and increase gaming capacity. Renovations will start in 2019.

East Gaming Bundle

Shorelines Casino Peterborough

Ontario Gaming East Limited Partnership ("OGELP"), a partnership in which the Company holds a 90.5% interest, held a grand opening celebration for the new Shorelines Casino Peterborough on October 15, 2018. The new gaming facility is a 52,000 square foot full-service casino featuring 500 slot machines, 22 table games, a live entertainment area, a buffet restaurant, an a-la-carte menu restaurant, and a full service PlaySmart Centre that provides responsible gambling information and resources to players.

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British Columbia

Operational Services Agreement ("OSA")

Effective June 3, 2018, the Company signed new OSAs which replaced the existing COSAs with BCLC for all gaming facilities in B.C. The OSAs are for a minimum term of 20 years and include the provision for appropriate investments in the Company's B.C. properties as well as the delivery of annual business plans. Key changes in the new OSAs include increased operating commissions for certain table games, poker, and bingo. In addition, service providers, including GCGC, under the new OSA earn a 5% Facility Investment Commission ("FIC"), which replaced the Facility Development Commission ("FDC") and the accelerated FDC. The new OSAs will increase the Company's accountability to BCLC through annual business planning requirements, compliance, and standards, while also creating strategic opportunities for greater alignment between BCLC and the Company. Refer to the "Capital Spending and Development" section of this MD&A for discussion on FIC.

Independent Review of Money Laundering in B.C. by Dr. Peter German

On June 27, 2018, B.C.'s Provincial government publicly released Dr. Peter German's report on his independent review of B.C.'s anti-money laundering ("AML") policies and practices in Lower Mainland casinos. During the review process, the Company engaged openly with Dr. German, who was appointed by the Attorney General of B.C. to conduct the independent review, and welcomed his contributions in examining industry issues and recommending improvements to the AML system that address valid security concerns while also facilitating casino play that benefits the province. The Company continues to work in collaboration with regulators and Crown corporations to enhance the AML system as part of the commitment to keeping funds from illegal sources out of the gaming industry. While B.C. casino operators, like the Company, proactively work with and receive direction from the Provincial government on the implementation of Dr. German's recommendations, the Company has undertaken its own steps to assist and prepare for their timely adoption. The report's recommendations are not expected to have a material impact to the Company's business.

BCLC Source of Funds Procedures

On January 10, 2018, BCLC enacted new procedures for all B.C. casinos regarding buy-ins of \$10,000 (ten thousand dollars) or more at all B.C. casinos and for all players. All cash, bank drafts and certified cheques of \$10,000 (ten thousand dollars) or more, in one or more transactions over a 24-hour period, require a bank receipt. The original receipt must be from the same day of the transaction and display the financial institution, branch, and account number. This information is required prior to a customer's buy-in and is subject to daily BCLC review. Although the source of funds procedures were instituted quickly, management's analysis has indicated that the players at the Company's casinos are adjusting their playing habits and behaviour accordingly. The new procedures were implemented as part of Dr. Peter German's interim recommendations prior to delivering his report on B.C.'s AML policies, as discussed above.

Hard Rock Labour Disruption

On May 11, 2018, British Columbia Government and Service Employees' Union ("BCGEU"), the bargaining unit representing team members at Hard Rock, voted in favour of a strike, which resulted in limited gaming offerings at Hard Rock until a new collective bargaining agreement was reached on July 22, 2018, as further discussed in the "Labour Relations" section of this MD&A. The impact of the labour disruption to the operations of Hard Rock continued into the third quarter of 2018. The Company is focused on strengthening its market share with its guests through various marketing initiatives.

Elements Casino Victoria (formerly "View Royal Casino")

On May 5, 2018, a "Grand Opening Celebration" was held for the rebranded Elements Casino Victoria. New features include an expansion of the gaming floor with an additional 220 slot machines and 6 new table games. New non-gaming amenities include additional and modern dining options including a buffet, casual lounge and bar, quick service restaurants, and a multi-purpose entertainment venue that accommodates up to 600 guests.

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River Rock Casino Resort

On February 1, 2018, River Rock Casino Resort ("River Rock") held a "Grand Reveal Celebration" to unveil its refreshed casino floor with enhancements to its gaming and non-gaming amenities, including a VIP Privé Slots area, four new food court outlets, and Starbucks Evenings. Starbucks Evenings is a Starbucks location licensed to serve a selection of alcoholic beverages and small plates, and the addition to River Rock is the second location of this type to open in British Columbia.

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 proposed in the Greater Victoria region. BCLC intends to develop a gaming facility to suit the market in the City of Victoria with Elements Casino Victoria remaining the primary facility in the marketplace. BCLC indicates the new facility will be limited to 225 slot machines and 6 table games and it will review the gaming offering in 2023. The Company has been shortlisted for a request for proposal ("RFP") to operate the potential casino and entertainment facility in Victoria.

The Company's former Mayfair casino was located in the City of Victoria and closed in 2002. The 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.

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LABOUR RELATIONS

As at September 30, 2018, the Company employed unionized employees at thirteen of its properties. Below is a summary of the union related activities during 2018:

Ontario

Georgian Downs Ltd ("GDL") and the Public Service Alliance of Canada, Local 00500 reached a new collective agreement, ratified on March 21, 2018, for a three-year term from January 1, 2018 to December 31, 2020.

Casino Ajax and Unifor reached a new collective agreement, ratified on July 26, 2018, for a four-year term from July 24, 2018 to July 23, 2022.

Casino Woodbine and Unifor reached a new collective agreement for its security unit, ratified on July 27, 2018, for a four-year term from June 1, 2018 to May 31, 2022. With the introduction of table games at Casino Woodbine, table games employees will join the bargaining unit with Teamsters for Public Service Alliance of Canada.

Great Blue Heron and Unifor reached a new collective agreement, ratified on July 26, 2018, for a four-year term from July 24, 2018 to July 23, 2022.

Elements Casino Brantford and Unifor reached a new collective agreement, ratified on July 26, 2018, for a four-year term from June 1, 2018 to May 31, 2022.

Elements Casino Flamboro is challenging the bargaining unit which may impact the outcome of the vote that determines if Unifor will represent the team members. The Ontario Labour Relations Board will make the decision after hearings are completed.

Elements Casino Mohawk and Unifor reached a new collective agreement for its security unit, ratified on July 28, 2018, for a four-year term from June 1, 2018 to May 31, 2022. On May 14, 2018, other team members from Elements Casino Mohawk voted in favour of being represented by Unifor. A first collective bargaining agreement was ratified on October 21, 2018 for a four-year term from October 22, 2018 to October 21, 2022.

British Columbia

Hard Rock and the BCGEU reached a new collective agreement ratified on July 22, 2018, for a 3.5-year term from July 22, 2018 to January 31, 2022.

Hastings Racecourse and the Canadian Office and Professional Employees Union, Local 378 (doing business as MoveUP) reached a new collective agreement, ratified on March 31, 2018, for a five-year term from January 1, 2015 to December 31, 2020.

Hasting Racecourse received notice to commence bargaining from Unite Here, Local 40, a bargaining unit representing its food and beverage team members, on October 25, 2018. The collective agreement for this bargaining group expired on June 30, 2016. Bargaining dates have not yet been determined.

Atlantic

Casino Nova Scotia Halifax reached a new collective agreement, ratified on August 31, 2018 for a three-year term from February 1, 2018 to January 31, 2021. Bargaining for the security unit is expected to commence November 2018.

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CONSOLIDATED RESULTS OF OPERATIONS

The Company's operating results are discussed on a regional basis as follows:

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Chg	2018	2017	% Chg
REVENUES						
Ontario	\$ 215.0	\$ 33.0	552%	\$ 513.9	\$ 96.1	435%
British Columbia ⁽²⁾	92.4	92.0	0%	264.2	268.1	(1%)
Atlantic	25.4	25.3	0%	70.3	68.2	3%
United States ⁽³⁾	10.4	9.3	12%	30.6	30.9	(1%)
Total Revenues	\$ 343.2	\$ 159.6	115%	\$ 879.0	\$ 463.3	90%
ADJUSTED EBITDA ⁽¹⁾						
Ontario	\$ 90.0	\$ 13.5	567%	\$ 221.9	\$ 37.1	498%
British Columbia ⁽²⁾	44.7	43.5	3%	119.9	123.1	(3%)
Atlantic	9.7	9.2	5%	23.7	21.5	10%
United States ⁽³⁾	2.6	0.9	189%	6.0	5.9	2%
Corporate & Other	(6.4)	(4.4)	(45%)	(17.4)	(13.9)	(25%)
Total Adjusted EBITDA	\$ 140.6	\$ 62.7	124%	\$ 354.1	\$ 173.7	104%

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

⁽²⁾ For the three and nine months ended September 30, 2017, British Columbia was previously presented as five separate property groups: River Rock Casino Resort, Hard Rock Casino Vancouver, Other Vancouver Area Casinos, Vancouver Island Casinos, and Other BC Casinos. These property groups have been combined into a single group under British Columbia with the previous period financial results reclassified to conform with the presentation of the current year. The financial results of British Columbia presented throughout this MD&A combines the financial results of these five property groups.

⁽³⁾ United States was previously presented as Great American Casinos for the three and nine months ended September 30, 2017.

Refer to the "Business Description" section of this MD&A for a list of properties under each of the regions.

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Ontario

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Chg	2018	2017	% Chg
Gaming revenues	\$ 201.9	\$ 23.8	748%	\$ 477.9	\$ 69.2	591%
Hospitality revenues ^{(1) (2)}	4.9	3.0	63%	13.2	8.5	55%
Racetrack, lease and other revenues ⁽²⁾	8.2	6.2	32%	22.8	18.4	24%
Revenues	215.0	33.0	552%	513.9	96.1	435%
Human resources	54.8	9.4	483%	128.0	28.0	357%
Property, marketing and administration	70.2	10.1	595%	164.0	31.0	429%
Adjusted EBITDA	\$ 90.0	\$ 13.5	567%	\$ 221.9	\$ 37.1	498%
Human resources as a % of Revenues	25.5%	28.5%		24.9%	29.1%	
Adjusted EBITDA as a % of Revenues	41.9%	40.9%		43.2%	38.6%	

⁽¹⁾ Promotional allowances of \$1.1 and \$3.0 for the three months and nine months ended September 30, 2017, previously presented separately as a reduction to total revenue, has been retrospectively reclassified to net against hospitality revenues to conform with the presentation adopted in the current year.

⁽²⁾ Lease revenues of \$4.1 and \$12.4 for the three and nine months ended September 30, 2018, previously presented separately, has been retrospectively reclassified to racetrack, lease and other revenues. Other revenues of \$0.9 and \$2.5, previously included in "hospitality and other revenues" for the three and nine months ended September 30, 2018, has been retrospectively reclassified to "racetrack, lease and other revenues". These reclassifications were made to conform with the presentation adopted in the current year.

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Average
Table Drop	\$ 282.1	\$ 178.6	\$ 90.5	\$ 16.3	\$ 18.5	\$ 18.4	\$ 16.0	\$ 8.4	
Table Hold	\$ 54.9	\$ 35.5	\$ 19.9	\$ 3.7	\$ 3.5	\$ 3.8	\$ 2.9	\$ 1.9	
Table Hold %	19.5%	19.9%	22.0%	22.8%	19.1%	20.4%	18.3%	22.2%	20.0%
Slot Coin-In	\$ 6,657.3	\$ 5,923.4	\$ 3,692.8	\$ 476.6	\$ 558.5	\$ 525.8	\$ 461.0	\$ 383.8	
Slot Win	\$ 451.4	\$ 402.4	\$ 245.7	\$ 38.7	\$ 45.3	\$ 43.4	\$ 37.7	\$ 31.7	
Slot Win/Slot/Day ⁽¹⁾	\$ 556	\$ 576	\$ 577	\$ 286	\$ 332	\$ 323	\$ 296	\$ 335	
Slot Win %	6.8%	6.8%	6.7%	8.1%	8.1%	8.3%	8.2%	8.3%	6.9%

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

Recent Developments

The Company completed the acquisitions of the GTA Gaming Bundle on January 23, 2018 and the West GTA Gaming Bundle on May 1, 2018, as described in the "Major Developments" section of this MD&A. On August 30, 2018, the Company announced expanded gaming at Casino Woodbine, which included additional slot machines and 50 new table games.

For the three months ended September 30, 2018, Ontario's financial results reflect a full quarter of operations from both the GTA Gaming Bundle and the West GTA Gaming Bundle. For the nine months ended September 30, 2018, Ontario's financial results reflect 251 days of operations from the GTA Gaming Bundle and 153 days of operations from the West GTA Gaming Bundle.

Revenues

Revenues increased by \$182.0 or 552% and \$417.8 or 435% in the three and nine months ended September 30, 2018, when compared to the same periods in 2017, due to the additional revenues from the GTA Gaming Bundle and the West GTA Gaming Bundle. Increased gaming capacity at Casino Woodbine, starting in August 2018, also contributed to the increase in revenues.

Expenses

Human resources expenses and property, marketing and administration expenses increased in the three and nine months ended September 30, 2018, when compared to the same periods in 2017, primarily due to the acquisitions of the GTA Gaming Bundle and the West GTA Gaming Bundle.

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Adjusted EBITDA

Adjusted EBITDA increased by \$76.5 or 567% and \$184.8 or 498% for the three and nine months ended September 30, 2018, when compared to the same periods in 2017, mainly as a result of the acquisitions of the assets in the GTA Gaming Bundle and the West GTA Gaming Bundle.

Non-controlling interests

The Company's Ontario partnerships, OTG, OGWGLP, and OGELP, have non-controlling interests. Adjusted EBITDA attributable to the shareholders of the Company, as defined in the "Non-IFRS Measures" section of this MD&A, is presented below:

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Chg	2018	2017	% Chg
Adjusted EBITDA	\$ 90.0	\$ 13.5	567%	\$ 221.9	\$ 37.1	498%
Less: non-controlling interests' portion of Adjusted EBITDA	37.1	0.9		89.9	2.5	
Adjusted EBITDA attributable to the shareholders of the Company	\$ 52.9	\$ 12.6	320%	\$ 132.0	\$ 34.6	282%

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British Columbia

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Chg	2018	2017	% Chg
Gaming revenues ^{(1) (2)}	\$ 68.7	\$ 69.4	(1%)	\$ 198.4	\$ 205.8	(4%)
Hospitality revenues ^{(1) (3)}	18.3	17.2	6%	49.2	46.4	6%
Racetrack and other revenues ⁽³⁾	5.4	5.4	0%	16.6	15.9	4%
Revenues	92.4	92.0	0%	264.2	268.1	(1%)
Human resources	29.6	29.6	0%	89.1	87.9	1%
Property, marketing and administration	18.8	19.7	(5%)	57.2	59.2	(3%)
Share of profit of equity investment	(0.7)	(0.8)	(13%)	(2.0)	(2.1)	(5%)
Adjusted EBITDA	\$ 44.7	\$ 43.5	3%	\$ 119.9	\$ 123.1	(3%)
Human resources as a % of Revenues	32.0%	32.2%		33.7%	32.8%	
Adjusted EBITDA as a % of Revenues	48.4%	47.3%		45.4%	45.9%	

⁽¹⁾ Promotional allowances of \$8.1 and \$21.5 for the three months and nine months ended September 30, 2017, respectively, previously presented separately as a reduction to total revenue, has been retrospectively reclassified to net against its related revenue streams to conform with the presentation adopted in the current year. For the three and nine months ended September 30, 2017, promotional allowances of \$4.9 and \$12.0 have been netted against gaming revenues, respectively, and promotional allowances of \$3.2 and \$9.5 have been netted against hospitality revenues, respectively.

⁽²⁾ Facility Development Commission totalling \$10.1 and \$29.5 for the three and nine months ended September 30, 2017, respectively, previously presented as a separate revenue stream for each property group, has been reclassified and included in gaming revenues for British Columbia to conform with the presentation adopted in the current year.

⁽³⁾ Other revenues of \$3.3 and \$10.1 for the three and nine months ended September 30, 2017, respectively, previously included in hospitality and other revenues has been presented with racetrack and other revenues to conform with the presentation adopted in the current year.

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Average
Table Drop	\$ 299.6	\$ 276.3	\$ 322.9	\$ 355.2	\$ 398.9	\$ 378.5	\$ 377.2	\$ 356.1	
Table Hold	\$ 53.3	\$ 52.9	\$ 55.0	\$ 59.2	\$ 59.3	\$ 64.2	\$ 60.5	\$ 57.8	
Table Hold %	17.8%	19.1%	17.0%	16.7%	14.9%	17.0%	16.0%	16.2%	16.7%
Slot Coin-In	\$ 2,163.4	\$ 2,180.9	\$ 2,131.1	\$ 2,055.2	\$ 2,166.3	\$ 2,143.2	\$ 2,014.9	\$ 1,953.1	
Slot Win	\$ 151.3	\$ 150.4	\$ 145.3	\$ 139.2	\$ 149.0	\$ 146.1	\$ 136.8	\$ 132.1	
Slot Win/Slot/Day ⁽¹⁾	\$ 325	\$ 328	\$ 336	\$ 345	\$ 352	\$ 349	\$ 330	\$ 309	
Slot Win %	7.0%	6.9%	6.8%	6.8%	6.9%	6.8%	6.8%	6.8%	6.8%

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

Recent Developments

During the second quarter of 2018, Hard Rock had limited gaming offerings due to the labour disruption, as discussed in the "Major Developments" and "Labour Relations" sections of this MD&A, resulting in a decline in revenues. A new collective agreement was reached on July 22, 2018, allowing Hard Rock to resume full operations on July 25, 2018. Results were also impacted throughout the third quarter of 2018 due to customary rebuilding of operations and guest visitations.

On May 5, 2018, Elements Casino Victoria held a "Grand Opening Celebration" to unveil its expanded gaming floor and new non-gaming amenities, as discussed in the "Major Developments" section of this MD&A.

Revenues

Gaming revenues decreased for the three and nine months ended September 30, 2018, when compared to the same periods in 2017, primarily due to the ongoing effects from the labour disruption at Hard Rock, partially offset by improved gaming revenues at most of the other B.C. properties. For the three and nine months ended September 30, 2018, gaming revenues at Hard Rock decreased by \$4.4 and \$8.7, respectively, when compared to the same periods in the prior year.

Table Hold decreased for the three and nine months ended September 30, 2018, when compared to the same periods in 2017, due to declines in Table Drop at River Rock and Hard Rock primarily attributable to the BCLC source of funds procedures implemented on January 10, 2018, as discussed in the "Major Developments" section of this MD&A. The decreases in Table Hold were partially offset higher Slot Win as a result of increased Slot Coin-In across all B.C. properties, except for Hard Rock.

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Hospitality revenues increased for the three and nine months ended September 30, 2018 when compared to the same periods in 2017, as a result of increased hotel room revenues at River Rock and new food and beverage outlets available at Elements Casino Victoria, and Casino Nanaimo, partially offset by a reduction in food and beverage sales at Hard Rock as a result of the impact of the labour disruption that continued into the third quarter of 2018. For the three and nine months ended September 30, 2018, hospitality revenues at Hard Rock decreased by \$0.5 and \$0.4, respectively, when compared to the same periods in the prior year.

Racetrack and other revenues for the three months ended September 30, 2018 were relatively consistent when compared to the same period in 2017. Racetrack revenues for the nine months ended September 30, 2018 were relatively consistent when compared to the same period in 2017. Other revenues increased for the nine months ended September 30, 2018, when compared to the same period in 2017, mainly due to increased events at River Rock and Hard Rock during the first quarter of 2018.

Expenses

Human resource expenses for the three months ended September 30, 2018 were relatively consistent when compared to the same period in 2017. Human resource expenses increased for the nine months ended September 30, 2018, when compared to the same period in 2017. Human resource expenses increased for the nine months ended September 30, 2018, when compared to the same period in 2017, due to additional team members hired for the expansion of Elements Casino Victoria and wage increases at various B.C. locations including new collective bargaining agreements at River Rock and Hard Rock, partially offset by a decrease in human resource expenses at Hard Rock from the labour disruption that continued into the third quarter of 2018.

Property, marketing and administration expenses decreased during the three and nine months ended September 30, 2018, when compared to the same periods in 2017. The decreases were mainly due to the elimination of marketing agency fees and table games supply fees paid to BCLC for all B.C. properties as a result of the new OSAs effective June 3, 2018. The decrease in property, marketing, and administration expenses was partially offset by increases in pre-opening costs at Elements Casino Victoria in the first half of 2018.

Adjusted EBITDA

Adjusted EBITDA increased for the three months ended September 30, 2018, when compared to the same period in 2017, primarily due to increased hospitality revenues and decreased property, marketing and administration expenses. Adjusted EBITDA decreased for the nine months ended September 30, 2018, when compared to the same period in 2017, primarily due to the labour disruption at Hard Rock, pre-opening costs incurred for Elements Casino Victoria, and lower Table Drop at River Rock. Adjusted EBITDA at Hard Rock decreased by \$3.1 and \$5.6 for the three and nine months ended September 30, 2018, respectively, when compared to the same periods in the prior year.

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Atlantic

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Chg	2018	2017	% Chg
Gaming revenues ⁽¹⁾	\$ 18.8	\$ 18.7	1%	\$ 51.1	\$ 49.5	3%
Hospitality revenues ^{(1) (2)}	5.7	5.5	4%	16.6	15.8	5%
Other revenues ⁽²⁾	0.9	1.1	(18%)	2.6	2.9	(10%)
Revenues	25.4	25.3	0%	70.3	68.2	3%
Human resources	7.0	7.3	(4%)	21.3	21.3	0%
Property, marketing and administration	8.7	8.8	(1%)	25.3	25.4	0%
Adjusted EBITDA	\$ 9.7	\$ 9.2	5%	\$ 23.7	\$ 21.5	10%
Human resources as a % of Revenues	27.6%	28.9%		30.3%	31.2%	
Adjusted EBITDA as a % of Revenues	38.2%	36.4%		33.7%	31.5%	

⁽¹⁾ Promotional allowances of \$2.9 and \$7.9 for the three months and nine months ended September 30, 2017, respectively, previously presented separately as a reduction to total revenue, has been retrospectively reclassified to net against its related revenue streams to conform with the presentation adopted in the current year. For the three and nine months ended September 30, 2017, promotional allowances of \$1.8 and \$4.9 have been netted against "gaming revenues", respectively, and promotional allowances of \$1.1 and \$3.0 have been netted against "hospitality revenues", respectively.

⁽²⁾ Other revenues of \$1.1 and \$2.9 for the three and nine months ended September 30, 2017, respectively, previously included in "hospitality and other revenues" has been presented separately to conform with the presentation adopted in the current year.

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Average
Table Drop	\$ 25.1	\$ 23.2	\$ 21.6	\$ 23.9	\$ 24.4	\$ 22.9	\$ 20.6	\$ 21.5	
Table Hold	\$ 5.0	\$ 4.6	\$ 4.5	\$ 4.9	\$ 4.9	\$ 4.7	\$ 4.6	\$ 4.4	
Table Hold %	20.0%	19.9%	21.1%	20.4%	20.1%	20.7%	22.7%	20.5%	20.5%
Slot Coin-In	\$ 392.0	\$ 352.0	\$ 310.1	\$ 357.8	\$ 416.6	\$ 366.3	\$ 308.7	\$ 321.9	
Slot Win	\$ 34.0	\$ 30.4	\$ 27.2	\$ 29.6	\$ 34.1	\$ 30.0	\$ 25.2	\$ 26.0	
Slot Win/Slot/Day ⁽¹⁾	\$ 248	\$ 228	\$ 207	\$ 221	\$ 256	\$ 231	\$ 194	\$ 197	
Slot Win %	8.7%	8.6%	8.8%	8.3%	8.2%	8.2%	8.2%	8.1%	8.4%

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

Revenues

Gaming revenues increased for the three and nine months ended September 30, 2018, when compared to the same periods in 2017, primarily due to an increased Table Hold at the Casino Nova Scotia gaming facilities.

Hospitality revenues for the three months ended September 30, 2018 remained relatively consistent when compared to the same period in 2017. Hospitality revenues increased for the nine months ended September 30, 2018 when compared to the same period in 2017, due to additional food and beverage amenities at the Casino Nova Scotia gaming facilities.

Expenses

Human resources expenses decreased for the three months ended September 30, 2018, when compared to the same period in the prior year as a result of reduced resources required to run the marketing programs and buffets at the Casino Nova Scotia gaming facilities. Human resources expenses for the nine months ended September 30, 2018, when compared to the same period in the prior year, remained relatively consistent.

Property, marketing and administration expenses remained relatively consistent for the three and nine months ended September 30, 2018, when compared to the same periods in the prior year.

Adjusted EBITDA

Adjusted EBITDA increased by 5% and 10% for the three months and nine months ended September 30, 2018 when compared to the same periods in 2017. The increases were primarily due to the improvement in gaming revenues and hospitality revenues.

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United States

Results in U.S. Dollars (in millions)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Chg	2018	2017	% Chg
Gaming revenues	\$ 7.1	\$ 6.4	11%	\$ 21.1	\$ 20.6	2%
Hospitality revenues ⁽¹⁾ ⁽²⁾	0.8	0.8	0%	2.4	2.7	(11%)
Other revenues ⁽²⁾	0.1	0.1	0%	0.2	0.2	0%
Revenues	8.0	7.3	10%	23.7	23.5	1%
Human resources	3.7	3.8	(3%)	11.6	10.8	7%
Property, marketing and administration	2.3	2.8	(18%)	7.6	8.2	(7%)
Adjusted EBITDA	\$ 2.0	\$ 0.7	186%	\$ 4.5	\$ 4.5	0%
Human resources as a % of Revenues	46.3%	52.1%		48.9%	46.0%	
Adjusted EBITDA as a % of Revenues	25.0%	9.6%		19.0%	19.1%	

⁽¹⁾ Promotional allowances of \$0.8 and \$2.3, for the three and nine months ended September 30, 2017, respectively, previously presented separately as a reduction to total revenue, has been retrospectively reclassified to net against hospitality revenues to conform with the presentation adopted in the current year.

⁽²⁾ Other revenues of \$0.1 and \$0.2 for the three and nine months ended September 30, 2017, respectively, previously included in hospitality and other revenues has been presented separately to conform with the presentation adopted in the current year.

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Average
Table Drop	\$ 43.8	\$ 48.2	\$ 47.6	\$ 46.7	\$ 43.1	\$ 42.9	\$ 37.3	\$ 37.8	
Table Hold	\$ 7.0	\$ 6.9	\$ 7.0	\$ 7.0	\$ 6.3	\$ 7.0	\$ 7.2	\$ 6.9	
Table Hold %	15.9%	14.3%	14.9%	14.9%	14.5%	16.2%	19.1%	18.1%	15.9%

Results in Canadian Dollars	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Chg	2018	2017	% Chg
Revenues	\$ 10.4	\$ 9.3	12%	\$ 30.6	\$ 30.9	(1%)
Adjusted EBITDA	\$ 2.6	\$ 0.9	189%	\$ 6.0	\$ 5.9	2%

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 September 30, 2018, when compared to the same period in 2017, which results in an increase in the Canadian dollar translation of the operating results. The average value of the Canadian dollar in comparison to the U.S. dollar was 2% higher in the nine months ended September 30, 2018, when compared to the same period in 2017, which results in a decrease in the Canadian dollar translation of the operating results.

Revenues

Revenues increased during the three and nine months ended September 30, 2018, when compared to the same periods in 2017, due to a higher Table Hold from a change in product mix. Revenues for the nine months ended September 30, 2018 also reflected full year of operations from the Des Moines gaming facility, which opened on May 18, 2017.

Expenses

Human resource expenses for the three months ended September 30, 2018 remained relatively consistent when compared to the same period in 2017. Human resource expenses increased by 7% for the nine months ended September 30, 2018, when compared to the same period in 2017, due to the opening of Great American Casino Des Moines on May 18, 2017 and statutory wage increases in Washington State.

Property, marketing and administration expenses decreased by 18% and 7% for the three and nine months ended September 30, 2018, when compared to the same periods in 2017, primarily due to reduced promotions and cash prizes.

Adjusted EBITDA

Adjusted EBITDA increased by 186% for the three months ended September 30, 2018, when compared to the same period in 2017, due to increased revenues and decreased property, marketing, and administration expenses. Adjusted EBITDA was consistent for the nine months ended September 30, 2018, when compared to the same period in 2017.

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Corporate & Other

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Chg	2018	2017	% Chg
Human resources	\$ 4.5	\$ 3.3	36%	\$ 12.0	\$ 10.1	19%
Property, marketing and administration	1.9	1.1	73%	5.4	3.8	42%
Adjusted EBITDA	\$ (6.4)	\$ (4.4)	(45%)	\$ (17.4)	\$ (13.9)	(25%)

Adjusted EBITDA

Human resource expenses increased for the three and nine months ended September 30, 2018, when compared to the same periods in the prior year, primarily due to additional resources required to support the Company's expanding operations.

Property, marketing and administration expenses increased for the three and nine months ended September 30, 2018 when compared to the same periods in the prior year. The increases were mainly a result of additional professional services incurred and increased licenses and subscriptions.

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Discussion of Items Excluded from Adjusted EBITDA

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Chg	2018	2017	% Chg
Adjusted EBITDA	\$ 140.6	\$ 62.7	124%	\$ 354.1	\$ 173.7	104%
Amortization	22.5	14.3		60.0	42.9	
Share-based compensation	3.1	3.3		10.0	5.9	
Impairment reversal of long-lived assets	-	-		-	(0.9)	
Interest and financing costs, net	12.4	8.6		34.1	25.7	
Business acquisition, restructuring and other	1.9	(0.3)		14.3	1.0	
Foreign exchange (gain) loss and other	(0.4)	0.1		(1.3)	0.1	
Income taxes	19.8	9.2		46.4	26.2	
Net earnings	\$ 81.3	\$ 27.5	196%	\$ 190.6	\$ 72.8	162%

Amortization

Amortization increased by \$8.2 and \$17.1 for the three and nine months ended September 30, 2018, respectively, when compared to the same periods in 2017, primarily due to the acquisition of the gaming assets in the GTA Gaming Bundle on January 23, 2018 and the West GTA Gaming Bundle on May 1, 2018. These increases were partially offset by \$2.3 and \$6.9 from a change in the estimated useful life of certain assets in the Company's property, plant and equipment for the three and nine months ended September 30, 2018, respectively.

Share-Based Compensation

Share-based compensation of \$3.1 and \$10.0 in the three and nine months ended September 30, 2018, respectively, comprised of equity-settled share-based compensation of \$1.3 and \$4.7, respectively, and cash-settled share-based compensation of \$1.8 and \$5.3, respectively. Equity-settled share-based compensation for the three and nine months ended September 30, 2018 was higher due to a higher number of unvested options in 2018. Cash-settled share-based compensation for the three and nine months ended September 30, 2018 was higher due to an increase in the share price when compared to 2017 and a new cash RSU plan that was implemented in the first quarter of 2018.

Impairment Reversal of Long-lived Assets

The Company signed the Lease Extension Agreements with OLG for both Georgian Downs and Flamboro Downs in 2017. 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 increased for the three and nine months ended September 30, 2018, when compared to the same periods in 2017, due to \$141.7 and \$99.0 drawn on OTG's credit facilities and OGWGLP's credit facility, respectively, partially offset by interest income earned from higher cash balances and increased interest rates when compared to the same period in 2017.

Business Acquisition, Restructuring and Other

Business acquisition, restructuring and other of \$1.9 and \$14.3 for three and nine months ended September 30, 2018 consisted primarily of development and restructuring costs related to the acquisition of the West GTA Gaming Bundle and the GTA Gaming Bundle. For the nine months ended September 30, 2018, business acquisition, restructuring and other also included \$1.1 equity loss from OGWGLP, related to transition costs prior to the acquisition of the West GTA Gaming Bundle on May 1, 2018.

Foreign Exchange Gain and Other

Foreign exchange gain and other increased by \$0.5 from a loss of \$0.1 in the three months ended September 30, 2017 to a gain of \$0.4 in the three months ended September 30, 2018. Foreign exchange gain and other increased by \$1.4 from a loss of \$0.1 in the nine months ended September 30, 2017 to a gain of \$1.3 in the nine months ended September 30, 2018. The change is primarily due to unrealized foreign exchange on revaluation of U.S. dollar denominated monetary balances.

Income Taxes

Income taxes increased by \$10.6 and \$20.2 in the three and nine months ended September 30, 2018, when compared to the same periods in 2017, primarily due to a corresponding increase in earnings before income taxes and a 1.0 percent increase in corporate income tax rate.

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CONSOLIDATED QUARTERLY RESULTS TREND

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Revenues	\$ 343.2	\$ 305.3	\$ 230.5	\$ 151.0	\$ 159.6	\$ 161.0	\$ 142.7	\$ 143.0
Adjusted EBITDA	\$ 140.6	\$ 124.6	\$ 88.9	\$ 49.2	\$ 62.7	\$ 62.8	\$ 48.2	\$ 47.2
Adjusted EBITDA as a % of Revenues	41.0%	40.8%	38.6%	32.6%	39.3%	39.0%	33.8%	33.0%
Shareholders' net earnings	\$ 52.6	\$ 42.0	\$ 29.2	\$ 12.9	\$ 26.9	\$ 26.7	\$ 17.8	\$ 15.6
Shareholders' net earnings per common share								
Basic	\$ 0.86	\$ 0.69	\$ 0.48	\$ 0.21	\$ 0.44	\$ 0.43	\$ 0.29	\$ 0.26
Diluted	\$ 0.82	\$ 0.66	\$ 0.46	\$ 0.21	\$ 0.43	\$ 0.43	\$ 0.29	\$ 0.25

The increases in revenues in each of the first three quarters of 2018, when compared to the same quarters in the prior year, were mainly due to the acquisition of the GTA Gaming Bundle on January 23, 2018 and the West GTA Gaming Bundle on May 1, 2018. Revenue generally increased in each quarter, when compared to the same quarter in the prior period, due to growth attributable to reinvestments and renovations in the Company's current properties. The second and third quarters typically generate higher revenues than the first and fourth quarters due to seasonality and weather conditions impacting player attendance.

Adjusted EBITDA generally increased over the past eight quarters, when compared to the equivalent quarter in the prior year. The increases were mainly attributable to increases in revenues, as discussed above, and the Company's disciplined approach on operating expenses.

Shareholders' net earnings trend reflects the items noted above, as well as increases in amortization expense, share-based compensation expense, interest and financing costs, net, business acquisition, restructuring and other expenses, and the related income tax effects of these items in accordance with the growth of the Company's operations, including the addition of the GTA Gaming Bundle and the West GTA Gaming Bundle.

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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 credit facilities.

As at September 30, 2018, the Company had:

- Cash and cash equivalents of \$579.5, an increase of \$257.2 since December 31, 2017, as further discussed in the "Cash Flows" section of this MD&A.
- Receivables, of which the majority are due from the Provincial Crown corporations, federal government, and racetrack operators. Receivables have increased by \$51.7 since December 31, 2017 as a result of operating the GTA Gaming Bundle since January 23, 2018 and the West GTA Gaming Bundle since May 1, 2018.
- Low exposure to foreign currency exchange rate movements since it has relatively low levels of foreign denominated assets and liabilities.
- Low exposure with floating interest changes on the Company's and OGELP's long-term debt since the Company has fixed interest rates with its Canadian dollar denominated Senior Unsecured Notes and OGELP has an interest rate swap that effectively converted the floating interest rate into a fixed interest rate on debt borrowed from OGELP's Non-recourse Revolving Credit Facility.
- \$346.8 of available credit on its Senior Secured Revolving Credit Facility, subject to compliance with the related financial covenants.
- \$903.3 of available credit under OTG's Non-recourse Revolving and Capital Expenditures Credit Facilities, subject to verified construction draws under the credit agreement and equity commitments as applicable.
- \$151.0 of available credit under OGWGLP's Non-recourse Revolving Credit Facility, subject to compliance with the related financial covenants, verified construction draws under the credit agreement and equity commitments as applicable.
- \$5.7 of available credit under OGELP's Non-recourse Revolving Credit Facility, subject to compliance with the related financial covenants.
- Counterparties to its existing debt and credit facilities that are primarily major financial institutions that have minimum grade "A" credit ratings.

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Financial Position

	September 30, 2018	December 31, 2017	% Chg
Cash and cash equivalents	\$ 579.5	\$ 322.3	80%
Accounts receivable	73.5	21.8	237%
Land held for sale	8.1	8.1	0%
Other current assets	25.4	12.1	110%
Property, plant and equipment	910.7	665.4	37%
Cash on deposit with Canada Revenue Agency	38.9	29.3	33%
Other long-term assets	138.2	112.4	23%
Total Assets	\$ 1,774.3	\$ 1,171.4	51%
Current liabilities	\$ 227.2	\$ 99.0	129%
Long-term debt	705.7	482.6	46%
Other long-term liabilities	121.1	119.6	1%
Total Liabilities	1,054.0	701.2	50%
Equity attributable to shareholders of the company	588.8	464.9	27%
Non-controlling interests	131.5	5.3	2381%
Total Equity	720.3	470.2	53%
Total Liabilities and Equity	\$ 1,774.3	\$ 1,171.4	51%

Total Assets

Total assets increased by 51% in the nine months ended September 30, 2018, when compared to the total assets as at December 31, 2017. This increase was primarily due to the acquisitions of the GTA Gaming Bundle and the West GTA Gaming Bundle.

Total Liabilities

Total liabilities increased by 50% in the nine months ended September 30, 2018, when compared to the balance as at December 31, 2017. The increase was due to a \$223.1 increase in long-term debt and a \$128.2 increase in current liabilities primarily as a result of debt drawdowns for the acquisition and operations of the GTA Gaming Bundle and West GTA Gaming Bundle.

Equity

Total equity increased by 53% in the nine months ended September 30, 2018, when compared to the total equity as at December 31, 2017. This increase was primarily due to net earnings of \$190.6, contributions from non-controlling interests of \$59.4, share options exercised of \$7.5, and equity-settled share-based compensation of \$4.7, partially offset by \$12.8 from the repurchase of common shares.

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Cash Flows

	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Chg	2018	2017	% Chg
Cash generated by operating activities	\$ 120.7	\$ 59.4		\$ 306.8	\$ 141.9	
Cash used in investing activities	(8.3)	(10.9)		(290.1)	(40.8)	
Cash generated by (used in) financing activities	(28.8)	(29.4)		238.9	(39.8)	
Effect of foreign exchange on cash and cash equivalents	-	(0.3)		1.6	(0.6)	
Cash inflow	\$ 83.6	\$ 18.8	345%	\$ 257.2	\$ 60.7	324%

Cash generated by operating activities in the three and nine months ended September 30, 2018 increased, when compared to the same periods in 2017, primarily due to the contributions from the GTA Gaming Bundle and West GTA Gaming Bundle.

Cash used in investing activities in the three months ended September 30, 2018 decreased, when compared to the same period in 2017, primarily due to additional interest income received as a result of a higher cash balance as at September 30, 2018 compared to September 30, 2017. Cash used in investing activities in the nine months ended September 30, 2018 increased, when compared to the same period in 2017, primarily due to the purchase of the assets in the GTA Gaming Bundle and West GTA Gaming Bundle, as well as an increase in amounts deposited with the Canada Revenue Agency ("CRA").

Cash used in financing activities in the three months ended September 30, 2018 decreased, when compared to the same period in 2017, primarily due to lower payments for common shares repurchased by the Company during the period, partially offset by an increase in interest paid on additional debt. Cash generated by financing activities for the nine months ended September 30, 2018 was mainly attributable to an increase in borrowings under the credit facilities to fund the acquisition of gaming assets in the GTA Gaming Bundle in the first quarter of 2018 and the West GTA Gaming Bundle in the second quarter of 2018.

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Capital Resources

Long-Term Debt and Equity

	September 30, 2018	December 31, 2017
Senior Unsecured Notes, net of unamortized transaction costs of \$4.1 (2017 - \$4.9)	\$ 445.9	\$ 445.1
Non-recourse Revolving and Capital Expenditure Credit Facilities of OTG, net of unamortized transaction costs of \$15.5 (2017 - \$nil)	126.2	-
Non-recourse Revolving Credit Facility of OGWGLP, net of unamortized transaction costs of \$3.1 (2017 - \$nil)	95.9	-
Non-recourse Revolving Credit Facility of OGELP, net of unamortized transaction costs of \$0.4 (2017 - \$0.5)	37.7	37.5
	\$ 705.7	\$ 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 September 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 September 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.

On November 5, 2018, the Company amended the Credit and Guarantee Agreement of the Senior Secured Revolving Credit Facility by replacing it with a 4-year Senior Secured Credit Facilities agreement. The amended agreement provides the Company an aggregate capacity of up to \$750.0, comprising a \$400.0 revolving facility and a \$350.0 delayed draw term loan facility. Accordingly, the Company has also given 30 days' notice to the noteholders for the redemption of the 6.625% Senior Unsecured Notes for a total redemption price of \$471.3, including principal of \$450.0, an early redemption premium of \$9.9 and unpaid interest of \$11.4. The Company expects to redeem all the Senior Unsecured Notes on December 11, 2018 using proceeds from the \$350.0 term loan facility, cash reserves, and the \$400.0 revolving credit facility as needed.

The Company and its debt facilities had independent credit ratings as at September 30, 2018 as follows:

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

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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 mature on March 6, 2023, are not subject to any financial covenants.

As at September 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 totalled \$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.

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 September 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 totalled \$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 September 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.

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

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 September 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 September 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.

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CRA Disputes and Audit

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 2, 2018, if CRA's current position of FDC prevails, preliminary estimates indicate the Company's consolidated current tax expense would increase \$64.4, deferred tax expense would decrease \$62.9, and interest and financing costs would increase \$13.3, resulting in a one-time \$14.8 decrease in net earnings and a corresponding decrease to basic net earnings per share of approximately \$0.24 per share.

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 \$1.1 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 September 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 2018, five of the Company's subsidiaries received notices of confirmation for the taxation years under audit. The five subsidiaries filed 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 no longer receives FDC from BCLC due to new OSAs signed for its B.C. properties, which introduced FIC and eliminates 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 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

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notice of objection in the first quarter to appeal the notice of reassessment and paid the minimum amount required to dispute the reassessment. During the quarter, GDL received a letter from CRA accepting GDL's representation in the notice of objection. GDL received another notice of reassessment for the 2013 taxation year that reversed the prior reassessment and received the refund of the balance on deposit.

Normal Course Issuer Bid

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. During the nine months ended September 30, 2018, the Company purchased for cancellation 278,600 common shares at a weighted-average price per share of \$46.02 under the issuer bid (2017 – 859,450 common shares at weighted-average share price of \$23.66).

Subsequent to September 30, 2018, the Company purchased for cancellation 751,300 common shares at a weighted-average price per share of \$45.71.

Outstanding Share Data

As at September 30, 2018, there were 61,034,525 common shares issued and outstanding compared to 60,894,490 as at December 31, 2017. This increase was due to the exercise of employee stock options during the nine months ended September 30, 2018, partially offset by the repurchase of common shares by the Company.

As at September 30, 2018, there were 5,487,081 share options outstanding at a weighted-average exercise price of \$22.57.

As at November 5, 2018, there were 60,334,092 common shares outstanding and 5,436,214 share options outstanding.

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Capital Spending and Development

The Company is eligible to receive additional remuneration from the provincial authorities for capital and certain non-capital expenditures made for its gaming operations, as described below for each province.

The Company's capital expenditures, net of accounts payable, for the three and nine months ended September 30, 2018 were \$28.9 (2017 - \$11.6) and \$93.9 (2017 - \$41.8), respectively.

Capital expenditures during the three and nine months ended September 30, 2018 were primarily related to the development of the gaming facilities in the GTA Gaming Bundle, West GTA Gaming Bundle and East Gaming Bundle. Capital expenditures during the nine months ended September 30, 2018 also included expenditures incurred in the first quarter of 2018 relating to renovations at River Rock and the expansion of Elements Casino Victoria. For the remaining three months of 2018, the Company estimates that capital expenditures will total approximately \$143.3, largely due to the construction costs associated with the GTA and West GTA development programs.

Ontario

In Ontario, the Company is entitled to additional consideration from OLG for services provided up to a predefined annual amount per gaming property in each operating year for Permitted Capital Expenditures ("PCE"), a term defined in the Company's COSA with OLG. This amount does not represent a material portion of the expected investment by the Company into Ontario operations. The Company becomes entitled to payment at the beginning of each operating year, which commences on April 1st, subject to expenditures being incurred. PCE approved by OLG can be carried forward for up to four years.

British Columbia

Prior to June 3, 2018, as part of the FDC program, BCLC pre-approved and subsequently approved and reimbursed "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 required that the Company and its subsidiaries' operating agreements with BCLC remain in good standing and that sufficient Gross Gaming Revenues were generated. The FDC amounts that BCLC reimbursed for Approved Amounts were 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 provided was 3% of the Gross Gaming Revenues from gaming activities. BCLC provided for an additional accelerated FDC reimbursement equal to 2% of the Gross Gaming Revenues that was 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 considered accelerated FDC submissions for approval on a project-by-project basis.

Effective June 3, 2018, FDC was replaced by the FIC in accordance with the new OSAs, which replaces all existing COSAs with BCLC, as discussed in the "Major Developments" section of this MD&A. 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 qualified costs eligible for FIC. The closing approved FDC amounts prior to the effective date of the OSAs was \$277.7, which will reduce the minimum spend requirements for each property under the MIR program.

Nova Scotia

In Nova Scotia, under the terms of the casino operating agreement with the Nova Scotia Gaming Corporation ("NSGC"), \$4.5 annually (adjusted for inflation) is deposited to a Capital Reserve Account. 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 NSGC since on the eventual termination of the casino operating agreement, the NSGC 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 NSGC and earns interest income on that balance at the Canadian bank prime lending rate less 0.5% per annum until it is reimbursed.

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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 was not entitled to collect marketing contributions and BCLC has filed a statement of defense denying the claims by the Company.

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 its wholly owned subsidiaries, Orangeville Raceway Ltd. ("Orangeville") and Hastings Entertainment Inc. ("Hastings") as plaintiffs and to amend the claim in other respects. Orangeville and Hastings were added as Plaintiffs and the authorized amendments were made to the notice of civil claim.

On June 3, 2018, BCLC entered into new OSAs with each of the Company's B.C. properties, as discussed in the "Major Developments" section of this MD&A. The new OSAs contain no reference to any contribution, fee or commission for marketing. Since June 3, 2018, BCLC has ceased taking the disputed remuneration deductions for marketing from the Company. The Company is seeking an order that BCLC pay both damages in an amount equal to the total of all such marketing contributions collected by BCLC up to June 3, 2018 ("disputed remuneration deductions") and court order interest to the date of judgment. The Company alleges the approximate total of the disputed remuneration deductions as at September 30, 2018 was \$33.9 (September 30, 2017 - \$31.2). The Company will continue with its legal action as planned toward the trial date. The trial date has been rescheduled to February 2019.

Commitments

There are no material changes outside of the Company's ordinary course of business that affected the Company's contractual obligations for the three and nine months ended September 30, 2018.

Future Cash Requirements

The operational requirements and major developments of the Ontario partnerships' gaming facilities can be funded by the partnerships' existing cash and cash equivalents, cash generated from operations, and existing capacity in the partnerships' credit facilities. In certain circumstances, the Company may be required to make additional capital injections into the partnership in order to satisfy the terms of the partnerships' equity agreements or financial covenants, as applicable.

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 Senior Secured 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

Accounting standards

Standards, amendments and interpretations effective and applied

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

- 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.
- 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 September 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. 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.

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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 execute its detailed implementation plan and has substantially completed its scoping assessment of material lease contracts. At this time, the Company expects a significant impact related to its property leases which will require new lease liabilities and right-of-use assets to be recognized on the Consolidated Statements of Financial Position. Additionally, the discount rate assumption requires significant judgment and may have significant quantitative impact on the lease asset and liability valuations. The Company has started its assessment of the quantitative impact to the financial statements and other key performance measures. The Company currently anticipates adoption of the new standard under the modified retrospective approach from January 1, 2019.

- 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.

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Critical Accounting Estimates and Judgments

Except as described below, the critical accounting estimates and judgments applied in the Condensed Interim Financial Statements are the same as those disclosed in Note 3 of the Company's Annual Financial Statements.

The following 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 the determination of the nature of its performance obligations under its contracts, the assessment of the amount it expects 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.

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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 undrawn Senior Secured Revolving Credit Facility, the Non-recourse Revolving and Capital Expenditures Credit Facilities of OTG, and the Non-recourse Revolving Credit Facility of OGWGLP.

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

	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Gaming Revenues ⁽¹⁾								
Ontario	\$ 201.9	\$ 173.6	\$ 102.5	\$ 19.1	\$ 23.8	\$ 25.8	\$ 19.6	\$ 17.2
British Columbia ⁽²⁾	68.7	64.1	65.7	67.3	69.4	71.0	65.4	63.9
Atlantic	18.8	16.9	15.4	16.7	18.7	16.7	14.1	14.7
United States	9.2	9.0	8.9	9.0	8.0	9.5	9.5	9.2
	298.6	263.6	192.5	112.1	119.9	123.0	108.6	105.0
Hospitality Revenues ⁽¹⁾⁽³⁾								
Ontario	4.9	4.5	3.9	2.8	3.0	2.8	2.7	1.9
British Columbia	18.3	16.9	13.6	15.9	17.2	15.4	13.6	16.2
Atlantic	5.7	6.1	4.8	6.2	5.5	5.4	4.8	5.9
United States	1.1	1.0	1.1	1.2	1.2	1.3	1.3	1.3
	30.0	28.5	23.4	26.1	26.9	24.9	22.4	25.3
Racetrack, Lease and Other Revenues ⁽³⁾								
Ontario	8.2	6.5	8.0	6.4	6.2	6.1	6.1	5.8
British Columbia	5.4	5.6	5.7	5.2	5.4	5.8	4.7	5.9
Atlantic	0.9	1.0	0.9	1.1	1.1	1.1	0.8	0.9
United States	0.1	0.1	-	0.1	0.1	0.1	0.1	0.1
	14.6	13.2	14.6	12.8	12.8	13.1	11.7	12.7
Revenues	\$ 343.2	\$ 305.3	\$ 230.5	\$ 151.0	\$ 159.6	\$ 161.0	\$ 142.7	\$ 143.0
Adjusted EBITDA								
Ontario	\$ 90.0	\$ 81.3	\$ 50.6	\$ 8.4	\$ 13.5	\$ 15.2	\$ 8.5	\$ 5.0
British Columbia	44.7	39.6	35.5	36.5	43.5	43.5	35.9	36.7
Atlantic	9.7	8.3	5.9	7.4	9.2	7.3	5.0	6.5
United States	2.6	1.9	1.4	1.7	0.9	1.8	3.4	3.0
Corporate & Other	(6.4)	(6.5)	(4.5)	(4.8)	(4.4)	(5.0)	(4.6)	(4.0)
	\$ 140.6	\$ 124.6	\$ 88.9	\$ 49.2	\$ 62.7	\$ 62.8	\$ 48.2	\$ 47.2

⁽¹⁾ Promotional allowances for the previous quarters, which were previously presented as a reduction to total revenue, has been retrospectively reclassified to net against each region's related revenue stream to conform with the presentation adopted in the current year. Promotional allowances relate to gaming revenues and hospitality revenues.

⁽²⁾ Facility Development Commission for the previous quarters, previously presented as a separate revenue stream, has been reclassified and included with British Columbia gaming revenues to conform with the presentation adopted in the current year.

⁽³⁾ Lease and other revenues for the previous quarters, which were previously presented under "hospitality, lease and other revenues", has been included with "racetracks, lease and other revenues" to conform with the presentation in the current year.