GREAT CANADIAN GAMING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended
December 31, 2016

(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, market update, consolidated results of operations, consolidated quarterly results trend, liquidity and capital resources, and other financial information of Great Canadian Gaming Corporation ("Great Canadian", the "Company", "we", "our") is dated as of March 6, 2017.

This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016 ("Annual Financial Statements"). The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless expressly stated otherwise, all financial information is expressed in Canadian dollars.

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

Non-IFRS Measures

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

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

Adjusted shareholders' net earnings, as defined by the Company, means shareholders' net earnings plus or minus items of note that management may reasonably quantify and that it believes will provide the reader with a better understanding of the Company's underlying business performance. Items of note may vary from time to time and in this MD&A include pre-opening costs for Ontario East Gaming Bundle, restructuring severance costs, rebranding and pre-opening costs for Elements Casino (formerly "Fraser Downs Racetrack and Casino"), Hard Rock Casino Vancouver and Chances Maple Ridge, uneconomic lease provision due to Kent casino closure, jackpot and marketing fund liabilities reversed due to Kent casino closure, non-recurring payment received for right of way access, impairment (reversal) of long-lived assets, Facility Development Commission ("FDC") revenues previously deferred at Fraser Downs, other and income taxes on the above items of note. A reconciliation between shareholders' net earnings and adjusted shareholders' net earnings is presented in the "Other Financial Information" section of this MD&A. Adjusted shareholders' net earnings per common share is defined as adjusted shareholders' net earnings divided by the weighted average number of common shares outstanding.

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

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

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

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

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

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

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

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

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

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 its historical trends and other factors. All information or statements, other than statements of historical fact, are forward-looking information, including statements that address expectations, estimates or projections about the future, the Company's strategy for growth and objectives (including participation in Ontario's gaming modernization program and possible expansion of gaming in British Columbia), expected future expenditures, costs, operating and financial results, expected impact of future commitments, the future ability of the Company to operate the Georgian Downs and Flamboro Downs facilities beyond the terms of the signed Ontario Lease Agreements and Ontario Racing Agreements, the impact of new conditions imposed on certain VIP players in British Columbia, the impact of unionization activities, the Company's position on its claim against the British Columbia Lottery Corporation ("BCLC") with respect to the collection of marketing contributions, the Company's beliefs about the outcome of its notices of objection and subsequent appeals challenging the Canada Revenue Agency's reassessments and its tax position on its facility development commission ("FDC") prevailing, the terms and expected benefits of the normal course issuer bid, the Company's expected share of BC horse racing industry revenue in future years, and expectations and implications of changes in legislation and government policies. Forward-looking information may be identified by words such as "anticipate", "believe", "expect", or similar expressions. Such forward-looking information is not a guarantee of future performance and may involve a number of risks and uncertainties.

Although forward-looking information is based on information and assumptions that the Company believes are current, reasonable and complete, they are subject to unknown risks, uncertainties, and a number of factors that could cause actual results to vary materially from those expressed or implied by such forward-looking information. Such factors may include, but are not limited to: terms of operational services agreements with lottery corporations; changes to gaming laws that may impact the operational services agreements; pending, proposed or unanticipated regulatory or policy changes (including those that impact VIP play); the outcome of modernization of gaming in

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

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

FINANCIAL HIGHLIGHTS

	Three months ended December 31,			Twelve months ended December 31,				
	2016	2015	% Chg	**2016**	2015	% Chg	2014	% Chg
Gaming revenues [1],[3]	**$ 100.3**	$ 83.0	21%	**$ 403.2**	$ 313.9	28%	$ 311.5	1%
Facility Development Commission	**9.0**	8.9	1%	**37.4**	36.9	1%	37.7	(2%)
Hospitality, lease and other revenues [2]	**40.5**	38.4	5%	**153.3**	127.8	20%	114.5	12%
Racetrack revenues	**3.1**	2.9	7%	**13.0**	12.0	8%	12.0	0%
	152.9	133.2	15%	**606.9**	490.6	24%	475.7	3%
Less: Promotional allowances	**(9.9)**	(8.5)	16%	**(40.5)**	(27.7)	46%	(22.6)	(23%)
Revenues	**143.0**	124.7	15%	**566.4**	462.9	22%	453.1	2%
Human resources	**51.1**	43.3	18%	**202.4**	165.0	23%	164.8	0%
Property, marketing and administration [1], [2]	**45.3**	36.9	23%	**157.7**	119.8	32%	110.8	8%
Share of profit of equity investment [3]	**(0.6)**	(0.6)	0%	**(2.6)**	(2.5)	(4%)	(2.6)	4%
	95.8	79.6	20%	**357.5**	282.3	27%	273.0	3%
Adjusted EBITDA [3]	**47.2**	45.1	5%	**208.9**	180.6	16%	180.1	0%
Human resources as a % of Revenues before Promotional allowances	**33.4%**	32.5%		**33.3%**	33.6%		34.6%	
Adjusted EBITDA as a % of Revenues	**33.0%**	36.2%		**36.9%**	39.0%		39.7%	
Less:								
Amortization	**13.6**	11.2		**54.7**	40.1		45.3	
Share-based compensation	**1.6**	0.6		**6.7**	4.3		4.8	
Impairment reversal of long-lived assets	**-**	-		**-**	-		(4.7)	
Interest and financing costs, net	**8.6**	7.8		**34.9**	31.6		31.6	
Business acquisition, restructuring and other	**2.2**	2.1		**7.3**	6.9		0.8	
Foreign exchange gain and other	**(0.5)**	(0.7)		**(0.3)**	(4.6)		(2.4)	
Income taxes	**6.2**	6.6		**29.0**	27.8	1%	26.3	
Net earnings	**$ 15.5**	$ 17.5	(11%)	**$ 76.6**	$ 74.5	3%	$ 78.4	(5%)
Net earnings attributable to:								
Shareholders of the company	**$ 15.6**	$ 17.6	(11%)	**$ 75.7**	$ 74.6	1%	$ 78.4	(5%)
Non-controlling interests	**(0.1)**	(0.1)	0%	**0.9**	(0.1)		-	
	$ 15.5	$ 17.5	(11%)	**$ 76.6**	$ 74.5	3%	$ 78.4	(5%)
Shareholders' net earnings per common share								
Basic	**$ 0.26**	$ 0.27		**$ 1.22**	$ 1.10		$ 1.16	
Diluted	**$ 0.25**	$ 0.26		**$ 1.20**	$ 1.08		$ 1.12	
Weighted average number of common shares (in thousands)								
Basic	**60,747**	65,553		**61,895**	67,664		67,864	
Diluted	**62,049**	66,553		**62,963**	69,151		69,789	
Adjusted shareholders' net earnings [4]	**$ 16.2**	$ 18.1	(10%)	**$ 78.9**	$ 77.8	1%	$ 75.2	3%

	December 31, 2016	December 31, 2015	% Chg	December 31, 2014	% Chg
Cash and cash equivalents	**$ 228.7**	$ 207.5	10%	$ 314.3	(34%)
Total assets	**$ 1,083.7**	$ 998.1	9%	$ 1,020.3	(2%)
Long-term debt	**$ 478.3**	$ 443.0	8%	$ 442.0	0%

(1) Municipal gaming taxes of $1.0, $3.1, $3.7 and $3.1 previously presented as a reduction of "gaming revenues" on the consolidated statements of earnings and other comprehensive income for the three months ended December 31, 2015, nine months ended September 30, 2016, twelve months ended December 31, 2015 and twelve months ended December 31, 2014, respectively, have been retrospectively reclassified to "property, marketing and administration expenses". This revised presentation provides more useful comparative information regarding the Company's operating financial performance.

(2) Theatre cost of goods sold of $3.2, $7.9 and $6.1 previously presented as a reduction of "hospitality, lease and other revenue" on the consolidated statements of earnings and other comprehensive income for the three months ended December 31, 2015, twelve months ended December 31, 2015 and twelve months ended December 31, 2014, respectively, have been retrospectively reclassified to "property, marketing and administration expenses". This revised presentation provides more useful comparative information regarding the Company's operating financial performance.

(3) The Company's share of profit of TBC Teletheatre B.C. ("TBC") of $0.6, $2.0, $2.5 and $2.6 previously included in "racetrack revenues" for the three months ended December 31, 2015, nine months ended September 30, 2016, twelve months ended December 31, 2015 and twelve months ended December 31, 2014, respectively, have been retrospectively reclassified to "share of profit of equity investment" on the consolidated statements of earnings and other comprehensive income. These amounts represent the Company's portion of TBC's net earnings that flow through the shared B.C. Horseracing Industry Fund. This revised presentation provides more useful comparative information regarding the Company's operating financial performance.

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

Overview
The financial results for the twelve month period ended December 31, 2016 ("twelve months of 2016") and three month period ended December 31, 2016 ("fourth quarter of 2016") reflect the positive contributions from the Company's recent acquisitions as well as improvements at almost all of the Company's property groups, with the exception of River Rock. This latter property has experienced a decline in VIP table game volumes since the introduction of conditions that require high limit players to demonstrate the source of their funds, and in the most recent quarter experienced a lower table hold rate, when compared to prior quarters.

Revenues
For the twelve months of 2016 the Company recorded revenues of $566.4, a $103.5 or 22% increase from the twelve months ended December 31, 2015. These increases were primarily due to the additional revenues attributable to the acquisitions of Casino New Brunswick on October 1, 2015 and Shorelines Casino Thousand Islands and Shorelines Slots at Kawartha Downs (the "Shorelines Casinos") on January 11, 2016. Revenues also increased at each of the Company's property groups, excluding River Rock. River Rock has seen a reduction in table drop since the end of the third quarter of 2015 when the new conditions on using cash came into effect.

For the twelve month period ended December 31, 2015 ("twelve months of 2015"), the Company recorded revenues of $462.9, a $9.8 or 2% increase from the twelve month period ended December 31, 2014 ("twelve months of 2014"). This increase was primarily due to the additional $10.8 of revenues from the acquisition of Casino New Brunswick, the benefit of a stronger U.S. dollar when translating Great American Casinos' results into Canadian dollars, as well as improvements at both Hard Rock Casino Vancouver and our Other Vancouver Area Casinos. These increases were partially offset by a decline in table hold at River Rock in the fourth quarter of 2015.

For the fourth quarter of 2016, the Company recorded revenues of $143.0, an $18.3 or 15% increase from the three months ended December 31, 2015. The increase was primarily due to the addition of revenues from the Shorelines Casinos. Revenues increased at almost all of the Company's property groups during this period, with the exception of River Rock Casino Resort ("River Rock"). During the fourth quarter of 2016, River Rock grew table drop but was impacted by a low table hold percentage in the quarter. The requirements to demonstrate the source of funds has resulted in lower buy ins, reduced average bets, and shorter durations of play. These dynamics led to the average hold rate declining from 20% in 2015 to 17% in 2016.

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

The following table summarizes the Company's consolidated revenues for the years ended December 31, 2016, 2015, and 2014:

	Twelve Months of		
	2016	2015	2014
Gross Gaming Revenues	**$ 1,085.2**	$ 894.9	$ 894.7
Facility Development Commission	**37.4**	36.9	37.7
Hospitality, lease and other revenues (1)	**153.3**	127.8	114.5
Racetrack revenues (2)	**13.0**	12.0	12.0
	1,288.9	1,071.6	1,058.9
Less:			
Provincial government portion of Gross Gaming Revenues (3)	**(682.0)**	(581.0)	(583.2)
Promotional allowances	**(40.5)**	(27.7)	(22.6)
Revenues	**$ 566.4**	$ 462.9	$ 453.1

(1) Theatre cost of goods sold of $7.9 and $6.1 previously presented as a reduction of "hospitality, lease and other revenues" for the twelve month periods ended December 31, 2015 and December 31, 2014, respectively, have been retrospectively reclassified to "property, marketing and administration expenses". This revised presentation provides more useful comparative information regarding the Company's operating financial performance.

(2) The Company's share of profit of TBC of $2.5 and $2.6 previously included in "racetrack revenues" for the twelve months ended December 31, 2015 and December 31, 2014, respectively, have been retrospectively reclassified to "share of profit of equity investment" on the consolidated statements of earnings and other comprehensive income. This revised presentation provides more useful comparative information regarding the Company's operating financial performance.

(3) Municipal gaming taxes of $3.7 and $3.1 previously presented as a "provincial/state government portion of Gross Gaming Revenues" for the twelve month periods ended December 31, 2015 and December 31, 2014, respectively, have been retrospectively reclassified to "property, marketing and administration expenses". This revised presentation provides more useful comparative information regarding the Company's operating financial performance.

Adjusted EBITDA

The 16% increase in Adjusted EBITDA in the twelve months of 2016 when compared to the same period of 2015 was primarily due to the additional revenues from Casino New Brunswick and the Shorelines Casinos, as well as Adjusted EBITDA improvements at all property groups except River Rock.

Adjusted EBITDA for the twelve months of 2015 was $0.5 higher than the twelve months of 2014. In addition to the contributions from Casino New Brunswick in the fourth quarter of 2015, notable increases in 2015 Adjusted EBITDA were achieved at Hard Rock Casino Vancouver and Great American Casinos, as well as a reduction in Corporate costs. These increases were mostly offset by a decline in Adjusted EBITDA at River Rock.

Adjusted EBITDA for the fourth quarter of 2016 increased by $2.1, or 5%, when compared to the same period in 2015 primarily due to contributions from the Shorelines Casinos and improvements at the majority of the Company's properties, with the exception of River Rock.

Shareholders' net earnings

Shareholders' net earnings of $75.7 in the twelve months of 2016 increased by 1% when compared to the same period of 2015. The increases in Adjusted EBITDA were partially offset by increases in amortization, interest and financing costs, net, and share-based compensation.

Great Canadian's shareholders' net earnings for the twelve months of 2015 of $74.6 decreased by 5%, when compared to the twelve months of 2014. The decrease is primarily due to impairment reversal of $4.7 recorded in 2014 and an increase in restructuring severance costs of $2.7, offset by the increase in Adjusted EBITDA and foreign exchange gains, along with a decrease in amortization expense.

Shareholders' net earnings of $15.6 for the fourth quarter of 2016 was 11% lower than the same period of 2015. Higher amounts of amortization, interest and financing costs, net, and share-based compensation more than offset the increase in Adjusted EBITDA.

The Company's adjusted shareholders' net earnings increased by $1.1 or 1% and decreased by $1.9 or 10% and in the twelve and three months ended December 31, 2016, respectively, when compared to the same periods in 2015.

A reconciliation of shareholders' net earnings to adjusted shareholders' net earnings is presented in the "Other Financial Information" section of this MD&A.

MAJOR DEVELOPMENTS

British Columbia

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

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

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

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

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

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

Ontario

East Gaming Bundle

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

On January 11, 2017, Ontario Gaming East Limited Partnership ("OGELP" or "the Partnership"), a partnership in which the Company owns a 90.5% interest, opened the newly built Shorelines Casino Belleville. Located in Belleville, Ontario, this new casino was designed to service that city and surrounding region. This property is the only newly built casino in the province of Ontario in the past 10 years.

In addition to the new casino, OGELP has undertaken a comprehensive development plan for the East Gaming Bundle, including renovations and new slot machines at both Shorelines Casino Thousand Islands and Shorelines Slots at Kawartha Downs. As at December 31, 2016, OGELP has spent $41.9 on the development plans for all three properties.

On January 11, 2016, OGELP signed a 20-year casino operating and services agreement with the Ontario Lottery and Gaming Corporation ("OLG"). Under the business transition and asset purchase agreement, OGELP acquired OLG's gaming assets in the East Gaming Bundle, including OLG Casino Thousand Islands, the slot operations within leased space at Kawartha Downs near the City of Peterborough and a new build opportunity to service the City of Belleville and the City of Quinte West. The purchase price for such assets was $46.9 of cash consideration, including net working capital of $9.5.

On completion of the acquisition from OLG, OGELP had $32.0 in partner capital contributions and a $60.0 revolving credit facility arranged on a non-recourse basis to Great Canadian and the minority partner's parent company. The acquisition was funded with $11.9 of cash from partners' capital and $35.0 of debt borrowed on the revolving credit facility. OGELP also issued $16.0 letters of credit to secure performance under the COSA and development project, which reduced the available borrowing capacity on OGLEP's revolving credit facility to $9.0.

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

Southwest Gaming Bundle

The Company submitted a bid for the Southwest Gaming Bundle during 2016, but was unsuccessful.

Ottawa Area Gaming Bundle

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

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

Greater Toronto Area Gaming Bundle

The Company was notified by OLG during the fourth quarter of 2015 that it is pre-qualified to submit a RFP for Gaming Bundle 5 (GTA) (the "Greater Toronto Area Gaming Bundle"). The Company is currently evaluating the RFP opportunity to determine its plan to bid on the Greater Toronto Area Gaming Bundle of which the Company intends to be an equity partner. OLG has publicly stated that they expect to announce a successful proponent for the Greater Toronto Area Gaming Bundle by late Summer 2017.

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

West GTA Gaming Bundle

During October 2016, the Company was notified by OLG that it is pre-qualified to submit a RFP for Gaming Bundle 6 (West GTA) (the "West GTA Gaming Bundle"). The Company is currently evaluating the RFP opportunity to determine its plan to bid on the West GTA Gaming Bundle of which the Company intends to be a majority partner. OLG has publicly stated that they expect to announce a successful proponent for the West GTA Bundle by Fall 2017.

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

For each of these gaming bundles, the Company intends to enter into management and development services agreements to oversee the property development activities and operations of each zone. Great Canadian will earn associated fees for providing these services.

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

Washington

Des Moines

During the first quarter of 2017, the Company submitted applications for a gaming license to open a new gaming facility in Des Moines, Washington. The new facility is expected to open in the second quarter of 2017, subject to state licensing approvals.

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

Labour Relations

The Company employs unionized employees at eight of its properties. Below is a summary of the collective bargaining units in place and the status of negotiations as at December 31, 2016.

Facility	Employee Group	Union	Term of Collective Agreement	Status at December 31, 2016
British Columbia				
River Rock Casino Resort	Gaming, some hospitality and security employees	BC Government and Service Employees' Union	N/A	Bargaining for an initial collective agreement commenced in October 2016 and is ongoing.
Hard Rock Casino Vancouver	Two units of employees	BC Government and Service Employees' Union	N/A	Bargaining for an initial collective agreement was commenced in January 2017 and is ongoing.
Elements Casino		Casino Employees Association ("CEA")	N/A	The CEA was certified in February 2016 and subsequently decertified in December 2016. As of December 31, 2016, Elements Casino has no unionized groups.
Hastings Racecourse and Slots Facility	Employees, excluding food and beverage employees	Canadian Office and Professional Employees Union, Local 378 (doing business as MoveUP)	August 1, 2012 - December 31, 2014	Collective bargaining was commenced in January 2017 and is ongoing.
	Food and beverage employees	Unite Here, Local 40	January 1, 2011 - June 30, 2016	Collective bargaining has not been initiated.
Ontario				
Georgian Downs		Public Service Alliance of Canada, Local 00500	September 18, 2015 - December 31, 2017	No current activity.
Flamboro Downs		Service Employees International Union, Local 2	January 1, 2015 - December 31, 2016	Collective bargaining commenced in December 2016 and is ongoing.
Shorelines Casino Thousand Islands	Hourly Security Officers	Teamsters, local 91	November1, 2014 - October 31, 2017	No current activity.
Shorelines Slots at Kawartha	Hourly non-supervisory employees, excluding security and surveillance, office and clerical staff	Service Employees International Union, Local 2	May 16, 2014 - May 15, 2017	No current activity. [1]
Nova Scotia				
Casino Nova Scotia Halifax	The "main unit" consisting of all full-time and regular part-time employees	SEIU, Local 902	February 1, 2015 - January 31, 2018	No current activity.
	Security employees	SEIU, Local 902	February 1, 2015 - January 31, 2018	No current activity.

(1) Notice to commence collective bargaining was served on February 15, 2017.

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

BUSINESS DESCRIPTION

General

The Company operates gaming, entertainment, and hospitality facilities in British Columbia, Ontario, New Brunswick, Nova Scotia and Washington State. As at December 31, 2016, the Company's 20 gaming properties consisted of twelve casinos, including a four Diamond resort hotel in Richmond, British Columbia and a four star hotel in Moncton, New Brunswick, four horse racetrack casinos, three community gaming centres and one commercial bingo hall. On January 11, 2017, the Company opened the new Shorelines Casino Belleville. In Canada, the Company operates its casinos both within managed markets that feature high barriers to entry and under agreements as partners with provincial lottery corporations. As at December 31, 2016, the Company had approximately 5,600 employees.

Information on the Canadian and Washington State gaming industries, regulatory environment and the Company's operating agreements in these jurisdictions are included in the Annual Information Form located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

The Company's principal operating entities as at December 31, 2016 and 2015 were:

	Ownership interest at	
Entity	**December 31, 2016**	December 31, 2015
Chilliwack Gaming Ltd.	100%	100%
Flamboro Downs Limited	100%	100%
Georgian Downs Limited	100%	100%
Great American Gaming Corporation	100%	100%
Great Canadian Casinos Inc.	100%	100%
Great Canadian Entertainment Centres Ltd.	100%	100%
Hastings Entertainment Inc.	100%	100%
Metropolitan Entertainment Group	100%	100%
Orangeville Raceway Limited	100%	100%
Great Canadian Gaming (New Brunswick) Ltd.	100%	100%
Ontario Gaming East Limited Partnership(1)	90.5%	50.1%
TBC Teletheatre B.C.(2)	50%	50%

(1) The entity was formed during the year ended December 31, 2015 to operate casinos in Gaming Bundle 2 (East) in Ontario, which was acquired on January 11, 2016. During January 2016, the Company acquired an additional 40.4% interest in Ontario Gaming East Limited Partnership, as described in the "Major Developments" section of this MD&A.

(2) The Company accounts for its ownership interest in TBC Teletheatre B.C. using the equity method.

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

Operations

The following table summarizes the Company's casino operations as at December 31, 2016:

Facility and Location	Year Built/ Renovated	Additional Facilities and Activities	Slot Machines	Table Games	Operational Services Agreements Initial / Renewal Term Expiry Dates
British Columbia (1)					
River Rock Casino Resort, Richmond, BC	2012	2 hotels with 395 rooms, 1,000 seat show theatre, 7 dining options, conference facilities, pool/spa, Racebook(2), marina, 28 Touch Bet Roulette terminals	1,123	135	June 23, 2024
Hard Rock Casino Vancouver Coquitlam, BC	2013	1,051 seat show theatre convertible to 729 seat cabaret with dance floor, 7 dining options, Racebook(2), 28 Touch Bet Roulette terminals	922	48	November 16, 2025
Elements Casino (Standardbred Racing), Surrey, BC	2015	6 dining options, 6 Touch Bet Roulette terminals, Racebook(2)	543	24	March 31, 2024
Hastings Racecourse and Slots Facility (Thoroughbred Racing), Vancouver, BC	2008	3 dining options(3), concession, Racebook(2)	536	-	November 9, 2019(4)
View Royal Casino, Victoria, BC	2009	2 dining options, 4 Touch Bet Roulette terminals	555	19	February 28, 2021
Casino Nanaimo, Nanaimo, BC	2013	1 dining option, Racebook(2)	384	8	February 28, 2021
Bingo Esquimalt, Esquimalt, BC	2016	Bingo, 1 dining option	-	-	May 31, 2021
Chances Chilliwack, Chilliwack, BC	2012	Bingo, 1 dining option, meeting room, outdoor patio and stage	249	-	October 31, 2022 / October 31, 2032
Chances Maple Ridge, Maple Ridge, BC	2013	Bingo, 1 dining option, 2 meeting rooms, entertainment space, outdoor patio, Racebook(2)	200	-	October 31, 2023 / October 31, 2033
Chances Dawson Creek, Dawson Creek, BC	2016	Bingo, 1 dining option, 2 electronic table gaming devices	149	-	June 30, 2026
TBC Teletheatre BC(2)	various	19 Racebooks(2)	-	-	-
Ontario					
Georgian Downs (Standardbred Racing)(5), Innisfil, Ontario	2009	4 dining options offered by OLG(6), concession, meeting rooms, Racebook, 1,000 slot machines owned and operated by OLG	-	-	March 31, 2018
Flamboro Downs (Standardbred Racing)(5), Flamborough, Ontario	2001	4 dining options, meeting room, Racebook, 800 slot machines owned and operated by OLG	-	-	March 31, 2018
Shorelines Casino Thousand Islands Gananoque, Ontario(7)	2016	1 dining option, Racebook, entertainment space	544	23	March 31, 2036
Shorelines Slots at Kawartha Fraserville, Ontario(7)	2016	1 dining option	486	-	March 31, 2036
New Brunswick					
Casino New Brunswick, Moncton, New Brunswick	2010	1 hotel with 126 rooms, 2,500 seat show theatre/conference centre, 2 dining options, pool/spa, gift shop	625	27	December 31, 2030

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

Facility and Location	Year Built/ Renovated	Additional Facilities and Activities	Slot Machines	Table Games	Operational Services Agreements Initial / Renewal Term Expiry Dates
Nova Scotia					
Casino Nova Scotia Halifax[8], Halifax, Nova Scotia	2006	2 dining options, entertainment show room, lounge, meeting facilities	559	32	July 1, 2025
Casino Nova Scotia Sydney[8], Sydney, Nova Scotia	2006	1 dining option, lounge	266	7	July 1, 2025
Washington State					
Washington State Operations	1997-2012		-	45	N/A
			7,141	368	

(1) The Company's Mayfair casino that was previously located in Victoria, BC, has a casino operating agreement that was placed in abeyance by BCLC on February 2002, when that facility closed. The Mayfair casino operating agreement remains in force, pending relocation.

(2) The Company owns or holds an interest in 21 Racebooks in BC. The Company owns and operates two Racebooks; one at each of Elements Casino and Hastings Racecourse and Slots Facility. The remaining 19 Racebooks, including those at River Rock Casino & Resort, Hard Rock Casino Vancouver, Casino Nanaimo and Chances Maple Ridge, are operated by TBC. TBC also offers internet and phone racetrack wagering. The Company owns a 50% interest in TBC and the remaining 50% interest is held by two horsemen's associations, the Harness Racing BC Society and the Horsemen's Benevolent and Protective Association. TBC contributes any surplus revenues in excess of its operating expenses to the consolidated BC horse racing industry revenue fund as described in the "Regulatory Environment and Seasonality" section of this MD&A.

(3) There are up to 5 dining options during the racing season.

(4) In November 2016, the Company and the City of Vancouver reached an agreement to extend the operating lease agreement for Hastings Racecourse until November 9, 2019.

(5) Slot machines are owned and operated by OLG and lease revenues are earned from OLG at these properties.

(6) There are up to 4 dining options during the summer racing season.

(7) On January 11, 2016, OGELP acquired OLG Casino Thousand Islands and OLG Slots at Kawartha Downs as part of OLG's Modernization Plan. Please refer to the "Major Developments" section of this MD&A for further discussion of the properties and the details of their acquisition. OGELP opened Shorelines Casino Belleville on January 11, 2017.

(8) Casino Nova Scotia Halifax and Casino Nova Scotia Sydney operate under a single operating agreement.

The following table summarizes the Company's racetrack operations and the number of actual live race days in 2016, 2015, and 2014:

		Live Race Days		
Property	**Location**	**2016**	2015	2014
Hastings Racecourse and Slot Facility	Vancouver, BC	52	53	54
Elements Casino	Surrey, BC	55	62	68
Georgian Downs	Innisfil, ON	39	39	40
Flamboro Downs	Flamborough, ON	130	131	143
		276	285	305

All of the Company's racetrack operations offer simulcast wagering, which allows patrons to place wagers on international and domestic live horse racing events.

Business Strategy

The Company's vision is to be the leading gaming, entertainment and hospitality company in its chosen markets by providing superior entertainment value and exceptional experiences. To achieve this goal, the Company has adopted the strategies as outlined below.

1. **Discover New Growth Opportunities.** Great Canadian is actively seeking opportunities to grow. These opportunities may be located within both the Company's existing markets and new jurisdictions, and include property expansions, the implementation of new offerings, the development of new properties or projects, and strategic acquisitions. Depending upon the size, scope, and regulatory requirements associated with these opportunities, the Company may elect to align itself with strategic business partners. As a result, the Company may hold majority or minority positions in new investment vehicles that align with the Company's core business.

2. **Drive Incremental Growth at the Company's Existing Facilities.** The majority of Great Canadian's existing properties operate within mature, highly regulated markets. As a result of this regulation, these markets offer advantages and protection for incumbent operators. This regulatory regime also requires that the Company work alongside its Crown corporation partners when expanding or introducing gaming offerings. These partners also oversee any loyalty programs within the Company's existing markets. In order to increase market share, penetrate new demographics, and drive incremental growth within this environment, the Company seeks to provide its patrons with a superior entertainment experience. In pursuit of this goal, the Company actively reinvests in its properties, supports its gaming offerings with premium non-gaming entertainment and hospitality options, and strives to maintain the highest standards of guest service.

3. **Continually Improve Guest Experiences.** Great Canadian believes guest satisfaction to be the primary driver of patron loyalty, particularly within mature markets. As a result, the Company constantly strives to provide exceptional guest service across its entire property portfolio. The Company pursues this service vision through staff training, performance recognition, and communication, all of which emphasizes the importance of each employee taking personal responsibility to exceed our guests' expectations.

4. **Continuously Improve the Company's Operating Efficiency and Effectiveness.** Great Canadian's ongoing success can be partially attributed to the Company's commitment to operating efficiency, proactive labour management and disciplined purchasing. This efficiency has been supported by an integrated corporate structure that centralizes major property functions such as accounting, purchasing, and human resources. The Company continually seeks new ways to realize operational synergies, business process improvements and optimal labour utilization.

5. **Pursue and Promote Exceptional Corporate Culture.** Great Canadian annually invests in the development of our people and in our communities. The Company is committed to its team members and a culture that recognizes and rewards exceptional service and teamwork. Additionally, since its founding, Great Canadian has placed great emphasis on the importance of social responsibility and corporate citizenship. These core values are best reflected in the Company's commitment to developing and assisting the communities in which it operates. Great Canadian Gaming is proud of its culture and the many contributions it has been able to make to those in need. "PROUD of our people, our business, our community" is Great Canadian's brand that unifies the company and social responsibility efforts. Under the PROUD program, Great Canadian supports hundreds of charitable organizations in the various communities in which it does business.

Regulatory Environment and Seasonality

British Columbia

Regulatory

In British Columbia, gaming activities are managed and conducted by the British Columbia Lottery Corporation ("BCLC") and regulated by the Gaming Policy and Enforcement Branch ("GPEB"). BCLC in turn engages service providers, such as the Company, to operate the gaming activities pursuant to operational services agreements. The Company earns a commission based upon its casinos' gaming win. A significant portion of gaming net win is retained by BCLC, which in turn provides all of its net income to the Province of British Columbia. The Province of British Columbia provides a share of its gaming net income to the local governments where gaming win is earned ("host local governments"). The Province of British Columbia dedicates the remainder of the funds to many areas. These areas include the consolidated revenue fund for public service programs such as education, the Health Special Account for health care expenditures, and disbursements to charitable organizations. GPEB is a provincial agency established under the *Gaming Control Act* and is responsible for regulating all gaming in British Columbia, licensing charitable gaming events, overseeing the horse racing industry, and investigating allegations of wrongdoing under the *Act*. GPEB also registers gaming service providers and gaming workers, and approves and certifies gaming equipment and lottery schemes.

Since 1997, when BCLC assumed responsibility for casino gaming and introduced slot machines in the BC marketplace, the casino business has developed into BCLC's largest earnings stream. The Company believes that the current market and regulatory environment favours the province's incumbent gaming operators.

BCLC's strategy is to continue to develop casino properties that provide players with an exceptional entertainment experience, while positioning casino gaming as a potential tourism attraction where market demand allows. BCLC is also working closely with service provider partners to provide players with tournaments and services that provide entertaining gaming experiences. In addition, the FDC component of the operational services agreements encourages service providers such as the Company to receive additional funds from reimbursement of capital improvements invested in their gaming facilities.

According to BCLC's Gambling Service Provider Commissions Report for its fiscal year ended March 31, 2016, the Company's slot machines produced 44% (2015 – 40%) of the province's Casino Provider's revenue from slot machines and the Company's table games produced 50% (2015 – 57%) of the province's revenue from table games.

In BC, the strategic direction and business leadership of the local horse racing industry is provided by the B.C. Horse Racing Industry Management Committee ("BCHRIMC"), which also provides a forum for industry participants to cooperate collectively in the development of the industry. The current BCHRIMC members include representatives from both the thoroughbred and standardbred horse associations, the President and Chief Executive Officer of BCLC, representatives from the Government of British Columbia, and the Vice President of Stakeholder Relations & Responsible Gaming for the Company. The Agreement provides for mandatory representation on the Committee of a representative of the major racetracks in the province that are owned by the Company.

Under the direction of the BCHRIMC, as described in the "Business of the Company" section of the Company's 2016 Annual Information Form, the Company's BC horse racing operations shared approximately 43% of a consolidated BC horse racing industry revenue fund in 2016 (2015 - 43%). This fund includes all revenues generated from horse racing and government grants in the province and which has been established and maintained for the purpose of facilitating financial allocations among industry organizations. Also under the direction of the BCHRIMC, TBC Teletheatre B.C. is required to contribute any revenues in excess of its operating expenses to the consolidated horse racing industry revenue fund. Financial allocations from the consolidated horse racing industry revenue fund may be adjusted by resolution of the BCHRIMC. Under the current financial allocations for 2017, the Company's racing industry revenue share percentage is expected to be consistent with 2016.

Seasonality

While the Company's BC casinos operate year-round, its racetracks are subject to seasonal variations due to the timing of their respective live racing seasons. Live racing generally operates from April to October at Hastings Racecourse, and from October to April at Elements Casino. Gaming offerings and Racebooks at both locations operate year-round.

Metro Vancouver and Vancouver Island, where the majority of the Company's BC facilities are located, occasionally experience extreme winter weather conditions, which can produce a negative impact upon short-term attendance at the Company's BC facilities. River Rock has experienced increased visitation from foreign guests during their holiday seasons.

Ontario

Regulatory

In Ontario, gaming activities are conducted and managed by OLG and regulated by the Alcohol and Gaming Commission of Ontario ("AGCO"). OLG's operations and revenues are organized under five business lines: lotteries, slots and casinos, resort casinos, iGaming and charitable gaming. Prior to April 1, 2013, the Company operated two racetracks, with slot operations owned and operated by OLG pursuant to site holder agreements. The Company earned a site holder payment based upon the win generated from the OLG slot machines, but a substantial portion of that win was retained by OLG. According to OLG's website, it directs gaming proceeds to the host municipalities, Ontario's hospitals, amateur sports, problem gaming prevention, treatment and research, and to charitable organizations and non-profit corporations through the Ontario Trillium Foundation. AGCO is a provincial agency established under the *Alcohol and Gaming Regulation and Public Protection Act, 1996* and is responsible for the administration of the Liquor License Act and the Gaming Control Act, 1992 and complementary legislative amendments. The AGCO regulates the sale, service, and consumption of beverage alcohol and ensures that casino gaming, charitable gaming and lotteries are conducted in the public interest, by people who are socially and financially responsible.

In March 2012, the Government of Ontario decided to end the "Slots at Racetracks Program" for all Ontario racetracks effective March 31, 2013 as part of an overall plan to modernize that province's gaming model. As part of that plan, and as permitted under the related agreements, on March 29, 2012, OLG provided notice that the site holder agreements with the Company's Georgian Downs and Flamboro Downs racetracks would terminate on March 31, 2013. During 2013, the Company signed definitive lease agreements with OLG whereby OLG leases the slot machine areas at the Company's Ontario racetracks for a five-year term ending on March 31, 2018. The Company earns hospitality and other revenues by providing food and beverage to OLG's guests at Flamboro Downs. During 2013, the Company and the Government of Ontario signed the Ontario Racing Agreements for horse racing transition funding. The funding provided support to continue horse racing at the Ontario Racetracks for up to two years beyond March 31, 2013 and was conditional upon achievement of specific cost reduction targets.

Effective April 1, 2014, the Company signed agreements with five other Ontario racetrack operators and the Ontario Racing Commission ("ORC") in support of a five-year horse racing plan ("Horse Racing Partnership Plan") released by the Government of Ontario. These agreements establish an unprecedented standardbred alliance (the "Standardbred Alliance") amongst a core group of racetracks centered around the concentrated horse supply in Central and South-Western Ontario and provide better stability and clarity for all industry stakeholders. The Standardbred Alliance members represent a three-tier racing hierarchy, 'Grass Roots' (Clinton Raceway, Hanover Raceway), 'Signature' (Flamboro Downs, Georgian Downs, Grand River Raceway and The Raceway at Western Fair) and 'Premier' (Mohawk Racetrack and Woodbine Racetrack). The Standardbred Alliance has worked closely with government, regulators and industry participants to develop a racing plan that will see a coordinated year-round racing calendar that is attractive to both foreign and domestic customers, provides for consistent purse levels at each track, and enables enhanced operational efficiencies among the tracks.

Under the terms of the revenue sharing agreements among the Standardbred Alliance members, racetracks' pari-mutuel revenues and transitional funding received from the Province of Ontario are pooled and shared among the Ontario Alliance Racetracks.

Ontario Racing, a horse racing industry association, which was established in 2016 to assume many of the functions of the Ontario Horse Racing division of the former Ontario Racing Commission, administers provincial funding provided by OLG for racing purses and provincial horse programs. OLG also provides marketing for the racing industry in Ontario.

Seasonality

In accordance with the Ontario Racing Agreements, Georgian Downs operates live racing from June to August, and Flamboro Downs operates from January to May and from September to December.

Eastern Ontario, where the Shorelines Casinos are located, occasionally experiences extreme winter weather conditions, which can result in a negative impact on short-term attendance. These properties also historically witnessed a modest increase in business volumes during the summer months, primarily as a result of both tourism and favourable weather conditions.

New Brunswick

Regulatory

In New Brunswick, gaming activities are managed and conducted by the New Brunswick Lotteries and Gaming Corporation ("NBLGC") and regulated by the Gaming Control Branch ("GCB"). NBLGC's three lines of business are video lottery, traditional (or ticket) lottery and casino gaming. Casino New Brunswick, which is the only destination casino in New Brunswick, conducts its activities pursuant to a Casino Service Provider Agreement with NBLGC. The Company is a service provider to NBLGC and earns a commission based on the gaming revenues it generates for NBLGC, the remainder of which are retained by NBLGC. According to NBLGC, the revenues that it receives are immediately credited to the consolidated revenue fund and subsequently used to help fund important provincial programs such as health care and education programs as well as problem gambling education, awareness, research and treatment. GCB is a provincial agency established under the *Gaming Control Act* and is a branch of the Department of Public Safety. GCB is responsible for the regulation and control of provincial gaming as well as the regulation, control and licensing of charitable gaming in New Brunswick.

Seasonality

Moncton, where Casino New Brunswick is located, occasionally experiences extreme winter weather conditions, which can result in a negative impact on short-term attendance. The gaming industry in New Brunswick has also historically witnessed a modest increase in business volumes during the summer months, primarily as a result of both tourism and favourable weather conditions.

Nova Scotia

Regulatory

In Nova Scotia, gaming activities are managed and conducted by the Nova Scotia Provincial Lotteries and Casino Corporation ("NSPLCC") and regulated by the Alcohol, Gaming, Fuel and Tobacco Division of Service Nova Scotia ("AGFTD"). NSPLCC operates two different gaming models: commercial casinos, of which the Company operates the only two within the province, and ticket and video lotteries. Lottery ticket sales are permitted at various locations, whereas video lottery terminals are permitted in licensed liquor establishments, and on First Nations' land. The Company is a service provider to NSPLCC and earns a commission based upon its casinos' revenues. According to NSPLCC, its profits are directed to the provincial government's general revenue account to help pay for programs and services that benefit the province's residents. These programs and services include investments in infrastructure, schools, hospitals, community organizations and problem gambling prevention, education and treatment. AGFTD is a provincial agency established under the *Gaming Control Act*, Chapter 4 of the Acts of 1994-95, and is responsible for the administration of the *Gaming Control Act*, the *Liquor Act* and the *Theatres and Amusements Act*. The AGFTD issues licences and registrations to operators of gaming and liquor activities and theatres in the province of Nova Scotia, is responsible for regular inspections of licensed premises throughout Nova Scotia, including travelling shows, festivals and special occasion licenses.

In October 2012, the Company signed the second amended and restated operating contract ("AROC") with NSPLCC, effective October 1, 2012. Under the AROC, the Company is entitled to receive an operator's fee equal to 52.24% of total revenue, plus an additional 47.76% of non-gaming revenues after deduction of the capital reserve contribution ("CRC"). The CRC is the greater of 5% of total revenue and $5.0 (adjusted for inflation in each year since 2010). The Company is also entitled to receive an additional operator's fee equal to the lesser of $1.3 or 10% of leased slot machines revenues.

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

In June 2014, the Company extended the term of the AROC with NSPLCC, effective July 1, 2015. Under the 10-year extension, the Company has committed to make substantial capital investments totalling $10.0, subject to a renovation plan and schedule approved by NSPLCC. As at December 31, 2016, the Company has spent $0.9 on these capital investments. The Company is entitled to receive an operator's fee equal to 52.24% of total revenue, plus an additional 47.76% of non-gaming revenues after deduction of the CRC and the marketing fund contribution ("MFC"). The annual CRC is $4.5 (annually adjusted for inflation) and annual MFC is $1.5, which is reduced by any approved gaming promotional allowance greater than $0.9. The Company is also entitled to receive an additional operator's fee equal to the annual MFC if the Company spends more than $6.7 in qualifying marketing initiatives in an operating year or has increased total gaming revenue by $3.0 over the preceding operating year, as well as a growth incentive fee if total gaming revenue exceeds a baseline annual revenue by 5% or more.

Seasonality

Halifax and Sydney, where the Nova Scotia casinos are located, occasionally experience extreme winter weather conditions, which can result in a negative impact on short-term attendance. The gaming industry in Nova Scotia has also historically witnessed a slight increase in business volumes during the summer months, primarily as a result of both tourism and favourable weather conditions.

Washington State

The following table summarizes the Company's Washington gaming operations as at December 31, 2016:

Name	Location	Table Games
Great American Casino Everett	Everett, WA	15
Great American Casino Lakewood	Lakewood, WA	15
Great American Casino Tukwila	Tukwila, WA	15
		45

Regulatory

In Washington State, gaming operations are regulated by the Washington State Gambling Commission ("WSGC") and fall into three categories: charitable, commercial and tribal. The Company operates three commercial card rooms in the Greater Seattle area.

While the commercial gaming environment in Washington State is highly regulated, it does not feature the significant barriers to entry associated with the Company's Canadian operations. Individual cities or counties within Washington State may choose to restrict card room operations within their jurisdiction, which could result in the closure of certain locations. Washington State card room operations are conducted pursuant to house banked card room licenses that limit the number of table games to fifteen per location. These card room licenses must be renewed annually with WSGC, and the Company's renewals have historically been granted automatically.

MARKET UPDATE

British Columbia

Competition

One of the Company's direct competitors, Paragon Gaming LLC, operates the Edgewater Casino in downtown Vancouver, BC. In December 2013, the City of Vancouver conditionally approved the relocation of Edgewater Casino to a new complex across the street from the existing location. On January 20, 2015, the City of Vancouver approved the development for the new facility, which is restricted to maintain its current gaming capacity. The new complex is expected to include two hotel towers, eight restaurants and commercial space with completion in the fourth quarter of 2017. Management is monitoring the development as it may impact the Company's nearby facilities.

On November 9, 2016, BCLC announced that it has selected one of the Company's direct competitors, Gateway Casinos & Entertainment Limited ("Gateway"), to potentially open and operate a new gambling and entertainment facility in the South of the Fraser market area, with the Corporation of Delta selected as the preferred host local government. According to BCLC, the potential casino is supposed to be a "relocation of Surrey's Newton Community Gaming Centre" and would be expanded to include more gambling and entertainment options. BCLC expressed concerns regarding the site initially proposed by the Corporation of Delta due to its proximity to River Rock. A suitable site would need to be selected by Gateway and BCLC, and approved by the Corporation of Delta through a public rezoning process. BCLC would then need to provide its final approval for the development.

Ontario

Competition

As part of the modernization of gaming in Ontario, OLG has been privatizing its casino and slot operations. The Company is evaluating the bundles for which it is pre-qualified to submit a bid on the RFPs; however, the bidding process is competitive and there is no certainty that the Company will be selected for additional bundles. Service providers are subject to a maximum number of gaming positions to ensure competition within the Ontario market. As gaming zones start operating under new service providers, increased competition may result in a shift of gaming revenues.

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

CONSOLIDATED RESULTS OF OPERATIONS

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Chg	**2016**	2015	% Chg
REVENUES						
River Rock Casino Resort	**$ 41.3**	$ 46.2	(11%)	**$ 174.0**	$ 193.6	(10%)
Hard Rock Casino Vancouver	**17.6**	16.8	5%	**63.4**	59.5	7%
Other Vancouver Area Casinos	**10.6**	8.7	22%	**43.6**	36.3	20%
Vancouver Island Casinos	**10.3**	9.7	6%	**40.3**	37.8	7%
Other BC Casinos	**6.2**	5.4	15%	**23.9**	21.7	10%
Atlantic Casinos	**21.5**	22.0	(2%)	**85.6**	52.0	65%
Great American Casinos	**10.6**	9.5	12%	**40.4**	36.6	10%
Ontario Properties	**24.9**	6.4	289%	**95.2**	25.4	275%
Total Revenues	**$ 143.0**	$ 124.7	15%	**$ 566.4**	$ 462.9	22%
ADJUSTED EBITDA [(1)]						
River Rock Casino Resort	**$ 18.6**	$ 22.3	(17%)	**$ 84.0**	$ 103.2	(19%)
Hard Rock Casino Vancouver	**7.4**	5.9	25%	**24.2**	19.0	27%
Other Vancouver Area Casinos	**2.3**	1.1	109%	**11.1**	7.7	44%
Vancouver Island Casinos	**5.4**	5.3	2%	**21.8**	20.9	4%
Other BC Casinos	**3.0**	2.4	25%	**11.4**	10.3	11%
Atlantic Casinos	**6.5**	5.9	10%	**26.5**	14.1	88%
Great American Casinos	**3.0**	2.2	36%	**11.4**	8.4	36%
Ontario Properties	**5.0**	3.3	52%	**35.6**	13.5	164%
Corporate & Other	**(4.0)**	(3.3)	(21%)	**(17.1)**	(16.5)	(4%)
Total Adjusted EBITDA	**$ 47.2**	$ 45.1	5%	**$ 208.9**	$ 180.6	16%

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

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

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

Casinos

River Rock Casino Resort

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Chg	**2016**	2015	% Chg
Gaming revenues	**$ 25.9**	$ 30.4	(15%)	**$ 114.5**	$ 130.6	(12%)
Facility Development Commission	**3.8**	4.4	(14%)	**16.9**	18.8	(10%)
Hospitality and other revenues	**14.7**	14.1	4%	**55.8**	54.2	3%
Revenues before Promotional allowances	**44.4**	48.9	(9%)	**187.2**	203.6	(8%)
Less: Promotional allowances	**(3.1)**	(2.7)	15%	**(13.2)**	(10.0)	32%
Revenues	**41.3**	46.2	(11%)	**174.0**	193.6	(10%)
Human resources	**13.3**	13.6	(2%)	**54.6**	54.0	1%
Property, marketing and administration	**9.4**	10.3	(9%)	**35.4**	36.4	(3%)
Adjusted EBITDA	**$ 18.6**	$ 22.3	(17%)	**$ 84.0**	$ 103.2	(19%)
Human resources as a % of Revenues before Promotional allowances	**30.0%**	27.8%		**29.2%**	26.5%	
Adjusted EBITDA as a % of Revenues	**45.0%**	48.3%		**48.3%**	53.3%	

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Average
Table Drop	$ 262.9	$ 292.0	$ 242.2	$ 247.8	$ 251.5	$ 309.9	$ 282.0	$ 293.6	
Table Hold	$ 37.5	$ 52.4	$ 43.5	$ 44.6	$ 49.5	$ 57.3	$ 57.0	$ 59.6	
Table Hold %	14.3%	17.9%	18.0%	18.0%	19.7%	18.5%	20.2%	20.3%	18.4%
Poker Rake	$ 1.3	$ 1.1	$ 1.1	$ 1.0	$ 1.0	$ 1.1	$ 0.9	$ 1.1	
Slot Coin-In	$ 653.8	$ 671.8	$ 635.5	$ 609.5	$ 592.4	$ 629.6	$ 607.2	$ 580.0	
Slot Win	$ 40.7	$ 42.8	$ 41.4	$ 40.2	$ 40.0	$ 41.0	$ 38.9	$ 37.3	
Slot Win/Slot/Day(1)	$ 397	$ 418	$ 410	$ 395	$ 398	$ 405	$ 389	$ 378	
Slot Win %	6.2%	6.4%	6.5%	6.6%	6.8%	6.5%	6.4%	6.4%	6.5%

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

Recent Developments
Late in the third quarter of 2015, BCLC introduced conditions for certain high value table games players in British Columbia casinos that include a requirement to demonstrate the source of their funds. Players in British Columbia have historically relied on cash as the primary way to purchase chips. During the fourth quarter of 2016, BCLC introduced international wire transfers as a method of transferring funds for gaming. Management is continuing to ensure the Company's players understand the options available to them.

Overview
Revenues at River Rock have been negatively affected since the conditions with respect to cash were introduced late in the third quarter of 2015. The new conditions have mainly impacted the high volume of VIP play from which River Rock has benefited over recent years. The requirements to demonstrate the source of funds has resulted in lower buy ins, reduced average bets, and shorter durations of play. These dynamics led to the average hold rate declining from 20% in 2015 to 17% in 2016. In response to the decline in revenues, management has changed its promotional activities and reduced operating expenses.

Revenues
River Rock's gaming revenues declined during the twelve months of 2016, when compared to the same period in the prior year, primarily due to a decline in table drop following BCLC's new conditions with respect to cash as well as a 2.6 percentage point decrease in the table hold percentage. The decline in table drop is mainly due to decreased high limit table play volume.

Gaming revenues also declined during the fourth quarter of 2016, when compared to the same period in the prior year, primarily due to a 24% decrease in table hold. The 5% increase in table drop was more than offset by a 5.4 percentage point decrease in table hold percentage.

The decline in table revenues was partially offset by an increase in slot win of 5% and 2% during the twelve and three months ended December 31, 2016, respectively, when compared to the same periods in 2015.

Hospitality and other revenues increased primarily due to growth in hotel revenues. The average daily room rate was higher while occupancy rates were relatively consistent with the prior year periods.

Promotional allowances increased both in the twelve and three months ended December 31, 2016 mainly due to changes in slots free play.

Expenses
Human resources expenses were relatively consistent compared to the prior year. Property, marketing and administration expenses decreased in the twelve and three months ended December 31, 2016 mainly due to containing marketing and promotional expenses by providing more slots free play instead of giving away prizes.

Adjusted EBITDA
Adjusted EBITDA decreased by 19% and 17% in the twelve and three months ended December 31, 2016, respectively, when compared to the same periods in 2015. These declines were primarily attributed to the previously noted decreases in gaming revenues.

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

Hard Rock Casino Vancouver

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Chg	**2016**	2015	% Chg
Gaming revenues	**$ 12.9**	$ 11.3	14%	**$ 46.8**	$ 41.9	12%
Facility Development Commission	**2.0**	1.8	11%	**7.5**	6.7	12%
Hospitality and other revenues	**4.0**	4.6	(13%)	**13.5**	14.3	(6%)
Revenues before Promotional allowances	**18.9**	17.7	7%	**67.8**	62.9	8%
Less: Promotional allowances	**(1.3)**	(0.9)	44%	**(4.4)**	(3.4)	29%
Revenues	**17.6**	16.8	5%	**63.4**	59.5	7%
Human resources	**5.9**	5.8	2%	**23.1**	22.9	1%
Property, marketing and administration	**4.3**	5.1	(16%)	**16.1**	17.6	(9%)
Adjusted EBITDA	**$ 7.4**	$ 5.9	25%	**$ 24.2**	$ 19.0	27%
Human resources as a % of Revenues before Promotional allowances	**31.2%**	32.8%		**34.1%**	36.4%	
Adjusted EBITDA as a % of Revenues	**42.0%**	35.1%		**38.2%**	31.9%	

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Average
Table Drop	$ 64.7	$ 58.1	$ 50.9	$ 56.6	$ 54.6	$ 51.1	$ 44.3	$ 44.0	
Table Hold	$ 13.3	$ 9.9	$ 10.1	$ 11.9	$ 10.1	$ 8.7	$ 8.9	$ 8.8	
Table Hold %	20.6%	17.0%	19.8%	20.8%	18.5%	17.0%	20.0%	20.0%	19.3%
Poker Rake	$ 0.9	$ 0.8	$ 0.8	$ 0.8	$ 1.0	$ 1.1	$ 0.9	$ 1.0	
Slot Coin-In	$ 388.2	$ 390.0	$ 376.9	$ 356.6	$ 365.4	$ 331.1	$ 315.5	$ 311.8	
Slot Win	$ 27.3	$ 27.0	$ 26.3	$ 25.1	$ 25.9	$ 24.2	$ 23.9	$ 22.9	
Slot Win/Slot/Day[(1), (2)]	$ 324	$ 321	$ 315	$ 301	$ 310	$ 287	$ 288	$ 291	
Slot Win %	7.0%	6.9%	7.0%	7.0%	7.1%	7.3%	7.6%	7.3%	7.1%

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

Recent Developments
During the fourth quarter of 2016, Hard Rock Casino Vancouver expanded the seating capacity of its buffet. During the first quarter of 2017, the Company introduced an authentic Chinese restaurant, which is operated by a third party, Neptune Restaurant Group.

Overview
During 2016, Hard Rock Casino Vancouver achieved the highest annual revenues and Adjusted EBITDA since 2010 and 2011, respectively. Both table revenues and slot machines revenues have increased each quarter during 2016 when compared to the same quarter in 2015. Both theatre revenues and related costs are down due to fewer theatre shows during 2016.

Revenues
Table Drop and Slot Coin-In increased each quarter in 2016, when compared to the same periods in 2015. These increases were mainly attributed to focused marketing efforts combined with positive momentum since the opening of the VIP table gaming area in February 2015.

Hospitality and other revenues decreased in the twelve and three months ended December 31, 2016, when compared to the same periods in 2015, mainly due to a decrease in the number of both theatre shows and banquets.

Expenses
Human resources expenses were relatively consistent. Property, marketing and administration expenses decreased primarily due to the decrease in theatre activity.

Adjusted EBITDA
Adjusted EBITDA increased by 27% and 25% in the twelve and three months ended December 31, 2016, respectively, primarily due to the improvement in gaming revenues and decrease in expenses.

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

Other Vancouver Area Casinos (Elements Casino (formerly "Fraser Downs Racetrack and Casino") and Hastings Racecourse and Slots Facility)

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Chg	**2016**	2015	% Chg
Gaming revenues	**$ 6.3**	$ 5.2	21%	**$ 25.2**	$ 20.7	22%
Facility Development Commission	**1.2**	0.8	50%	**4.7**	3.6	31%
Racetrack revenues [1]	**1.9**	1.7	12%	**8.3**	7.3	14%
Hospitality and other revenues	**2.0**	1.6	25%	**8.9**	6.9	29%
Revenues before Promotional allowances	**11.4**	9.3	23%	**47.1**	38.5	22%
Less: Promotional allowances	**(0.8)**	(0.6)	33%	**(3.5)**	(2.2)	59%
Revenues	**10.6**	8.7	22%	**43.6**	36.3	20%
Human resources	**4.5**	4.5	0%	**19.1**	18.1	6%
Property, marketing and administration	**4.4**	3.7	19%	**16.0**	13.0	23%
Share of profit of equity investment [1]	**(0.6)**	(0.6)	0%	**(2.6)**	(2.5)	(4%)
Adjusted EBITDA	**$ 2.3**	$ 1.1	109%	**$ 11.1**	$ 7.7	44%
Human resources as a % of Revenues before Promotional allowances	**39.5%**	48.4%		**40.6%**	47.0%	
Adjusted EBITDA as a % of Revenues	**21.7%**	12.6%		**25.5%**	21.2%	

(1) The Company's share of profit of TBC of $0.6, $2.0 and $2.5 previously included in "racetrack revenues" for the three months ended December 31, 2015, nine months ended September 30, 2016 and twelve months ended December 31, 2015, respectively, have been retrospectively reclassified to "share of profit of equity investment" on the consolidated statements of earnings and other comprehensive income. These amounts represent the Company's portion of TBC's net earnings that flow through the consolidated BC horse racing industry revenue fund. This revised presentation provides more useful comparative information regarding the Company's operating financial performance.

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Average
Table Drop	$ 13.9	$ 13.6	$ 12.7	$ 13.3	$ 7.7	$ 7.4	$ 6.7	$ 6.6	
Table Hold	$ 3.3	$ 2.7	$ 3.0	$ 2.6	$ 1.8	$ 1.6	$ 1.4	$ 1.6	
Table Hold %	24.1%	19.9%	23.6%	19.8%	23.8%	21.7%	20.9%	24.2%	22.2%
Poker Rake	$ -	$ -	$ -	$ 0.1	$ 0.2	$ 0.4	$ 0.3	$ 0.5	
Slot Coin-In	$ 278.8	$ 299.7	$ 303.4	$ 295.2	$ 241.0	$ 232.2	$ 231.4	$ 227.9	
Slot Win	$ 20.5	$ 21.6	$ 21.4	$ 21.1	$ 18.2	$ 17.6	$ 17.0	$ 16.9	
Slot Win/Slot/Day[1]	$ 209	$ 219	$ 221	$ 220	$ 214	$ 191	$ 187	$ 183	
Slot Win %	7.4%	7.2%	7.1%	7.2%	7.4%	7.5%	7.3%	7.4%	7.3%

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

Live race days	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Elements Casino	22	-	3	30	28	-	7	27
Hastings	6	26	20	-	7	26	20	-

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

Overview
During 2016, both table revenues and slot machines revenues have increased each quarter when compared to the same quarter in 2015. Most of this increase is due to the rebranding of Elements Casino during December 2015. The increase in business volumes resulted in notable improvements to Adjusted EBITDA.

Revenues
Gaming revenues and hospitality and other revenues increased primarily due to increased business volumes resulting from more gaming and food and beverage offerings following the renovation and rebranding of Elements Casino that was completed on December 17, 2015. Racetrack revenues increased primarily because the BC horse racing industry receives a share of the gross gaming revenues from slot win generated at the Other Vancouver Area Casinos. Promotional allowances increased primarily due to focused marketing efforts.

Expenses
Human resources expenses increased by 6% and were relatively consistent in the twelve months and three months ended December 31, 2016, respectively, when compared to the same periods of the prior year. The increase is due to higher staffing levels required for increased business volumes. Property, marketing and administration expenses increased due primarily to increased occupancy costs, marketing expenses and food and beverage expenses required for the increased business volumes.

Adjusted EBITDA
Adjusted EBITDA at the Other Vancouver Area Casinos increased by 44% and 109% in the twelve and three months ended December 31, 2016, respectively. These improvements were primarily due to the growth in revenues, partially offset by the increase in expenses.

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

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

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Chg	**2016**	2015	% Chg
Gaming revenues	**$ 8.3**	$ 7.8	6%	**$ 32.4**	$ 30.2	7%
Facility Development Commission	**1.2**	1.2	0%	**5.0**	4.8	4%
Hospitality and other revenues	**1.3**	1.3	0%	**5.2**	4.8	8%
Revenues before Promotional allowances	**10.8**	10.3	5%	**42.6**	39.8	7%
Less: Promotional allowances	**(0.5)**	(0.6)	(17%)	**(2.3)**	(2.0)	15%
Revenues	**10.3**	9.7	6%	**40.3**	37.8	7%
Human resources	**3.2**	2.7	19%	**12.0**	11.2	7%
Property, marketing and administration	**1.7**	1.7	0%	**6.5**	5.7	14%
Adjusted EBITDA	**$ 5.4**	$ 5.3	2%	**$ 21.8**	$ 20.9	4%
Human resources as a % of Revenues before Promotional allowances	**29.6%**	26.2%		**28.2%**	28.1%	
Adjusted EBITDA as a % of Revenues	**52.4%**	54.6%		**54.1%**	55.3%	

	Q4 2016	**Q3 2016**	**Q2 2016**	**Q1 2016**	**Q4 2015**	**Q3 2015**	**Q2 2015**	**Q1 2015**	**Average**
Table Drop	$ 14.6	$ 13.6	$ 13.9	$ 14.6	$ 12.3	$ 12.5	$ 12.3	$ 12.9	
Table Hold	$ 3.6	$ 3.3	$ 3.3	$ 3.2	$ 3.0	$ 2.6	$ 2.8	$ 3.1	
Table Hold %	24.3%	24.3%	23.7%	22.4%	24.8%	21.4%	22.8%	24.5%	23.3%
Slot Coin-In	$ 392.5	$ 407.2	$ 404.8	$ 381.4	$ 380.6	$ 383.5	$ 354.8	$ 364.9	
Slot Win	$ 27.1	$ 28.0	$ 28.3	$ 26.4	$ 27.1	$ 26.8	$ 25.7	$ 25.4	
Slot Win/Slot/Day(1)	$ 314	$ 325	$ 332	$ 310	$ 315	$ 311	$ 302	$ 302	
Slot Win %	6.9%	6.9%	7.0%	6.9%	7.0%	6.9%	7.2%	7.0%	7.0%

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

Recent Developments

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

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

On July 21, 2016, the Company completed a strategic acquisition of Bingo Esquimalt, a commercial bingo hall located on Vancouver Island, for $0.4.

Overview

Revenues and Adjusted EBITDA improved during 2016, primarily due to increases in business volumes.

Revenues

Revenues at the Vancouver Island Casinos increased during the twelve months 2016, when compared to the same period in the prior year, primarily due to increased table drop and slot coin-in resulting from increased marketing efforts and the addition of six new tables. Revenues increased during the fourth quarter of 2016, when compared to the same period in the prior year, primarily due to the increase in table drop and resulting table hold. The increase in slot coin-in during this period was mostly offset by a decline in the slot win percentage.

Expenses

Human resources expenses increased primarily due to increased business volumes and extended operating hours in the most recent year. Property, marketing and administration expenses increased in the twelve months of 2016, compared to 2015, mainly due to higher marketing expenses. These costs were consistent in the fourth quarter of 2016, when compared to the same period in 2015.

Adjusted EBITDA

Adjusted EBITDA at the Vancouver Island Casinos increased by 4% and 2% in the twelve and three months ended December 31, 2016, respectively. The increase was primarily due to the improvement in gaming revenues.

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

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

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Chg	**2016**	2015	% Chg
Gaming revenues	**$ 4.3**	$ 3.8	13%	**$ 17.1**	$ 15.5	10%
Facility Development Commission	**0.8**	0.7	14%	**3.3**	3.0	10%
Hospitality and other revenues	**1.4**	1.2	17%	**5.2**	4.4	18%
Revenues before Promotional allowances	**6.5**	5.7	14%	**25.6**	22.9	12%
Less: Promotional allowances	**(0.3)**	(0.3)	0%	**(1.7)**	(1.2)	42%
Revenues	**6.2**	5.4	15%	**23.9**	21.7	10%
Human resources	**1.8**	1.7	6%	**6.9**	6.7	3%
Property, marketing and administration	**1.4**	1.3	8%	**5.6**	4.7	19%
Adjusted EBITDA	**$ 3.0**	$ 2.4	25%	**$ 11.4**	$ 10.3	11%
Human resources as a % of Revenues before Promotional allowances	**27.7%**	29.8%		**27.0%**	29.3%	
Adjusted EBITDA as a % of Revenues	**48.4%**	44.4%		**47.7%**	47.5%	

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Average
Slot Coin-In	$ 239.8	$ 228.7	$ 232.2	$ 213.4	$ 205.8	$ 199.3	$ 198.4	$ 207.1	
Slot Win	$ 16.6	$ 16.6	$ 16.0	$ 15.0	$ 14.1	$ 14.7	$ 14.2	$ 14.6	
Slot Win/Slot/Day[(1), (2), (3)]	$ 302	$ 306	$ 301	$ 288	$ 286	$ 298	$ 292	$ 307	
Slot Win %	6.9%	7.3%	6.9%	7.0%	7.0%	7.5%	7.2%	7.0%	7.1%

(1) Slot Win/Slot/Day is an average, presented in dollars.
(2) During the twelve months of 2015, the Company added 14 slot machines at Chances Maple Ridge, resulting in 525 slot machines at December 31, 2015. During the year ended December 31, 2016, the Company added 13 slot machines at Chanches Maple Ridge and 60 slot machines at Chances Chilliwack resulting in 598 slot machines at December 31, 2016.

Overview
Both Chances Chilliwack and Chanced Maple Ridge performed well during 2016; however, their contributions were offset by declines at Chances Dawson Creek.

Revenues
Revenues at the Other BC Casinos increased primarily due to the addition of slot machines at Chilliwack and more focused marketing efforts at Maple Ridge. These improvements were partially offset by decreases at Dawson Creek, which resulted from the weakened local economy.

Expenses
Human resources expenses were relatively consistent. Property, marketing and administration expenses increased mainly due to increases in food and beverage expenses and promotions expenses.

Adjusted EBITDA
Adjusted EBITDA at the Other BC Casinos increased by 11% and 25% in the twelve and three months ended December 31, 2016, respectively. These increases were primarily due to the improvement in gaming revenues.

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

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

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Chg	**2016**	2015	% Chg
Gaming revenues	**$ 16.2**	$ 16.4	(1%)	**$ 66.8**	$ 43.7	53%
Hospitality and other revenues	**7.5**	8.0	(6%)	**28.2**	13.4	110%
Revenues before Promotional allowances	**23.7**	24.4	(3%)	**95.0**	57.1	66%
Less: Promotional allowances	**(2.2)**	(2.4)	(8%)	**(9.4)**	(5.1)	84%
Revenues	**21.5**	22.0	(2%)	**85.6**	52.0	65%
Human resources	**7.1**	7.4	(4%)	**28.3**	19.1	48%
Property, marketing and administration	**7.9**	8.7	(9%)	**30.8**	18.8	64%
Adjusted EBITDA	**$ 6.5**	$ 5.9	10%	**$ 26.5**	$ 14.1	88%
Human resources as a % of Revenues before Promotional allowances	**30.0%**	30.3%		**29.8%**	33.5%	
Adjusted EBITDA as a % of Revenues	**30.2%**	26.8%		**31.0%**	27.1%	

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Average
Table Drop	$ 21.5	$ 23.1	$ 22.1	$ 20.5	$ 21.4	$ 13.0	$ 11.9	$ 10.8	
Table Hold	$ 4.4	$ 4.9	$ 4.2	$ 5.0	$ 4.9	$ 3.1	$ 2.4	$ 1.9	
Table Hold %	20.5%	21.2%	19.0%	24.6%	22.7%	23.4%	20.2%	17.6%	21.4%
Poker Rake	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.4	$ 0.4	$ 0.4	
Slot Coin-In	$ 321.9	$ 385.7	$ 347.9	$ 294.9	$ 320.0	$ 213.9	$ 197.3	$ 158.5	
Slot Win	$ 26.0	$ 31.0	$ 27.4	$ 23.7	$ 26.0	$ 16.6	$ 14.5	$ 12.1	
Slot Win/Slot/Day[(1), (2)]	$ 197	$ 239	$ 239	$ 214	$ 187	$ 218	$ 191	$ 164	
Slot Win %	8.1%	8.0%	7.9%	8.0%	8.1%	7.8%	7.3%	7.6%	7.9%

[(1)] Slot Win/Slot/Day is an average, presented in dollars.
[(2)] The Atlantic Casinos Group includes the results of Casino New Brunswick since its acquisition on October 1, 2015.

Recent Developments
In Nova Scotia, the Company has committed to make capital investments totalling $10.0 to the casino business through 2025, subject to a revitalization plan and schedule approved by the NSPLCC. The Company completed a $1.0 revitalization of its Sydney location which commenced during the first quarter of 2016. The property officially relaunched on June 16, 2016 with an updated gaming floor and function room, new restaurant and lounge and a second location for the Casino Nova Scotia Music Hall of Fame.

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

Overview
The Atlantic Casinos reflect the contributions from Casino New Brunswick as well as cost containment at the Casino Nova Scotia properties.

Revenues, Expenses and Adjusted EBITDA
Revenues for the twelve months of 2016 increased primarily due to the acquisition of Casino New Brunswick on October 1, 2015.

Gaming revenues at the Atlantic Casinos were relatively consistent during the fourth quarter of 2016, when compared to the same period in the prior year. Hospitality and other revenue decreased during this period primarily due to lower theatre revenues and food and beverage revenues.

Expenses
Expenses for the twelve months of 2016 increased primarily due to the acquisition of Casino New Brunswick on October 1, 2015. The increase is partially offset by reduced costs at the Casino Nova Scotia properties.

Property, marketing and administrative expenses decreased during the fourth quarter of 2016, when compared to the same period in 2015, primarily due to lower theatre and food and beverage expenses as well as lower marketing spend at the two Casino Nova Scotia properties.

Adjusted EBITDA

Adjusted EBITDA at the Atlantic Casinos for the twelve months of 2016 increased primarily due to the acquisition of Casino New Brunswick on October 1, 2015 and reflects incremental Adjusted EBITDA contributions from Casino Nova Scotia.

Adjusted EBITDA increased by 10% in the fourth quarter of 2016 primarily due to the decrease in operating expenses.

Great American Casinos

Results in U.S. Dollars (in millions)

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Chg	**2016**	2015	% Chg
Gaming revenues	**$ 6.8**	$ 6.1	11%	**$ 26.2**	$ 24.4	7%
Hospitality and other revenues	**1.8**	1.8	0%	**6.9**	7.0	(1%)
Revenues before Promotional allowances	**8.6**	7.9	9%	**33.1**	31.4	5%
Less: Promotional allowances	**(0.7)**	(0.8)	(13%)	**(2.9)**	(2.9)	0%
Revenues	**7.9**	7.1	11%	**30.2**	28.5	6%
Human resources	**3.1**	3.0	3%	**12.3**	12.5	(2%)
Property, marketing and administration	**2.6**	2.4	8%	**9.4**	9.4	0%
Adjusted EBITDA	**$ 2.2**	$ 1.7	29%	**$ 8.5**	$ 6.6	29%
Human resources as a % of Revenues before Promotional allowances	**36.0%**	38.0%		**37.2%**	39.8%	
Adjusted EBITDA as a % of Revenues	**27.8%**	23.9%		**28.1%**	23.2%	

	Q4 2016	**Q3 2016**	**Q2 2016**	**Q1 2016**	**Q4 2015**	**Q3 2015**	**Q2 2015**	**Q1 2015**	**Average**
Table Drop	$ 37.8	$ 36.9	$ 35.7	$ 35.9	$ 37.1	$ 35.6	$ 36.0	$ 36.0	
Table Hold	$ 6.9	$ 6.2	$ 6.2	$ 7.2	$ 6.0	$ 5.9	$ 6.1	$ 6.3	
Table Hold %	18.1%	16.6%	17.4%	19.8%	16.2%	16.4%	16.9%	17.5%	17.4%

Results in Canadian Dollars

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Chg	**2016**	2015	% Chg
Revenues	**$ 10.6**	$ 9.5	12%	**$ 40.4**	$ 36.6	10%
Adjusted EBITDA	**$ 3.0**	$ 2.2	36%	**$ 11.4**	$ 8.4	36%

Discussion in U.S. Dollars

The value of the Great American Casinos' functional currency, the U.S. dollar, in comparison to the Company's reporting currency, the Canadian dollar, affects the reported results of the Great American Casinos. The average value of the U.S. dollar was 4% higher in the twelve months of 2016, when compared to 2015, and was consistent in the fourth quarter of 2016, when compared to the fourth quarter of 2015. The higher average value of the U.S. dollar during 2016 results in an increase in the Canadian dollar translation of the operating results for this period.

Overview
Great American Casinos performed well during 2016 with improvements in both revenues and Adjusted EBITDA at all three of its locations.

Revenues
Gaming revenues increased primarily due to a higher table hold percentage, and was partially offset during the twelve months ended December 31, 2016 due to the closure of the Kent casino on March 14, 2015.

Expenses
Human resources expenses were relatively consistent with the comparative periods in the prior year. Property, marketing and administration expenses were consistent during the twelve months of 2016, as the cost savings from the closure of the Kent casino in the first quarter of 2015 were offset by higher marketing costs incurred at the remaining three properties. These costs were higher during the fourth quarter of 2016, when compared to the same period in 2015, due to increased marketing and promotional activities.

Adjusted EBITDA

Adjusted EBITDA increased by 29% during both the twelve months and the fourth quarter of 2016 primarily due to higher revenues. Excluding the results of the Kent casino from the prior year's results, Adjusted EBITDA at the Great American Casinos in 2016 increased by 33%, when compared to the twelve months ended December 31, 2015, due to increased gaming revenues at the remaining three casino locations.

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

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

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Chg	**2016**	2015	% Chg
Gaming revenues	**$ 17.2**	$ -		**$ 65.4**	$ -	
Racetrack revenues	**1.2**	1.2	0%	**4.7**	4.7	0%
Hospitality, lease and other revenues	**7.2**	5.2	38%	**27.3**	20.8	31%
Revenues before Promotional allowances	**25.6**	6.4	300%	**97.4**	25.5	282%
Less: Promotional allowances	**(0.7)**	-		**(2.2)**	(0.1)	2100%
Revenues	**24.9**	6.4	289%	**95.2**	25.4	275%
Human resources	**8.4**	1.3	546%	**29.9**	5.4	454%
Property, marketing and administration	**11.5**	1.8	539%	**29.7**	6.5	357%
Adjusted EBITDA	**$ 5.0**	$ 3.3	52%	**$ 35.6**	$ 13.5	164%
Human resources as a % of Revenues before Promotional allowances	**32.8%**	20.3%		**30.7%**	21.2%	
Adjusted EBITDA as a % of Revenues	**20.1%**	51.6%		**37.4%**	53.1%	

Live race days	**Q4 2016**	**Q3 2016**	**Q2 2016**	**Q1 2016**	**Q4 2015**	**Q3 2015**	**Q2 2015**	**Q1 2015**
Georgian	-	27	12	-	-	26	13	-
Flamboro	51	17	26	36	51	16	27	37

Overview
The Ontario Properties' results reflect the contributions from Shorelines Casinos since January 11, 2016.

Revenues
Revenues at the Ontario Properties increased due to additional revenues from the Shorelines Casinos since the acquisition of OLG's East Gaming Bundle on January 11, 2016 as described in the "Major Developments" section of this MD&A.

Expenses
Human resources expenses and property marketing and administration expenses increased primarily due to the acquisition of OLG's East Gaming Bundle. Human resources expenses include $0.6 of training-related pre-opening costs in the twelve and three months ended December 31, 2016. Property, marketing and administration expenses include $0.4 and $nil of pre-opening costs in the twelve and three months ended December 31, 2016, respectively.

Adjusted EBITDA
Adjusted EBITDA increased by $22.1 and $1.7 in the twelve and three months ended December 31, 2016, respectively, mainly as a result of the acquisition of OLG's East Gaming Bundle.

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

Corporate & Other

	Three months ended December 31,			Twelve months ended December 31,		
	2016	2015	% Chg	**2016**	2015	% Chg
Human resources	**$ 2.8**	$ 2.3	22%	**$ 12.2**	$ 11.6	5%
Property, marketing and administration	**1.2**	1.0	20%	**4.9**	4.9	0%
Adjusted EBITDA	**$ (4.0)**	$ (3.3)	(21%)	**$ (17.1)**	$ (16.5)	(4%)

Expenses and Adjusted EBITDA
Corporate and other costs increased by 4% and 21% in the twelve and three months ended December 31, 2016, respectively, when compared to the same periods in 2015. The increase was mainly due to the release of bonus accruals in 2015.

Discussion of Items Excluded from Adjusted EBITDA

Amortization
Amortization increased by $14.6 and $2.4 in the twelve and three months ended December 31, 2016, respectively, when compared to the same periods in 2015, primarily due to the acquisitions of OLG's East Gaming Bundle on January 11, 2016 and Casino New Brunswick on October 1, 2015, as well as the amortization of the property, plant and equipment related to the rebranding of Elements Casino that occurred in the fourth quarter of 2015.

Share-Based Compensation
Share-based compensation in the twelve and three months ended December 31, 2016 of $6.7 (2015 - $4.3) and $1.6 (2015 - $0.6), respectively, comprises equity-settled share-based compensation expense of $3.9 (2015 - $5.0) and $1.0 (2015 - $1.3), respectively, and cash-settled share-based compensation expense of $2.8 (2015 - recovery of $0.7) and $0.6 (2015 - recovery of $0.7), respectively. The decreases in equity-settled share-based compensation in the twelve and three months ended December 31, 2016 compared to the same periods in 2015 were due to a lower average number of unvested stock options outstanding compared to the prior year periods. The increases in cash-settled share-based compensation during the twelve and three months ended December 31, 2016, when compared to the same periods in 2015, were mainly due to the increases in the Company's share price.

Interest and Financing Costs, net
Interest and financing costs, net of interest income increased by $3.3 and $0.8 in the twelve and three months ended December 31, 2016, respectively, when compared to the same periods in 2015, due to a decline in interest income resulting from lower cash balances and increased interest paid as the amount of borrowings increased during 2016 for the acquisition of the Ontario East Gaming Bundle.

Business Acquisition, Restructuring and other
Business acquisition, restructuring and other expenses increased by $0.4 and $0.1 in the twelve and three months ended December 31, 2016, respectively. The increase during the twelve months is mainly due to both a $1.2 increase in the provision for contingent future trailing payments related to Chances Chilliwack and a $0.4 increase in costs related to business acquisition activities. These increases were offset by $0.8 of business closure costs incurred in the prior year and a $0.4 decrease in staff severance costs.

Foreign Exchange Gain and Other
Foreign exchange gain decreased by $4.3 and $0.2 in the twelve and three months ended December 31, 2016, respectively, when compared to the same periods in 2015, primarily due to increases in the value of the U.S. dollar.

Income Taxes
Income taxes increased by $1.2 and decreased by $0.4 in the twelve and three months ended December 31, 2016, respectively, when compared to the same periods in 2015, primarily due to corresponding changes in earnings before income taxes. The effective tax rate has remained relatively consistent in each of the periods.

Non-controlling Interests
Non-controlling interests related to the Ontario East Gaming Bundle were $0.9 for the twelve months of 2016.

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

CONSOLIDATED QUARTERLY RESULTS TREND

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Revenues	**$ 143.0**	$ 151.4	$ 140.5	$ 131.5	$ 124.7	$ 116.6	$ 112.3	$ 109.3
Adjusted EBITDA	**$ 47.2**	$ 62.9	$ 55.3	$ 43.5	$ 45.1	$ 47.5	$ 46.9	$ 41.1
Adjusted EBITDA as a % of Revenues	**33.0%**	41.6%	39.4%	33.2%	36.2%	40.7%	41.8%	37.6%
Shareholders' net earnings	**$ 15.6**	$ 26.9	$ 22.8	$ 10.4	$ 17.6	$ 21.8	$ 19.1	$ 16.1
Shareholders' net earnings per common share								
Basic	**$ 0.26**	$ 0.45	$ 0.37	$ 0.16	$ 0.27	$ 0.33	$ 0.27	$ 0.23
Diluted	**$ 0.25**	$ 0.44	$ 0.36	$ 0.16	$ 0.26	$ 0.32	$ 0.27	$ 0.23

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

As at December 31, 2016, the Company had:

- Receivables, of which the majority are due from, sales tax refunds from the federal government, racetrack operators, other provincial gaming corporations, and financial institutions. Receivables have increased by approximately $15.6 since December 31, 2015. This increase is a combination of the service provider fee receivable from OLG following the acquisition of OLG's East Gaming Bundle in January 2016, an increase in receivables from other provincial gaming corporations and an increase in sales tax refunds receivable resulting from construction of Shorelines Casino Belleville during the fourth quarter of 2016;
- Low exposure to foreign currency exchange rate movements and low exposure to floating interest rate changes since it has relatively low levels of foreign denominated assets and liabilities, has fixed interest rates with its Canadian dollar denominated Senior Unsecured Notes and has an interest rate swap that effectively converted the floating interest rate on the debt borrowed from OGELP's Non-recourse Revolving Credit Facility into fixed interest rate debt;
- $323.0 of available credit on its Revolving Credit Facility, subject to compliance with the related financial covenants;
- $9.0 of available credit under OGELP's Non-recourse Revolving Credit Facility, subject to compliance with the related financial covenants; and
- Counterparties to its existing debt and credit facilities that are primarily major financial institutions that have minimum grade "A" credit ratings.

Financial Position

	December 31, 2016	December 31, 2015	% Chg	December 31, 2014	% Chg
Cash and cash equivalents	**$ 228.7**	$ 207.5	10%	$ 330.6	(37%)
Accounts receivable	**22.9**	7.3	214%	6.3	16%
Land held for sale	**8.1**	-		-	
Other current assets	**11.0**	8.5	29%	7.4	15%
Property, plant and equipment	**667.7**	638.2	5%	574.0	11%
Cash on deposit with Canada Revenue Agency	**29.5**	20.2	46%	-	
Other long-term assets	**115.8**	116.4	(1%)	102.0	14%
Total Assets	**$ 1,083.7**	$ 998.1	9%	$ 1,020.3	(2%)
Current liabilities	**$ 103.5**	$ 69.5	49%	$ 76.3	(9%)
Long-term debt	**478.3**	443.0	8%	442.0	0%
Other long-term liabilities	**112.6**	106.0	6%	101.7	4%
Total Liabilities	**694.4**	618.5	12%	620.0	(0%)
Equity attributable to shareholders of the company	**385.4**	379.2	2%	400.3	(5%)
Non-controlling interests	**3.9**	0.4	875%	-	
Total Equity	**389.3**	379.6	3%	400.3	(5%)
Total Liabilities and Equity	**$ 1,083.7**	$ 998.1	9%	$ 1,020.3	(2%)

Total Assets
Total assets increased by 9% in the twelve months ended December 31, 2016, when compared to the total assets as at December 31, 2015. This increase was primarily due to the acquisition of OLG's East Gaming Bundle, partially offset by the cash used to purchase common shares during the twelve months ended December 31, 2016.

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

Total Liabilities
Total liabilities increased by 12% in the twelve months ended December 31, 2016, when compared to the balance as at December 31, 2015. This increase was mainly due to $35.0 drawn on the Non-recourse Revolving Credit Facility as described in the "Capital Resources" section of this MD&A and payables related to the construction of Shorelines Casino Belleville during the fourth quarter of 2016 included in current liabilities.

Equity
Total equity increased by 3% in the twelve months ended December 31, 2016, when compared to the total equity as at December 31, 2015. This increase was primarily due net earnings of $76.6, share options exercised of $10.9, equity-settled share-based compensation of $3.9 and $2.6 of contributions from non-controlling interests associated with the Company's OGELP subsidiary as described in the "Major Developments - Ontario" section of this MD&A. These increases were offset by the $84.2 purchase and subsequent cancellation of 4,807,165 common shares in the twelve months ended December 31, 2016.

Cash Flows

	Three months ended December 31,					Twelve months ended December 31,				
		2016		2015	% Chg		**2016**		2015	% Chg
Cash generated by operating activities	**$**	**47.3**	$	35.6	33%	**$**	**177.5**	$	136.1	30%
Cash used in investing activities		**(15.4)**		(94.8)	(84%)		**(86.1)**		(126.4)	(32%)
Cash generated by (used in) financing activities		**0.3**		(30.8)			**(70.6)**		(136.1)	(48%)
Effect of foreign exchange on cash and cash equivalents		**0.6**		0.7	(14%)		**0.4**		3.3	(88%)
Cash inflow (outflow)	**$**	**32.8**	$	(89.3)		**$**	**21.2**	$	(123.1)	

Cash generated by operating activities was higher in the twelve and three months ended December 31, 2016, when compared to the same periods in 2015. These increases were primarily due to both the growth in Adjusted EBITDA and lower income taxes paid.

Cash used in investing activities was lower in the three and twelve months ended December 31, 2016, when compared to the same periods in 2015, mainly due to the acquisition of Casino New Brunswick on October 1, 2016, which required a greater cash outflow than the acquisition of the Ontario East Gaming Bundle on January 11, 2016.

The cash used in financing activities in the twelve months of 2016 was mainly attributable to $84.2 paid for the purchase and cancellation of shares and $33.8 of interest paid, and was partially offset by the $35.0 drawn on the Non-recourse Revolving Credit Facility of OGELP. The cash generated by financing activities in the fourth quarter of 2016 was mainly attributable to proceeds from the exercise of share options and was partially offset by interest paid. Cash used in financing activities during the twelve and three months ended December 31, 2015 included repurchases of common shares of $112.6 and $31.0, respectively.

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

Capital Resources

Long-Term Debt and Equity

	December 31, 2016	December 31, 2015
Senior Unsecured Notes, net of unamortized transaction costs of $5.9 (2015 - $7.0)	**$ 444.1**	$ 443.0
Non-recourse Revolving Credit Facility, net of unamortized transaction costs of $0.8 (2015 - $nil)	**34.2**	-
	$ 478.3	$ 443.0

As at December 31, 2016, subject to compliance with the related financial covenants, the Company has $323.0 (December 31, 2015 - $322.6) of available undrawn credit on its Senior Secured Revolving Credit Facility after deducting outstanding letters of credit of $27.0 (December 31, 2015 - $27.4).

As at December 31, 2016, subject to compliance with the related financial covenants, the Company has $9.0 (December 31, 2015 - $nil) of available undrawn credit on its Non-recourse Revolving Credit Facility after deducting outstanding letters of credit of $16.0 (December 31, 2015 - $nil).

a) Senior Unsecured Notes

On July 24, 2012, the Company completed a long-term debt refinancing and issued $450.0 of 6.625% Senior Unsecured Notes due on July 25, 2022. The net proceeds were $439.5 after transaction costs of $10.5. The use of proceeds included repayment of the US$161.1 Senior Secured Term Loan B ("Term Loan B"), repurchase or redemption of the US$170.0 Senior Subordinated Notes ("Subordinated Notes"), settlement of the derivative liabilities associated with the related cross-currency interest rate and principal swaps, and the remainder was retained for general corporate purposes.

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.

Transaction costs of approximately $10.5 associated with the issuance of the Senior Unsecured Notes were primarily related to underwriting fees, legal fees, and other expenses, and are amortized through the "interest and financing costs, net" line of the consolidated statements of earnings and other comprehensive income over the term of the Senior Unsecured Notes using the effective interest method.

b) Non-recourse Revolving Credit Facility of OGELP subsidiary

On January 11, 2016, the Company's OGELP subsidiary arranged a $60.0 revolving credit facility for the acquisition of the assets and operations of certain casinos in Ontario from OLG as described in the "Major Developments" section of this MD&A. The Non-recourse Revolving Credit Facility Credit Agreement ("Non-recourse Credit Agreement"), which expires on January 11, 2020, is non-recourse to Great Canadian Gaming Corporation and its other subsidiaries, other than the Company's historic investment in the OGELP subsidiary, which may not be recovered in the event of default of OGELP. OGELP's assets are pledged as collateral on the facility. The counterparties to this credit facility are major financial institutions with minimum "A" credit ratings. The interest rates applicable to this revolving credit facility are equal to a margin of 1% to 2.5% above the Canadian prime lending rate, depending on OGELP's Total Leverage Ratio, as defined in the underlying credit agreement. Standby fees range from 0.50% to 0.88%, also depending on OGELP's Total Leverage Ratio.

As at December 31, 2016, subject to compliance with the related financial covenants, OGELP has $9.0 of available undrawn credit on its Non-recourse Revolving Credit Facility after deducting $35.0 of debt borrowed and outstanding letters of credit of $16.0.

Transaction costs associated with the issuance of the Non-recourse Revolving Credit Facility totalling $1.1 are amortized through the "interest and financing costs, net" line of the consolidated statements of earnings and other comprehensive income over the term of the Non-recourse Revolving Credit Facility using the straight-line method.

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

c) Revolving Credit Facility

As at December 31, 2015, subject to compliance with the related financial covenants, the Company has $323.0 (2015 - $322.6) of available undrawn credit on its Revolving Credit Facility after deducting outstanding letters of credit of $27.0 (2015 - $27.4). The counterparties to this facility are major financial institutions with minimum "A" credit ratings.

On May 25, 2015, the Company extended the maturity of its Credit and Guarantee Agreement ("Credit Agreement"), which covers the terms of its $350.0 Revolving Credit Facility by five years to May 25, 2020. The interest rate on advanced amounts and the commitment fee on the unused facility are based on the Company's Total Debt to Adjusted EBITDA ratio (for all calculations relating to the Revolving Credit Facility, Adjusted EBITDA is determined as defined in the underlying Credit Agreement), which is calculated quarterly on a trailing twelve month basis.

Transaction costs associated with the past extensions of the Revolving Credit Facility totalling $1.5 are included in the "other assets" line of the consolidated statements of financial position and are amortized through the "interest and financing costs, net" line of the consolidated statements of earnings and other comprehensive income over the term of the Revolving Credit Facility using the straight-line method.

The Revolving Credit Facility is guaranteed and secured by substantially all of the assets of the Company and its subsidiaries. The Revolving Credit Facility requires the Company to comply with certain operational and financial covenants (which are defined in the underlying agreement). The financial covenants which are calculated quarterly on a trailing twelve month basis are: Total Debt to Adjusted EBITDA ratio of 5.00 or less, Senior Secured Debt to Adjusted EBITDA ratio of 3.50 or less, and Interest Coverage ratio of 2.25 or more.

d) 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 December 31, 2016, 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 December 31, 2016, the fair value of the interest rate swap was in a $0.4 asset position and the amount was recorded in "other assets" on the consolidated statements of financial position.

e) Covenants and credit ratings

As at December 31, 2016, the Company was in compliance with its financial covenants under the terms of its Senior Secured Revolving Credit Facility, Senior Unsecured Notes and Non-recourse Revolving Credit Facility.

The Company and its debt facilities had independent credit ratings as at December 31, 2016 as follows:

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

Normal Course Issuer Bid

In March 2016, the Company received approval from the TSX to commence a normal course issuer bid for up to 5,312,609 of its common shares, representing approximately 10% of the Company's common shares in the public float. The bid commenced on March 14, 2016 and will end on March 13, 2017, 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 if it feels it is appropriate to do so. Pursuant to TSX policies, daily purchases made by the Company will not exceed 21,107 common shares or 25% of the prior six-month average trading volume of 84,426 common shares on the TSX, subject to certain prescribed exceptions. Purchases will be 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 year ended December 31, 2016, the Company purchased for cancellation 138,240 common shares at a weighted-average price per share of $15.23 under the normal course issuer bid which expired on February 25, 2016 and purchased for cancellation 4,668,925 common shares at a volume weighted-average price per share of $17.57 under the issuer bid which commenced on March 14, 2016. The purchase price for the year ended December 31, 2016 was $84.2 or $17.50 per share. All shares purchased by the Company were cancelled.

During the year ended December 31, 2015, the Company purchased, and subsequently cancelled, 3,400,000 common shares from a company controlled by the Estate of Ross J. McLeod, a former director and officer of the Company. The purchase price was $77.7 or $22.85 per share. During the same period, the Company also purchased for cancellation 2,148,985 common shares at a weighted-average price per share of $16.22 under the normal course issuer bid which expired on February 25, 2016.

The Company records the cost of repurchasing shares as a reduction to share capital on a prorated per share basis with any residual amount recorded as a reduction of retained earnings. In prior years, the Company recorded a total of $1.2 as a reduction of share reserves instead of retained earnings. During the current period, the opening balances of share reserves and retained earnings were adjusted by increasing share reserves and decreasing retained earnings by $1.2 to reflect the current accounting policy.

Outstanding Share Data

As at December 31, 2016 there were 60,791,632 common shares issued and outstanding compared to 64,413,374 as at December 31, 2015. This decrease was primarily due to the repurchase and cancellation of common shares in 2016 as described in the "Normal Course Issuer Bid" section of this MD&A, partially offset by the exercise of employee stock options during the year ended December 31, 2016.

As at December 31, 2016, there were 4,226,069 share options outstanding at a weighted-average exercise price of $15.77.

As at March 6, 2017, there were 61,466,930 common shares outstanding and 3,493,938 share options outstanding.

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

Capital Spending and Development

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

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

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

	Year ended December 31,	
	2016	2015
Opening Approved Amounts	**$ 342.1**	$ 346.5
Additional Approved Amounts	**5.0**	32.5
FDC receipts	**(37.4)**	(36.9)
Closing Approved Amounts	**$ 309.7**	$ 342.1

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

The following table summarizes the Company's consolidated maintenance and development capital expenditures net of accounts payable for the three and twelve months ended December 31, 2016:

	Three months ended December 31,		Twelve months ended December 31,	
	2016	2015	**2016**	2015
Development capital expenditures net of related accounts payable	$ 16.9	$ 0.6	$ 34.2	$ 4.0
Maintenance capital expenditures net of related accounts payable	0.8	3.4	4.9	11.0
Total capital expenditures net of related accounts payable	$ 17.7	$ 4.0	$ 39.1	$ 15.0

Maintenance capital expenditures were primarily related to various property and infrastructure upgrades. Development capital expenditures during the three and twelve months ended December 31, 2015 were primarily related to developments in Ontario. Development capital expenditures during the three and twelve months ended December 31, 2015 were primarily related to the renovation and rebranding of Elements Casino. For the upcoming twelve months of 2017, the Company estimates that maintenance capital expenditures and development capital expenditures net of related accounts payable will total approximately $9.0 and $68.0, respectively.

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

Income Tax Treatment of Facility Development Commission

The Canada Revenue Agency ("CRA") has conducted audits of the Company's and its subsidiaries' Facility Development Commission ("FDC") filing positions of its B.C. operations for the 2009 to 2012 years. CRA has taken the view that FDC was received by the Company and its subsidiaries during 2009 and subsequent years as service fee income and should be included in taxable income when received. For income tax purposes, the Company and its subsidiaries treat the reimbursement by British Columbia Lottery Corporation ("BCLC") of the approved gaming related property, plant and equipment costs as a reduction in the capital cost of the asset. CRA's current position is inconsistent with the results of CRA's findings in their previous audits of the Company's Great Canadian Casinos Inc. subsidiary for the 2000 and 2001 taxation years.

If CRA's more recent view prevails, it would accelerate the timing of when the Company and its subsidiaries recognize taxable income, but would also increase the tax depreciation deduction (capital cost allowance) that they could recognize in prior and future years.

Based on the FDC received from BCLC between January 1, 2009 to December 31, 2016, if CRA's most recent view of FDC prevailed, preliminary estimates indicate the Company's consolidated current tax expense would increase $57.4, deferred tax expense would decrease $54.2, and interest and financing costs would increase $8.5, resulting in a one-time $11.7 decrease in net earnings and a corresponding decrease to basic net earnings per share of approximately $0.19/share. If CRA's most recent view of FDC prevails, the Company expects that the effect of the estimated $7.5 annual increase in current income taxes that would arise from applying the combined federal and provincial income tax rate on future FDC reimbursements, assuming they were consistent with those received in the last 12 months ended December 31, 2016, would be substantially offset by a decrease in deferred income taxes and would consequently have no material effect on net earnings or net earnings per common share going forward.

During 2015, the Company received from CRA notices of reassessment for itself and three of its subsidiaries from CRA related to the income tax treatment of FDC received from BCLC in 2009 and 2010. During the year ended December 31, 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 the year ended December 31, 2016, the CRA has waived $1.1 of interest relating to the 2011 and 2012 taxation years.

The Company strongly disagrees with the CRA's current view of FDC and CRA's adjustments to the taxable income of it and its subsidiaries in respect of FDC. Management believes that the Company's and its subsidiaries' tax filing positions with respect to FDC will prevail and consequently the Company and its subsidiaries have not accrued for additional income tax liabilities, income tax expenses, and interest as a result of the reassessments received from CRA.

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

The Company and its subsidiaries intend to vigorously defend their tax filing positions and the five subsidiaries that have received notices of reassessment from CRA for 2009 to 2012 have filed notices of objection with CRA's Appeals Division. The Company and its subsidiaries plan to file notices of objection to CRA's Appeals Division to each notice of reassessment received for any subsequent years, where appropriate. In order to file a notice of objection, the Company and its subsidiaries are required to pay at least 50% of the amounts reassessed and will record a corresponding income tax receivable from CRA until the dispute is resolved. As at December 31, 2016, the Company and its subsidiaries have deposited a net amount of $29.5 to CRA. This amount is reflected in "cash on deposit with Canada Revenue Agency" on the consolidated statements of financial position as at December 31, 2016 (December 31, 2015 - $20.2).

Litigation

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

On March 26, 2015, the Company commenced a legal action against BCLC in relation to a dispute over the collection of marketing contributions by BCLC from the Company since 2009. The Company takes the position that BCLC is not entitled to collect the marketing contributions and alleges the total of such amounts collected from it to December 31, 2016 is $28.3 (2015 - $22.0). The Company is seeking for an order that BCLC cease collecting such marketing contributions as well as damages from BCLC in an amount equal to the total of such marketing contributions collected by BCLC up to the date of judgment. BCLC has filed a statement of defense denying the claims by the Company. A trial has been set to commence in the first quarter of 2018. On September 15, 2016, the Company filed and served an application, and related applications, for certification of the claim as a class proceeding under the Class Proceedings Act. The hearing dates for those applications are not yet set.

Commitments

The Company expects the following maturities of its financial liabilities (including interest), operating leases and other contractual commitments:

	Expected payments by period as at December 31, 2016				
	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	$ 96.4	$ -	$ -	$ -	$ 96.4
Income taxes payable	4.6	-	-	-	4.6
Senior Unsecured Notes	29.8	59.6	59.6	479.8	628.8
Revolving Credit Facility	1.6	3.3	0.7	-	5.6
Non-recourse Revolving Credit Facility and interest rate swap	1.7	3.5	35.0	-	40.2
Provisions	1.8	2.1	0.8	5.7	10.4
Operating leases (1)	10.8	10.1	5.9	7.3	34.1
Other contractual commitments (2), (3)	25.5	14.2	5.9	8.7	54.3
Total	$ 172.2	$ 92.8	$ 107.9	$ 501.5	$ 874.4

(1) Operating leases include a ground lease with the City of Surrey, BC for Elements Casino, an operating agreement with the City of Vancouver, BC for Hastings Racecourse and Slots Facility, a property lease with Kawartha Downs for OLG for Shorelines Slots at Kawartha Downs, and a ground lease with the City of Sydney, NS for Casino Nova Scotia Sydney.

(2) Other contractual commitments include the acquisition of property, plant and equipment of $15.5 (2015 - $2.9), various service contracts of $15.5 (2015 - $18.4), and amounts committed to NSPLCC to fund responsible gaming programs over the remaining 10.5-year term of the AROC of $14.2 (2015 - $16.1). Under the terms of the contract option

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

extension with NSPLCC, the Company has committed to make capital investments totalling $10.0 in the Nova Scotia casino properties, subject to a renovation plan and schedule approved by NSPLCC. This capital commitment is not eligible for reimbursement from the CR Account. As at December 31, 2016, the Company has spent $0.9 on the properties. Expected payments related to facility development projects are not reflected in this table unless they are contractually committed.

(3) OGELP has covenanted to OLG that OLG shall realize gaming revenue in each year that is equal to or greater than an agreed upon threshold in respect of each operating year, or to otherwise pay to OLG the amount by which the gaming revenue realized in year is less than the applicable threshold in respect of such year (each such payment, a "Threshold Top-Up Amount"). Based on OGELP's operating results, the likelihood that OGELP will fail to generate sufficient gaming revenue for OLG for any year is expected to be remote, and as such, no provision has been made for Threshold Top-Up Amounts.

Future Cash Requirements

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

OTHER FINANCIAL INFORMATION

Key Management Compensation

Key management personnel comprise the Company's Board of Directors and executive officers. Key management compensation was as follows:

	Year ended December 31,	
	2016	2015
Human resources [1]	**$ 3.2**	$ 1.9
Share-based compensation [2]	**4.4**	1.2
Total	**$ 7.6**	$ 3.1

[1] Human resources includes salaries and other short-term employee benefits.

[2] Share-based compensation includes equity and cash-settled share-based compensation.

As at December 31, 2016, the liabilities of the Company include amounts due to key management personnel of $2.0 (2015 - $1.1) in "accounts payable and accrued liabilities" and $5.1 (2015 - $3.6) in "deferred credits, provisions and other liabilities" of the consolidated statements of financial position.

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

Adjusted shareholders' net earnings

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

	Three months ended December 31,			Twelve months ended December 31,				
	2016	2015	% Chg	**2016**	2015	% Chg	2014	% Chg
Shareholders' net earnings	**$ 15.6**	$ 17.6	(11%)	**$ 75.7**	$ 74.6	1%	$ 78.4	(5%)
Items of note								
Pre-opening costs for Ontario East Gaming Bundle	**1.0**	-		**1.4**	-		-	
Restructuring severance costs	**-**	-		**2.6**	3.1		0.4	
Rebranding and pre-opening costs for Elements Casino, Hard Rock Casino Vancouver and Chances Maple Ridge	**-**	0.5		**-**	0.7		-	
Uneconomic lease provision due to Kent casino closure	**-**	-		**-**	0.8		-	
Jackpot and marketing fund liabilities reversed due to Kent casino closure	**-**	-		**-**	(0.3)		-	
Non-recurring payment received for right of way access	**-**	-			(0.5)		-	
Impairment reversal of long-lived assets	**-**	-		**-**	-		(4.7)	
FDC revenues previously deferred at Fraser Downs	**-**	-		**-**	-		(0.2)	
Other	**-**	0.2		**0.5**	0.6		-	
Income taxes on the above items of note	**(0.4)**	(0.2)		**(1.2)**	(1.2)		1.3	
Adjusted shareholders' net earnings	**$ 16.2**	$ 18.1	(10%)	**$ 78.9**	$ 77.8	1%	$ 75.2	3%
Adjusted shareholders' net earnings per common share								
Basic	**$ 0.27**	$ 0.28		**$ 1.28**	$ 1.15		$ 1.11	
Diluted	**$ 0.26**	$ 0.27		**$ 1.25**	$ 1.13		$ 1.08	

Accounting standards, amendments and interpretations effective and applied

Standards, amendments and interpretations effective and applied

Effective January 1, 2016, the Company adopted the following revised IASs and IFRSs issued by the IASB. These revised standards and interpretation did not have a material impact on the Company's consolidated financial statements.

- IFRS 10, *Consolidated Financial Statements ("IFRS 10"),* IFRS 12, *Disclosure of Interests in Other Entities,* and IAS 28, *Investment in Associates and Joint Ventures ("IAS 28")* – amended to address issues that have arisen in the context of applying the consolidation exception for investment entities.

- IAS 1, *Presentation of Financial Statements ("IAS 1")* – amended to clarify IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.

- IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* – amended to add specific guidance for cases in which an entity reclassifies an asset from held for sale to held for distribution to its owners, or vice versa, and cases in which held-for-distribution accounting is discontinued.

- IFRS 7, *Financial Instruments - Disclosure* – amended to clarify whether a servicing contract is continuing involvement in a transferred asset and to clarify offsetting disclosure requirements in financial statements.

- IAS 19, *Employee Benefits* – amended to clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid.

- IAS 34, *Interim Financial Reporting* – amended to clarify the meaning of "elsewhere in the interim report" and require a cross-reference.

Standards, amendments and interpretations not yet effective and not applied

The IASB issued the following new and revised accounting pronouncements which the Company does not plan to early adopt. With the exception of the ones regarding IFRS 9, IFRS 15 and IFRS 16 for which the Company is still assessing the impact, the remaining pronouncements are not expected to have a material effect on the Company's consolidated financial statements.

Effective January 1, 2017

- IAS 12, *Income Taxes* – amended to clarify the recognition of deferred tax assets for unrealized losses on debt instruments.

- IAS 7, *Statement of Cash Flows* – amended to clarify that an entity should provide disclosures that enable the users of financial statements to evaluate changes in liabilities arising from financing activities.

Effective January 1, 2018

- IFRS 9, *Financial Instruments ("IFRS 9")* – replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces amendments to classification and measurement for financial assets, a new expected loss impairment model and a new hedge accounting model.

- IFRS 15, *Revenue from Contracts with Customers* – provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various other matters. New disclosures about revenue are also introduced.

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*. As set out in the "Capital Resources" section of this MD&A, the Company currently has significant 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 is yet not able to make a reasonable quantitative estimate of the impact of the new standard.

Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The estimates used in determining the recorded amounts in these consolidated financial statements include the following:

- *Estimated useful lives of long-lived assets*

  Judgment is used to estimate each component of an asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

- *Residual values of property, plant and equipment*

  Judgement is used to estimate the residual values of property, plant and equipment, if the residual values were incorrect, it could result in an increase or decrease in the annual amortization expense and future impairment charges.

- *Fair value of net assets acquired in business combinations*

  The consideration transferred for an acquired business ("purchase price") is assigned to the identifiable tangible and intangible assets purchased and liabilities assumed on the basis of their fair values at the date of acquisition. The identification of assets purchased and liabilities assumed and the valuation thereof is specialized and judgmental. Where appropriate, the Company engages external business valuators to assist in the valuation of tangible and intangible assets acquired. Any excess of purchase price over the fair value of the identifiable tangible and intangible assets purchased and liabilities assumed is allocated to goodwill.

  When a business combination involves contingent consideration, an amount equal to the fair value of the contingent consideration is recorded as a liability at the time of acquisition. The key assumptions utilized in determining fair value may include probabilities associated with the occurrence of specified future events, financial projections of the acquired business, the timing of future cash flows, and the appropriate discount rate.

- *Equity-settled share-based compensation*

  The Company estimates the cost of equity-settled share-based compensation using the Black-Scholes option pricing model. The model takes into account an estimate of the expected life of the option, the current price of the underlying common share, the expected volatility, an estimate of future dividends on the underlying common share, the risk-free rate of return expected for an instrument with a term equal to the expected life of the option, and the expected forfeiture rate.

- *Cash-settled share-based compensation*

  The cost of cash-settled share-based compensation provided to employees incorporates an expected forfeiture rate based on historic employee retention to estimate the expected number of cash-settled securities that will vest. If the actual employee retention rate over the vesting period differs from the estimated rate, the amount of cash required to settle the liability could be higher or lower than the accrued liability and the change would be reflected in share-based compensation expense.

- *Income taxes*

  Deferred tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of certain assets and liabilities, as well as undeducted tax losses. Estimation is required for the timing of the reversal of these temporary differences and the tax rate applied. The carrying amounts of assets and liabilities are based on amounts recorded on the consolidated statements of financial position and are subject to the accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of undeducted tax losses are based on the applicable income tax legislation, regulations and interpretations. The timing of the reversal of the temporary differences and the timing of deduction of tax losses are based on estimations of the Company's future financial results.

  Changes in the expected operating results, enacted tax rates, legislation or regulations, and the Company's interpretations of income tax legislation will result in adjustments to the expectations of future timing difference reversals and may require material deferred tax adjustments.

  The Company's operations are conducted in countries with complex tax laws and regulations that can require significant interpretation. As such, the Company and the tax authorities could disagree on tax filing positions and any reassessment of the Company's tax filings could result in material adjustments to tax expense, taxes payable and deferred income taxes.

- *Contingencies*

  Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the consolidated financial statements of financial position and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company and its subsidiaries. The adequacy of provisions is regularly assessed as new information becomes available.

  The Company does not record contingent assets.

  The judgments used in applying the Company's significant accounting policies and disclosures include the following:

- *Determination of Cash Generating Units ("CGUs")*

  The Company's assets are grouped into CGUs based on their ability to generate separate identifiable cash flows. The determination of CGUs involves an assessment regarding the interdependency of cash inflows, and the Company's organizational structure.

- *Segment Reporting*

  The Company has aggregated its operating segments into one reportable segment based on an assessment that each operating segment has similar economic characteristics, types of customers, types of services and products provided, regulatory environments and management and reporting structures.

Financial Instruments and Other Instruments

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

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance a) that material information about the Company and its subsidiaries would have been made known to them and b) regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The Chief Executive Officer and Chief Financial Officer have evaluated and concluded that the Company's disclosure controls and procedures are adequately designed and effective for providing reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would have been made known to them as of the end of the fiscal year ended December 31, 2016.

As well, as of the end of the fiscal year ended December 31, 2016, the Chief Executive Officer and Chief Financial Officer have evaluated and concluded that the Company's internal controls over financial reporting, designed under the Committee of Sponsoring Organizations of the Treadway Commission's 2013 Internal Control Integrated Framework, are adequately designed and effective for providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

During 2016, there was no change in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Definitions of Other Terms Used in the MD&A

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

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

Revenues – the sum of the following:

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

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

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

- Horse racing in Ontario – racetrack revenues includes the Company's share of pari-mutuel wagering revenues and transitional funding received from the Province of Ontario.

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

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

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

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

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

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

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

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

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

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

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

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

- Slot coin-in is the aggregate amount of money customers have wagered on slots and other electronic gaming machines.
- Slot win is the slot coin-in less amounts cashed out and prizes won by customers.

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

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

Additional Information

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

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

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

SUPPLEMENTAL FINANCIAL INFORMATION

Consolidated Quarterly Results Trend

	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Gaming Revenues					
River Rock Casino Resort	$ 25.9	$ 32.0	$ 28.3	$ 28.4	$ 30.4
Hard Rock Casino Vancouver	12.9	11.2	11.1	11.6	11.3
Other Vancouver Area Casinos	6.3	5.5	5.7	5.6	4.6
Vancouver Island Casinos	8.3	8.2	8.2	7.8	7.8
Other BC Casinos	4.3	4.4	4.3	4.1	3.8
Atlantic Casinos	16.2	18.9	17.0	14.8	16.4
Great American Casinos	9.2	8.1	7.9	9.9	8.1
Ontario Properties	17.2	20.2	16.7	11.1	-
	100.3	**108.5**	**99.2**	**93.3**	**82.4**
Facility Development Commission					
River Rock Casino Resort	3.8	4.7	4.2	4.2	4.4
Hard Rock Casino Vancouver	2.0	1.8	1.8	1.8	1.8
Other Vancouver Area Casinos	1.2	1.2	1.2	1.2	0.8
Vancouver Island Casinos	1.2	1.3	1.3	1.2	1.2
Other BC Casinos	0.8	0.8	0.8	0.8	0.7
	9.0	**9.8**	**9.3**	**9.2**	**8.9**
Hospitality, Lease and Other Revenues					
River Rock Casino Resort	14.7	15.0	13.9	12.1	14.1
Hard Rock Casino Vancouver	4.0	2.8	3.4	3.4	4.6
Other Vancouver Area Casinos	2.0	2.5	2.4	2.0	1.6
Vancouver Island Casinos	1.3	1.3	1.3	1.2	1.3
Other BC Casinos	1.4	1.3	1.3	1.2	1.2
Atlantic Casinos	7.5	7.8	6.5	6.4	8.0
Great American Casinos	2.4	2.2	2.2	2.5	2.4
Ontario Properties	7.2	7.1	6.6	6.4	5.2
	40.5	**40.0**	**37.6**	**35.2**	**38.4**
Racetrack Revenues					
Other Vancouver Area Casinos	1.9	3.0	2.8	2.5	2.3
Ontario Properties	1.2	1.2	1.1	1.2	1.2
	3.1	**4.2**	**3.9**	**3.7**	**3.5**
Promotional Allowances	(9.9)	(11.1)	(9.5)	(9.9)	(8.5)
Revenues	**$ 143.0**	**$ 151.4**	**$ 140.5**	**$ 131.5**	**$ 124.7**
Adjusted EBITDA					
River Rock Casino Resort	$ 18.6	$ 25.6	$ 21.2	$ 18.6	$ 22.3
Hard Rock Casino Vancouver	7.4	5.1	5.9	5.9	5.9
Other Vancouver Area Casinos	2.3	3.5	3.3	2.1	1.1
Vancouver Island Casinos	5.4	5.4	5.7	5.3	5.3
Other BC Casinos	3.0	2.9	2.8	2.7	2.4
Atlantic Casinos	6.5	8.6	6.9	4.4	5.9
Great American Casinos	3.0	2.2	2.4	3.8	2.2
Ontario Properties	5.0	13.9	11.1	5.4	3.3
Corporate & Other	(4.0)	(4.3)	(4.0)	(4.7)	(3.3)
	$ 47.2	**$ 62.9**	**$ 55.3**	**$ 43.5**	**$ 45.1**