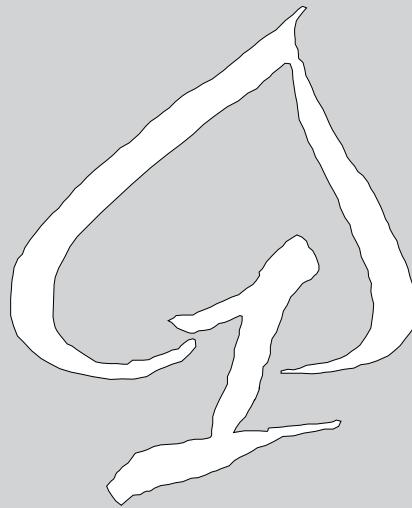
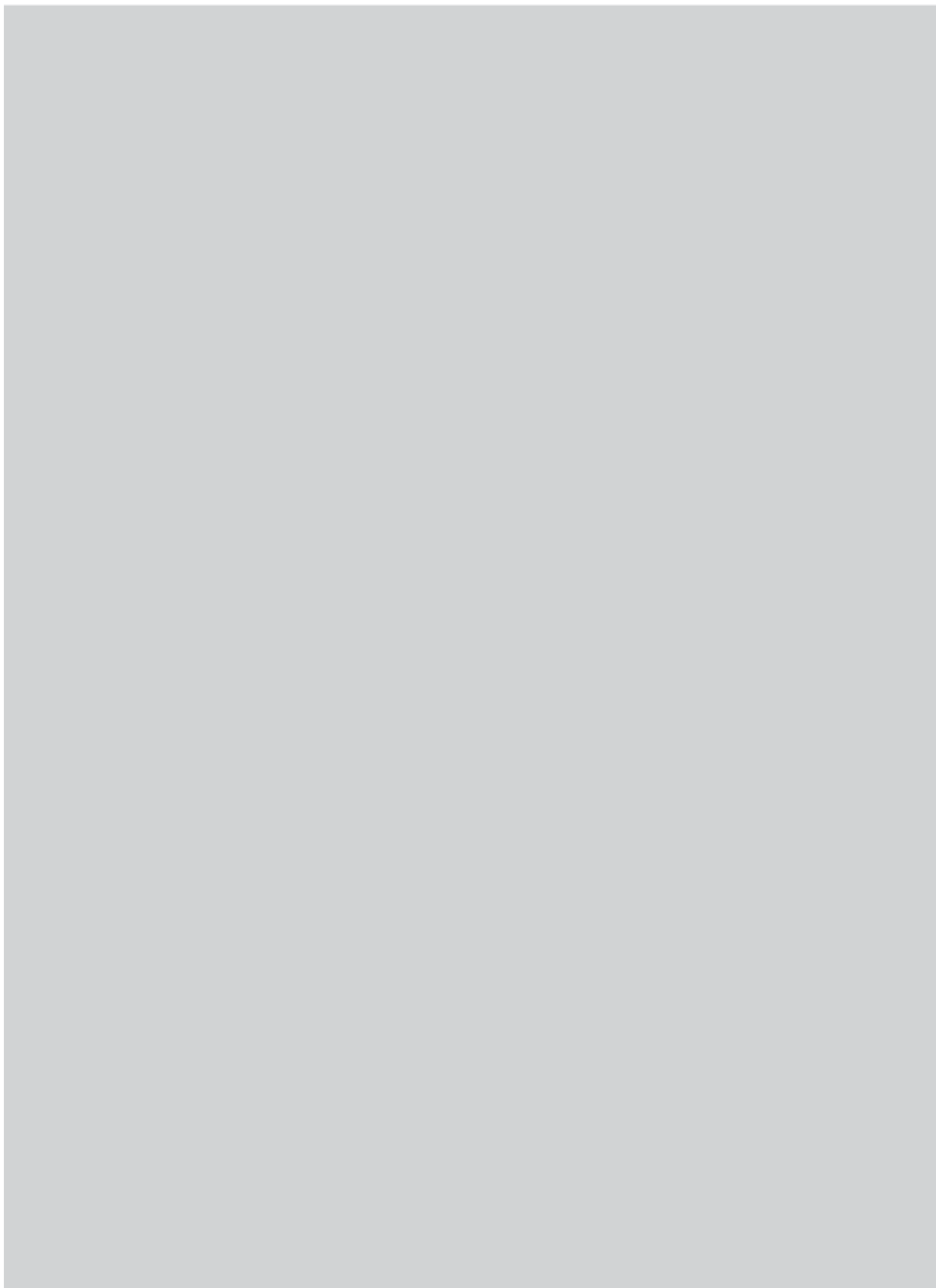


GREAT CANADIAN
GAMING
CORPORATION

Annual Report 2010

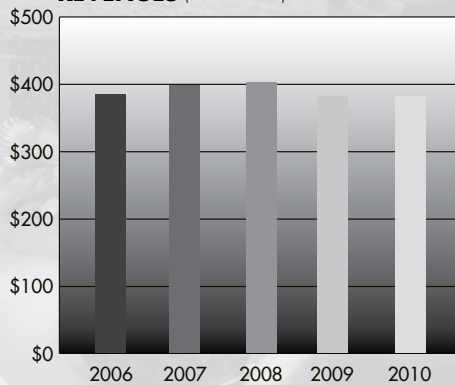




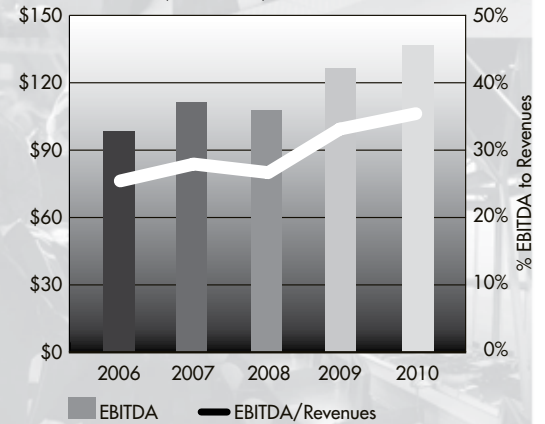
FINANCIAL HIGHLIGHTS

(in millions, except for share information)	Years Ended December 31,		
	2010	2009	2008
Revenues	\$ 383.5	\$ 382.2	\$ 403.7
EBITDA ¹	\$ 136.4	\$ 126.6	\$ 107.7
Shareholders' Net (Loss) Earnings ²	\$ (22.1)	\$ 23.5	\$ 13.5
Shareholders' Net (Loss) Earnings per Common Share:			
– Basic	\$ (0.27)	\$ 0.29	\$ 0.16
– Diluted	\$ (0.27)	\$ 0.28	\$ 0.16
Issued & Outstanding Common Shares	82,872,319	82,374,058	82,086,526
Total Shareholders' Equity	\$ 419.1	\$ 434.4	\$ 392.7

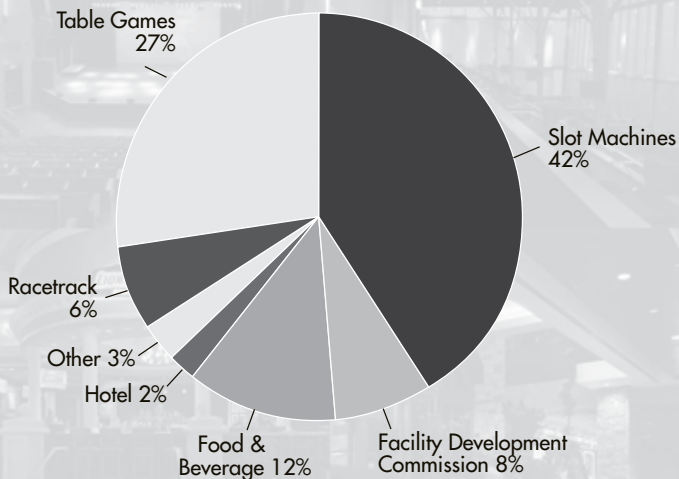
REVENUES (in millions)



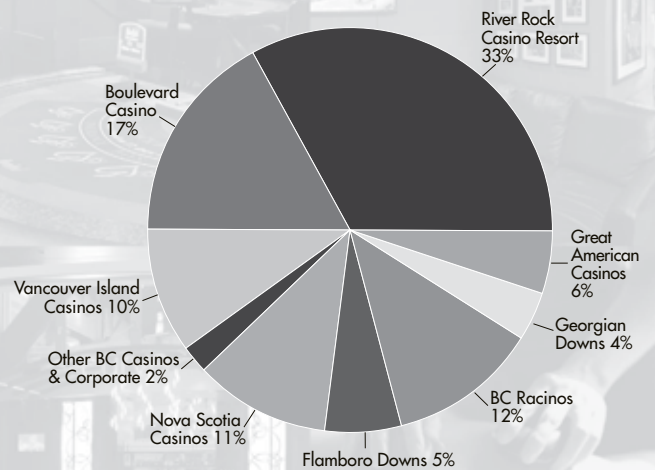
EBITDA¹ (in millions)



2010 REVENUES BY CATEGORY



2010 REVENUES BY LOCATION



¹ "EBITDA" and "adjusted shareholders' net earnings" are non-GAAP measures and are defined in the "Introduction - Non-GAAP Measures" section of the MD&A.

² A reconciliation between Shareholders' net (loss) earnings and adjusted shareholders' net earnings is included under the "Financial Highlights" section of the MD&A.

LETTER FROM THE CHAIRMAN

Dear Shareholders,

Since its inception in 1982, Great Canadian's history can be divided into several phases. A traveling charity casino operation evolved into our first permanent facilities, beginning in 1986 with the opening of Casino on Broadway in Vancouver, BC. More than a decade later, these permanent facilities were enhanced by British Columbia's introduction of slot machine gaming. In 1998, the charity casino system was replaced by a model that granted oversight of the gaming industry to the provincial government, strengthening our relationship with this critical stakeholder.

The most recent phase of Great Canadian's history – and also the most significant – began in 2004. That year marked the opening of the River Rock Casino Resort in Richmond, which remains our flagship property to this day. In the years since River Rock's opening, Great Canadian has not only expanded into new areas of operation - Ontario, Nova Scotia, and Washington State – but also into complementary offerings such as horseracing, entertainment, and hospitality.

While Great Canadian's growth during this period was notable for both its speed and scope, it also benefited from a period of economic prosperity. This period came to a sudden halt at the conclusion of 2008, and was followed by the historic economic collapse of 2009. During 2010, both the economy and our markets began to display some signs of stabilization. But they have not yet begun their recovery.

As a result, Great Canadian's 2010 revenues of \$383.5 million represent a year of transition. While revenues increased by \$1.3 million from the prior year, they remained \$20.2 million below the level achieved in 2008. Some of our properties have fared far better than others. The River Rock Casino Resort, thanks to both the introduction of the Canada Line in 2009 and subsequent enhancements to the property, recorded revenues of \$127.3 million in 2010, an improvement from both the \$110.8 million that property recorded in 2009 and the \$122.2

million it recorded in 2008. Other properties have found their challenges to be more difficult. Most notable among these is the Boulevard Casino in Coquitlam, which has struggled with not only the health of its market, but also increased competition and disruption caused by nearby construction. Boulevard recorded revenues of \$63.6 million in 2010, a decline from both the \$65.9 million that property recorded in 2009 and the \$69.5 million it recorded in 2008.

Great Canadian has been assertive in our response to these revenue pressures. During 2009, we reduced the sum of our human resource and property, marketing, and administration expenses by \$40.4 million. During 2010, these expenses declined by a further \$8.5 million. As a result, despite the decreases in our revenues, Great Canadian's EBITDA has improved from \$107.7 million in 2008 to \$126.6 million in 2009 and \$136.4 million in 2010. Our EBITDA as a percentage of revenues, which was 26.7% in 2008, grew to 35.6% in 2010.

These improvements are encouraging evidence of Great Canadian's ability to both adapt and respond when challenges confront our business. These improvements have also facilitated a fortification of our financial position, which has gained considerable security and flexibility since 2007. Furthermore, the increased efficiency of our operations will allow us to take greater advantage of our markets' eventual recovery.

As we look forward, the timing of this economic recovery remains uncertain. Rising costs of both fuel and food may impact our patrons' discretionary spending. Unemployment in British Columbia, which decreased during 2010, rose to 8.8% in February of 2011, a level higher than any recorded throughout 2009. Since 2008, Great Canadian's strategic planning has been guided by a conservative philosophy. Given these economic indicators, it seems prudent to adhere to this philosophy as we plan for the future.

Fortunately, this economic situation also creates opportunities. Reduced construction costs have enabled Great Canadian to commence construction on River Rock's third hotel tower. This tower, which we anticipate completing this year, will essentially double that property's hotel

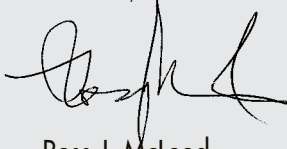
LETTER FROM THE CHAIRMAN

capacity. Its addition will not only enhance River Rock's appeal as a destination for future visitors, but also build upon the momentum that property has witnessed since the introduction of the Canada Line in 2009.

Business values have also been impacted by the current economic uncertainty. As a result, Great Canadian has sought to increase its investment in British Columbia's bingo hall operations, which provide us with opportunities to develop community gaming centres in growing and underserved markets. These community gaming centres possess the potential for promising returns without the need for significant capital risk. Their development will represent a disciplined strategy for future growth.

It is because of both these opportunities and Great Canadian's improved efficiency that I am optimistic about the next phase in the progress of our business. This optimism is bolstered by the dedication and commitment of our front-line staff. The superior service they provide our patrons differentiates Great Canadian from its peers, and will continue to serve as the foundation for our success as we move forward. We have not only endured the challenges of the past two years, we have succeeded in spite of them. As these challenges fade and new opportunities arise, I am confident that further success will follow.

Sincerely,



Ross J. McLeod

Chairman and Chief Executive Officer
Great Canadian Gaming Corporation

MANAGEMENT'S DISCUSSION & ANALYSIS



6	Introduction
7	Financial Highlights
9	Business Description
13	Major Developments
13	Market Update
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MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended December 31, 2010
(Dollar amounts expressed in millions, except for per share information)

INTRODUCTION

Basis of Discussion and Analysis

This management's discussion and analysis ("MD&A") of the financial highlights, recent developments, consolidated results of operations, consolidated quarterly results trend, liquidity and capital resources, and other financial information of Great Canadian Gaming Corporation (the "Company", "we", "our") is dated as of March 17, 2011.

This MD&A should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2010 and 2009 ("Annual Financial Statements"). The Annual Financial Statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Unless expressly stated otherwise, all financial information is expressed in Canadian dollars.

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-GAAP Measures

The following non-GAAP 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 Canadian GAAP, do not have standardized meanings prescribed by GAAP, and should not be construed to be alternatives to revenues and net earnings determined in accordance with GAAP 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.

EBITDA as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, stock-based compensation, restructuring and other costs, impairment of long-lived assets, impairment of goodwill, foreign exchange gain (loss), and non-controlling interests. EBITDA is derived from the consolidated statements of earnings (loss), and can be computed as revenues less human resources expenses and property, marketing and administration expenses. We believe EBITDA is a useful measure because it provides information to both management and investors with respect to the operating and financial performance of the Company. A reconciliation of EBITDA to shareholders' net earnings under GAAP is shown in the "Consolidated Results of Operations" section in this MD&A.

Adjusted shareholders' net earnings, as defined by the Company, means shareholders' net earnings (loss) plus or minus significant 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: impairments of long-lived assets and goodwill, restructuring and other expenses, the effect of changes in tax rates on future income taxes, stock-based compensation – voluntary forfeiture of stock options, reduction of management bonus, and other future tax changes. A reconciliation between shareholders' net earnings (loss) and adjusted shareholders' net earnings is presented in the "Financial Highlights" section of this MD&A. Adjusted shareholders' net earnings per share is defined as adjusted shareholders' net earnings divided by the weighted average number of shares outstanding.

The following non-GAAP measures have common definitions in the gaming industry. 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, expected future expenditures, costs, operating and financial results and expected impact of future commitments. 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 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 service agreements with lottery corporations; changes to gaming laws that may impact our operational service agreements; pending, proposed or unanticipated regulatory or policy changes; impact of global liquidity and credit availability; 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 risk that systems, procedures and controls may not be adequate to support current and expanding operations; potential undisclosed liabilities and capital expenditures associated with acquisitions; negative connotations linked to the gaming industry; First Nations claims with respect to some Crown land on which we conduct our 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; non-realization of cost reductions and synergies; demand for new products and services; fluctuations in operating results; and economic uncertainty and financial market volatility.

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 2010 (dated March 17, 2011), and as identified in the Company's disclosure record on SEDAR at www.sedar.com.

The forward-looking information in documents incorporated by reference speak 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 and is expressly qualified in its entirety by cautionary statements in this MD&A.

FINANCIAL HIGHLIGHTS

	Fourth Quarter			Twelve Months of				
	2010	2009	% Chg	2010	2009	% Chg	2008	% Chg
Revenues	\$ 97.2	\$ 96.3	1%	\$ 383.5	\$ 382.2	0%	\$ 403.7	(5%)
EBITDA ⁽¹⁾	\$ 35.0	\$ 33.0	6%	\$ 136.4	\$ 126.6	8%	\$ 107.7	18%
EBITDA as a % of Revenues	36.0%	34.3%		35.6%	33.1%		26.7%	
Shareholders' net (loss) earnings	\$ (41.9)	\$ 9.8		\$ (22.1)	\$ 23.5		\$ 13.5	74%
Shareholders' net (loss) earnings per common share:								
Basic	\$ (0.51)	\$ 0.12		\$ (0.27)	\$ 0.29		\$ 0.16	
Diluted	\$ (0.51)	\$ 0.12		\$ (0.27)	\$ 0.28		\$ 0.16	
Total assets				\$ 967.4	\$ 1,004.1	(4%)	\$ 1,024.0	(2%)
Long-term debt & Derivative liabilities, excluding current portion				\$ 393.4	\$ 407.7	(4%)	\$ 463.4	(12%)

⁽¹⁾ EBITDA is a non-GAAP measure and is defined in the Introduction - Non-GAAP measures section of this MD&A.

For the three month period ended December 31, 2010 ("fourth quarter of 2010"), Great Canadian Gaming Corporation ("the Company") recorded revenues of \$97.2, a \$0.9 increase from the fourth quarter of 2009. This revenue increase was primarily due to both the performance of the River Rock Casino Resort ("River Rock") and the installation of slot machines at the Maple Ridge Community Gaming Centre in October of 2010. River Rock's revenues for the fourth quarter of 2010 increased by \$2.9, when compared to the fourth quarter of 2009. This increase can be attributed to both the opening of the Canada Line transit system during the third quarter of 2009 and the completion of redevelopments and enhancements at River Rock during the fourth quarter of 2009 and the first quarter of 2010. The installation of slot machines at Maple Ridge Community Gaming Centre facilitated a revenue increase of \$1.2 at the Company's Other BC Casinos for the fourth quarter of 2010, when compared to the fourth quarter of 2009. These improvements were offset by decreased revenues at both the Boulevard Casino and the BC Racinos, the latter of which related primarily to the deconsolidation of TBC Teletheatre BC ("TBC").

For the twelve month period ended December 31, 2010 ("twelve months of 2010"), the Company recorded revenues of \$383.5, a \$1.3 increase from the twelve months of 2009. This revenue increase was primarily due to River Rock. River Rock's revenues for the twelve months of 2010 increased by \$16.5, when compared to the twelve months of 2009. This increase can be attributed to both the opening of the Canada Line transit system during the third quarter of 2009 and the completion of redevelopments and enhancements at River Rock during the fourth quarter of 2009 and the first quarter of 2010. River Rock's improvement was offset by decreased revenues at the Boulevard Casino, the Great American Casinos, and the BC Racinos, the latter of which related primarily to the deconsolidation of TBC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended December 31, 2010
(Dollar amounts expressed in millions, except for per share information)

For the fourth quarter of 2010, the Company recorded EBITDA of \$35.0, a \$2.0 increase from the fourth quarter of 2009. These improvements were primarily due to River Rock's and Other BC Casinos' performance, and were primarily offset by the performance of the Boulevard Casino and Vancouver Island Casinos. For the twelve months of 2010, the Company recorded EBITDA of \$136.4, a \$9.8 increase from the twelve months of 2009.

EBITDA as a percentage of revenues for the fourth quarter of 2010 was 36.0%, a 1.7 percentage point increase from the fourth quarter of 2009. This percentage was 35.6% for the twelve months of 2010, a 2.5 percentage point increase from the twelve months of 2009. These increases can be attributed to both River Rock's performance and efficiency initiatives across the Company's property portfolio.

Shareholders' net (loss) earnings decreased by \$51.7 in the fourth quarter and by \$45.6 in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These decreases were primarily due to non-cash impairment charges of \$46.8 associated with the long-lived assets of Hastings Racecourse and \$14.2 associated with the goodwill of Flamboro Downs. In addition, during the fourth quarter of 2010, the Company recorded restructuring and other expenses associated with its B.C. horseracing operations. The current and prior periods' net earnings included some items of note, the after-tax effects of which are summarized in the following table:

	Fourth Quarter			Twelve Months of				
	2010	2009	% Chg	2010	2009	% Chg	2008	% Chg
Shareholders' net (loss) earnings	\$ (41.9)	\$ 9.8		\$ (22.1)	\$ 23.5		\$ 13.5	74%
Items of note, net of tax								
Impairment of long-lived assets	35.4	—		38.7	—		—	
Impairment of goodwill	14.2	—		14.2	—		—	
Restructuring and other expenses	1.8	0.6		2.0	9.5		2.2	
Effect of changes in enacted tax rates on future income taxes	—	(3.7)		—	(6.0)		(1.3)	
Reduction of management bonus accrual	—	—		—	—		(2.1)	
Stock-based compensation — voluntary forfeiture of stock options	—	—		—	—		5.8	
Adjusted shareholders' net earnings⁽¹⁾	\$ 9.5	\$ 6.7	42%	\$ 32.8	\$ 27.0	21%	\$ 18.1	49%
Adjusted shareholders' net earnings per common share⁽¹⁾:								
Basic	\$ 0.11	\$ 0.08		\$ 0.40	\$ 0.33		\$ 0.22	
Diluted	\$ 0.11	\$ 0.08		\$ 0.39	\$ 0.32		\$ 0.22	

⁽¹⁾ A non-GAAP measure

After adjusting for the above items of note, the Company's adjusted shareholders' net earnings increased by 42% in the fourth quarter and by 21% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. The increases were primarily due to the improvements in EBITDA, and were partially offset by higher amortization expense.

For the twelve months of 2009, shareholders' net earnings were \$23.5, an increase of \$10.0 from the shareholders' net earnings of \$13.5 recorded for the twelve months 2008. This increase was primarily due to improvements in EBITDA associated with expense reduction initiatives implemented across the Company's property portfolio. For the twelve months of 2009, revenues were \$382.2, a decrease of \$21.5 from the revenues of \$403.7 recorded for the twelve months of 2008. This decrease was primarily due to the weakened economy.

BUSINESS DESCRIPTION

General

Great Canadian Gaming Corporation is a multi-jurisdictional gaming and entertainment operator with operations in British Columbia ("BC"), Ontario and Nova Scotia, Canada, and Washington State, United States of America ("Washington"). The Company operates ten casinos, a thoroughbred racetrack that offers slot machines, three standardbred racetracks (two offer slot machines and one offers both slot machines and table games), two community gaming centres, a hotel & conference centre, two show theatres, and various associated food and beverage and entertainment facilities. In Canada, the Company operates its casinos both within managed markets that feature high barriers to entry and under long-term agreements as partners with provincial lottery corporations. Under its operating agreements in BC and Nova Scotia, the Company is reimbursed for the majority of its capital projects. As of December 31, 2010, the Company had approximately 4,500 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, 2010 and December 31, 2009 were:

Entity	Ownership interest %
Flamboro Downs Limited	100%
Georgian Downs Limited	100%
Great American Gaming Corporation	100%
Great Canadian Casinos Inc.	100%
Great Canadian Entertainment Centres Ltd.	100%
Hastings Entertainment Inc.	100%
Metropolitan Entertainment Group	100%
Orangeville Raceway Limited	100%
TBC Teletheatre B.C. ⁽¹⁾	50%

⁽¹⁾ On March 18, 2005 the Company increased its ownership interest in TBC Teletheatre B.C. ("TBC") to 50% and effectively controlled it from that date. As further described in the "Other Financial Information" section of this MD&A, on April 1, 2010, the Company's control over this entity was reduced to significant influence so it ceased consolidating TBC from that date.

Business Strategy

The Company's mission is to be the leading gaming and entertainment company in its chosen markets by providing superior destinations, experiences, products and services. To meet this objective, the Company has adopted the strategies set out below. As a gaming service supplier, the Company works closely with its Crown corporation partners to develop its business strategy. The agreement of the Company's Crown corporation partners may be necessary to implement certain strategies, and would be required with respect to those strategies that require the deployment of new or expanded gaming assets.

Continuously improve the Company's operating efficiency. The Company has implemented several initiatives within its business to help maintain and improve profitability. In particular, at both its corporate head office and each operating facility, the Company has implemented initiatives to realize operational synergies, workflow efficiencies, and business process improvements. The Company has developed more focused marketing efforts (including joint marketing plans with its provincial Crown corporation partners); adopted more efficient products and technologies used in managing its business; and adjusted staffing levels. The Company continues to develop a performance based culture that recognizes outstanding service delivery, teamwork and individual achievement.

Drive incremental growth at the Company's existing assets. The provincial Crown corporations responsible for gaming have taken steps to limit the number of gaming facilities in the Company's markets, providing incumbent operators with opportunities to improve their facilities' penetration. As a result of either capital investment or ongoing maintenance since 2003, the majority of the Company's properties are relatively new or newly-renovated and are well positioned to capture benefits in the form of both increased revenues and improved profitability. Subject to Crown corporation approval, the Company may also seek ways to expand the gaming products and services offered at its facilities.

Evaluate potential opportunities. Although the Company's primary focus is the optimization of our existing assets, the Company may consider further expansion, acquisition, or divestment opportunities within its chosen markets, should it believe these opportunities offer the potential for creating or maintaining shareholder value.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended December 31, 2010
(Dollar amounts expressed in millions, except for per share information)

Operations

The following table summarizes our Canadian casino operations as at December 31, 2010:

Facility and Location	Year Built/ Renovated	Additional Facilities and Activities	Slot Machines	Table Games	Operational Services Agreements Initial / Renewal Term Expiry Dates ⁽¹⁾
BRITISH COLUMBIA					
River Rock Casino Resort, Richmond, BC	2009	202 room hotel, approx 1,000 seat show theatre, 7 dining options, conference facilities, pool/spa, Racebook ⁽²⁾ , marina, 28 touch bet terminals	989	102	June 23, 2014/ June 23, 2024
Boulevard Casino, Coquitlam, BC	2005	approx 1,100 seat show theatre, 4 dining options, Racebook ⁽²⁾ , 30 touch bet terminals	1,000	64	November 16, 2015/ November 16, 2025
View Royal Casino, Victoria, BC	2009	2 dining options	602	14	February 28, 2011/ February 28, 2021
Casino Nanaimo, Nanaimo, BC	1997	1 dining option, Racebook ⁽²⁾	406	6	February 28, 2011/ February 28, 2021
Chances Gaming Entertainment, Dawson Creek, BC	2006	Bingo, 1 dining option, 3 electronic gaming devices	147	—	June 30, 2016/ June 30, 2026
Maple Ridge Community Gaming Centre (formerly Haney Bingo Plex), Maple Ridge, BC	2010	Bingo, concession, Racebook ⁽²⁾	100	—	October 31, 2013/ October 31, 2033
Hastings Racecourse (Thoroughbred Racing), Vancouver, BC	2008	3 dining options, concession, Racebook ⁽²⁾	596	—	October 28, 2012/ October 28, 2027
Fraser Downs Racetrack and Casino (Standardbred Racing), Surrey, BC	2005	4 dining options, 6 touch bet terminals, Racebook ⁽²⁾	469	10	March 31, 2014/ March 31, 2024
TBC Teletheatre BC ⁽²⁾	various	20 Racebooks ⁽²⁾	—	—	—
ONTARIO					
Georgian Downs (Standardbred Racing), Innisfil, Ontario	2009	4 dining options, concession, meeting facilities, Racebook	1,000 ⁽³⁾	—	November 30, 2021/ November 30, 2026
Flamboro Downs (Standardbred Racing), Flamborough, Ontario	2001	4 dining options, meeting facility, Racebook	800 ⁽³⁾	—	April 9, 2016
NOVA SCOTIA					
Casino Nova Scotia Halifax ⁽⁴⁾ , Halifax, Nova Scotia	2006	4 dining options, entertainment show room, meeting facilities	600	32	July 1, 2015/ July 1, 2025
Casino Nova Scotia Sydney ⁽⁴⁾ , Sydney, Nova Scotia	2006	1 dining option, lounge	299	11	July 1, 2015/ July 1, 2025
			7,008	239	

⁽¹⁾ Renewal terms, at the option of the Company in BC and Nova Scotia. Renewal terms, at the option of OLG in Ontario.

⁽²⁾ We own or hold an interest in 22 Racebooks in BC. We own and operate two Racebooks; one at each of Hastings Racecourse and Fraser Downs Racetrack and Casino. The remaining 20 Racebooks, including those at River Rock Casino Resort, Boulevard Casino, Casino Nanaimo and Maple Ridge Community Gaming Centre are operated by TBC. TBC also offers internet and phone racetrack wagering. We own 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.

⁽³⁾ Slot machines at Georgian Downs and Flamboro Downs are owned and operated by OLG.

⁽⁴⁾ Casino Nova Scotia Halifax and Casino Nova Scotia Sydney operate under a single operating agreement.

The following table summarizes our racetrack operations and the number of actual live race days in 2010 and 2009:

Property	Location	Live Race Days	
		2010	2009
Hastings Racecourse	Vancouver, BC	71	74
Fraser Downs Racetrack and Casino	Surrey, BC	87	107
Georgian Downs	Innisfil, ON	106	106
Flamboro Downs	Flamborough, ON	225	225

All of our racetrack operations are outfitted for simulcast wagering, which allows patrons to place wagers on international and domestic live horseracing events.

British Columbia

Regulatory

In British Columbia, gaming activities are managed and conducted by the British Columbia Lottery Corporation ("BCLC"). 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, but a significant portion of that gaming win is retained by BCLC. BCLC provides its share of the gaming win to the Province of British Columbia, which then dedicates 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.

Since 1997, when BCLC assumed responsibility for casino gaming and introduced slot machines in the BC marketplace, the casino business has experienced strong growth and is now BCLC's largest revenue stream. The Company believes that the current market and regulatory environment favours the province's incumbent service suppliers.

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 Facility Development Commission ("FDC") component of the operational services agreements encourages service providers such as the Company to earn additional commissions by investing capital in improving or redeveloping their gaming facilities.

According to BCLC's annual report for its fiscal year ended March 31, 2010, the Company had 38% of the province's slot machines, which produced 38% of the province's win from slot machines, and 45% of the province's table games, which produced 48% of the province's win from table games.

In April 2010, the Company entered into a Memorandum of Agreement and related Addendum (the "Agreement") among the B.C. Horse Racing Industry, including the Company's wholly owned racetrack operators, Orangeville Raceway Ltd. and Hastings Entertainment Inc. That agreement established the authority of a B.C. Horse Racing Industry Management Committee (the "Committee") whose mandate is to provide strategic direction and business leadership to the local horseracing industry and provide a forum for industry participants to cooperate collectively in the development of the industry. The current Committee members include representatives from both the thoroughbred and standardbred horse associations, the President and Chief Executive Officer of the BCLC, representatives from the government of British Columbia, including the Gaming Policy and Enforcement Branch, and the Vice-President of Business Development 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 Committee, as described in the "Business of the Company" section of the Company's 2010 Annual Information Form, the Company's B.C. horseracing operations currently share approximately 50% of a consolidated horseracing industry revenue fund that includes all revenues generated from horseracing 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 Committee, TBC Teletheatre B.C., in which the Company owns a 50% shareholding, is currently operated on a break-even basis whereby it is allocated and permitted to retain a sufficient portion of its revenues to cover its operating expenses, with any surplus funds being provided to the consolidated horseracing industry revenue fund. Financial allocations from the consolidated horseracing industry revenue fund may be changed by the Committee by resolution, however any changes to the financial allocations remain subject to veto rights held by the Committee's members.

Seasonality

While the Company's BC casinos operate year-round, its racetracks are subject to seasonal variations due to planned limited live racing seasons. Live racing operates from April to October at Hastings Racecourse, and from October to April at Fraser Downs. Gaming offerings and Racebooks at both locations operate year-round.

While Metro Vancouver and Vancouver Island, where the majority of the Company's BC facilities are located, do not generally experience harsh weather during the summer or winter months like the rest of Canada, extreme weather conditions can produce a negative impact upon short-term attendance at the Company's BC facilities.

MANAGEMENT'S DISCUSSION & ANALYSIS

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Ontario

Regulatory

In Ontario, gaming activities are managed and conducted by the Ontario Lottery and Gaming Corporation ("OLG"). The OLG operates three different gaming models: Commercial casinos (four sites); racetrack slots and charity casinos (17 racetrack sites and six charity casino sites); and lotteries and bingo. In Ontario, the Company operates two racetracks, with slot operations owned and operated by the OLG pursuant to siteholder agreements. The Company earns a siteholder payment based on the win generated from the OLG slot machines, but a substantial portion of that win is retained by the OLG. According to the OLG website, it directs gaming proceeds to Ontario's health care, physical fitness, sport, recreation and cultural activities and to charitable organizations and non-profit corporations through the Ontario Trillium Foundation.

Seasonality

The gaming facilities at the Company's Ontario racetracks operate year-round and are typically subject to seasonal variations associated with extreme weather conditions. Live racing operates during all months except October at Flamboro Downs, and from March to December at Georgian Downs.

Nova Scotia

Regulatory

In Nova Scotia, gaming activities are managed and conducted by the Nova Scotia Gaming Corporation ("NSGC"). The NSGC operates two different gaming models: Commercial casinos, of which the Company operates the only two within the province, and video lottery terminals, which are permitted in licensed liquor establishments, curling clubs, and on First Nations' land. The Company is a service supplier to the NSGC and earns a commission based upon its casinos' revenues, a portion of which are retained by the NSGC. According to the NSGC's website, the revenues that it retains 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, and community outreach and prevention programs.

Seasonality

The gaming industry in Nova Scotia has historically witnessed a slight increase in business volumes during the summer months, primarily as a result of both tourism and weather conditions. As a result, the Nova Scotia casinos traditionally generate slightly higher revenues during these months.

Washington State

The following table summarizes our Washington gaming operations as at December 31, 2010:

Name	Location	Table Games
Great American Casino Everett	Everett, WA	15
Great American Casino Kent	Kent, WA	14
Great American Casino Lakewood	Lakewood, WA	15
Great American Casino Tukwila	Tukwila, WA	15
		59

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 four commercial card rooms in the Greater Seattle area.

The commercial gaming environment in Washington State is highly regulated but does not have the significant barriers to entry associated with our 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 which 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.

MAJOR DEVELOPMENTS

British Columbia

River Rock Casino Resort

The Company has commenced construction of a third hotel tower at River Rock. The Company anticipates that this five storey, 193-room hotel tower will reach completion during the fourth quarter of 2011, and require total project costs of approximately \$26.0. During the fourth quarter of 2010, the Company spent approximately \$2.3 towards this project.

During the first quarter of 2010, the Company completed several enhancements at River Rock. These enhancements, which had a total cost of \$2.8, optimized the property's ability to accommodate the increased traffic generated by the recently completed Canada Line mass transit system. Enhancements included a relocation of River Rock's poker room, significant improvements to the property's VIP offerings, and space for the installation of additional gaming capacity.

Maple Ridge Community Gaming Centre (formerly "Haney Bingo Plex")

On October 15, 2010, 100 slot machines commenced operation at the Company's Maple Ridge Community Gaming Centre. In order to facilitate the operation of slots at this temporary facility, the Company spent \$4.2 on both property enhancements and off-site servicing commitments.

In addition to the \$1.0 already paid to the Ridge Meadows Bingo Association in connection with the original purchase of this facility, the operation of slots has initiated a total of \$1.3 in trailing purchase payments, to be paid in equal annual instalments over the next 10 years. The Company has also invested \$4.7 towards the purchase of land required for a permanent facility in Maple Ridge, and committed to \$0.6 in related site preparation costs.

Ontario

The Company has expanded Georgian Downs to allow the OLG to increase that property's slot capacity. Slot machines at Georgian Downs are owned and operated by OLG. On August 26, 2009, OLG increased Georgian Downs' capacity to 800 slot machines. On April 1, 2010, OLG increased Georgian Downs' capacity to a total of 939 slot machines. On May 26, 2010, OLG increased Georgian Downs' capacity to a total of 1,000 slot machines.

To date, the Company has spent approximately \$32.8 of an estimated \$33.6 on this redevelopment. The remaining costs for the project are associated with both infrastructure and property upgrades. OLG was responsible for costs associated with upgrades to the slot floor, food and beverage offerings, and various back-of-house operations.

During 2010, the Company and OLG agreed to a five-year renewal of the existing term of Flamboro Downs' Siteholder Agreement, which had previously been extended until April 10, 2011. As a result of this renewal, Flamboro Downs' Siteholder Agreement has been extended until April 9, 2016.

Normal Course Issuer Bid

For the three months and twelve months ended December 31, 2010, the Company did not purchase any shares under its normal course issuer bid that expired on December 14, 2010. Similarly, during 2009, the Company purchased no common shares under the normal course issuer bids.

On January 27, 2011, the Company received approval from the Toronto Stock Exchange ("TSX") to commence another normal course issuer bid for up to 2,000,000 of its common shares, representing approximately 2.4% of the Company's outstanding common shares. This bid will end on January 26, 2012, or earlier if the number of shares approved for purchase in the issuer bid have been obtained. Pursuant to TSX policies, daily purchases made by the Company will not exceed 33,609 common shares, or 25% of the average daily trading volume of 134,427 common shares on the TSX. 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 by-laws and rules. Any shares purchased by the Company will be subsequently cancelled.

MARKET UPDATE

British Columbia

Mandatory Temporary Closure of Hastings Racecourse

As required under the terms of its Operating Agreement, Hastings Racecourse closed for the Olympic Games during the period between February 1, 2010 and March 3, 2010. The Company suspended all gaming, racing, and hospitality operations at the property during this period. This closure reduced all revenues at Hastings Racecourse during the first quarter of 2010 and diminished awareness of the property among patrons for the balance of the year, resulting in subsequent decreases in both visitation and gaming volumes.

Online Gaming

In July 2010, BCLC expanded its existing gaming website to provide British Columbia residents with the ability to wager on casino-style games online. Although this form of gaming does represent a competitive entertainment option within the British Columbia market, BCLC has stated that its online offerings will seek to encourage patrons to visit the province's physical gaming properties. To date, online gaming has created no discernable impact upon the Company's business.

MANAGEMENT'S DISCUSSION & ANALYSIS

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Community Gaming Centres

During the second quarter of 2011, the Company expects that a bingo hall in Surrey will add temporary slot machines to its facility. This facility is located approximately 11 kilometres west of Fraser Downs Racetrack and Casino and 20 kilometres south of the Boulevard Casino.

Ontario

During the fourth quarter of 2010, OLG commenced a Request for Proposal process to evaluate a potential change in operator for its Casino Rama in Ramara, Ontario. The operator that OLG selects will receive maximum annual compensation of \$5.0. The Company is participating in this process, which is expected to conclude in late 2011.

Nova Scotia

In May 2010, a new gaming facility opened in Moncton, New Brunswick. Although the Company does not own or operate any facilities within that province, Moncton is approximately 260km north of Halifax, Nova Scotia. The Company believes that a portion of the patrons at its Nova Scotia casinos reside in New Brunswick, and that the new facility has increased competition for these patrons. However, to date the new facility has not created a significant impact upon the Nova Scotia casinos' business.

Washington State

On February 22, 2011, a municipal council vote in Tukwila, Washington resulted in a prohibition of the operation of card rooms in that city effective January 1, 2016. Unless the municipality subsequently reverses this decision, the Company's Tukwila card room will be closed in January of 2016. This legislative change has no impact on the Company's other Washington State locations.

CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the consolidated operating results for the three month and twelve month periods ended December 31, 2010 with comparatives for the prior period.

	Fourth Quarter			Twelve Months of		
	2010	2009	% Chg	2010	2009	% Chg
Gaming revenues	\$ 69.1	\$ 67.9	2%	\$ 274.9	\$ 269.9	2%
Facility Development Commission	8.1	7.4	9%	30.2	29.2	3%
Hospitality and other revenues	18.0	17.1	5%	67.5	65.3	3%
Racetrack revenues	5.4	6.6	(18%)	23.3	28.7	(19%)
	100.6	99.0	2%	395.9	393.1	1%
Less: Promotional allowances	(3.4)	(2.7)	26%	(12.4)	(10.9)	14%
Revenues	97.2	96.3	1%	383.5	382.2	0%
Human resources	37.7	36.8	2%	153.2	155.6	(2%)
Property, marketing and administration	24.5	26.5	(8%)	93.9	100.0	(6%)
	62.2	63.3	(2%)	247.1	255.6	(3%)
EBITDA	35.0	33.0	6%	136.4	126.6	8%
Human resources as a % of Revenues before Promotional allowances	37.5%	37.2%		38.7%	39.6%	
EBITDA as a % of Revenues	36.0%	34.3%		35.6%	33.1%	
Amortization	14.1	13.4		55.9	48.5	
Stock-based compensation	0.9	0.9		5.4	4.9	
Restructuring and other	2.1	0.8		2.3	13.4	
Impairment of long-lived assets	47.3	—		51.3	—	
Impairment of goodwill	14.2	—		14.2	—	
Interest and financing costs, net	6.1	7.3		28.0	29.2	
Other expenses	—	0.3		0.7	1.9	
Income taxes	(7.8)	0.5		0.7	5.2	
Shareholders' net (loss) earnings	\$ (41.9)	\$ 9.8		\$ (22.1)	\$ 23.5	
Shareholders' net (loss) earnings per common share:						
Basic	\$ (0.51)	\$ 0.12		\$ (0.27)	\$ 0.29	
Diluted	\$ (0.51)	\$ 0.12		\$ (0.27)	\$ 0.28	
Weighted average number of common shares (in thousands):						
Basic	82,801	82,353		82,641	82,183	
Diluted	82,801	84,281		82,641	83,172	

Discussion of Results

The Company's operating results are discussed in two sections. Revenues, human resources expenses, property, marketing and administration expenses, and EBITDA are discussed on a property or, where appropriate, group of similar properties basis. Items excluded from EBITDA are discussed on a consolidated basis. The following table reconciles the property results to the consolidated results of operations above.

REVENUES and EBITDA

	Fourth Quarter			Twelve Months of		
	2010	2009	% Chg	2010	2009	% Chg
REVENUES						
Casinos						
River Rock Casino Resort	\$ 33.5	\$ 30.6	9%	\$ 127.3	\$ 110.8	15%
Boulevard Casino	15.3	16.5	(7%)	63.6	65.9	(3%)
Vancouver Island Casinos	10.0	10.2	(2%)	40.0	40.3	(1%)
Other BC Casinos	2.8	1.6	75%	7.5	6.1	23%
Nova Scotia Casinos	10.4	10.3	1%	42.4	43.2	(2%)
Great American Casinos	5.6	6.0	(7%)	22.1	26.2	(16%)
	77.6	75.2	3%	302.9	292.5	4%
Racinos						
BC Racinos	11.0	12.5	(12%)	45.7	53.9	(15%)
Georgian Downs	4.1	3.9	5%	15.9	15.6	2%
Flamboro Downs	4.5	4.7	(4%)	18.5	19.7	(6%)
	19.6	21.1	(7%)	80.1	89.2	(10%)
Corporate & Other	—	—		0.5	0.5	0%
Total Revenues	\$ 97.2	\$ 96.3	1%	\$ 383.5	\$ 382.2	0%
EBITDA						
Casinos						
River Rock Casino Resort	\$ 15.3	\$ 14.1	9%	\$ 58.6	\$ 49.3	19%
Boulevard Casino	6.1	7.6	(20%)	28.2	31.0	(9%)
Vancouver Island Casinos	5.6	6.3	(11%)	23.3	24.1	(3%)
Other BC Casinos	1.5	0.5	200%	3.1	1.6	94%
Nova Scotia Casinos	2.6	2.6	0%	11.1	11.6	(4%)
Great American Casinos	1.4	1.0	40%	3.6	4.2	(14%)
	32.5	32.1	1%	127.9	121.8	5%
Racinos						
BC Racinos	4.0	3.1	29%	13.1	13.0	1%
Georgian Downs	2.1	1.8	17%	8.4	7.4	14%
Flamboro Downs	1.8	1.5	20%	7.9	7.2	10%
	7.9	6.4	23%	29.4	27.6	7%
Corporate & Other	(5.4)	(5.5)	2%	(20.9)	(22.8)	8%
Total EBITDA	\$ 35.0	\$ 33.0	6%	\$ 136.4	\$ 126.6	8%

CASINOS

River Rock Casino Resort⁽¹⁾

	Fourth Quarter			Twelve Months of		
	2010	2009	% Chg	2010	2009	% Chg
Gaming revenues	\$ 22.7	\$ 20.4	11%	\$ 86.2	\$ 76.5	13%
Facility Development Commission	3.3	3.1	6%	12.6	11.4	11%
Hospitality and other revenues	8.8	8.0	10%	33.0	25.9	27%
Revenues before Promotional allowances	34.8	31.5	10%	131.8	113.8	16%
Less: Promotional allowances	(1.3)	(0.9)	44%	(4.5)	(3.0)	50%
Revenues	33.5	30.6	9%	127.3	110.8	15%
Human resources	11.4	10.0	14%	44.6	40.2	11%
Property, marketing and administration	6.8	6.5	5%	24.1	21.3	13%
EBITDA	\$ 15.3	\$ 14.1	9%	\$ 58.6	\$ 49.3	19%
Human resources as a % of Revenues before Promotional allowances	32.8%	31.7%		33.8%	35.3%	
EBITDA as a % of Revenues	45.7%	46.1%		46.0%	44.5%	

⁽¹⁾ The results of the Racebook at River Rock are included in the results of TBC Teletheatre B.C.

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	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Average
Table Drop	\$ 176.7	\$ 151.2	\$ 149.4	\$ 160.3	\$ 151.7	\$ 129.0	\$ 134.4	\$ 145.5	\$ 137.8	
Table Hold	\$ 34.4	\$ 29.5	\$ 32.5	\$ 29.8	\$ 30.8	\$ 27.9	\$ 24.6	\$ 31.8	\$ 27.8	
Table Hold %	19.5%	19.6%	21.7%	18.6%	20.3%	21.6%	18.3%	21.9%	20.2%	20.2%
Poker Rake	\$ 1.5	\$ 1.4	\$ 1.3	\$ 1.6	\$ 1.4	\$ 1.2	\$ 1.0	\$ 1.1	\$ 1.5	
Slot Coin-In	\$ 448.5	\$ 451.8	\$ 447.9	\$ 434.5	\$ 420.6	\$ 391.7	\$ 351.9	\$ 375.1	\$ 351.1	
Slot Win	\$ 31.6	\$ 32.8	\$ 31.4	\$ 30.7	\$ 28.8	\$ 27.7	\$ 25.5	\$ 26.7	\$ 24.8	
Slot Win/Slot/Day ⁽²⁾	\$ 348	\$ 361	\$ 346	\$ 348	\$ 362	\$ 350	\$ 324	\$ 342	\$ 308	
Slot Win %	7.0%	7.3%	7.0%	7.1%	6.8%	7.1%	7.2%	7.1%	7.1%	7.1%

⁽²⁾ Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues at River Rock in the fourth quarter of 2010 increased by 11%, when compared to the fourth quarter of 2009. This increase was primarily due to improvements in both table drop and slot coin-in, which increased by 16% and 7%, respectively. This increase can be attributed to both the opening of the Canada Line transit system during the third quarter of 2009 and the completion of redevelopments and enhancements at River Rock during the fourth quarter of 2009 and the first quarter of 2010. The combination of these factors has created continued positive momentum in both visitation and gaming volumes at the facility.

River Rock's table hold percentage during the fourth quarter was 19.5%. This percentage was 0.7 percentage points below River Rock's nine-quarter average, and 0.8 percentage points below the property's table hold percentage during the fourth quarter of 2009.

Gaming revenues in the twelve months of 2010 increased by 13%, when compared to the twelve months of 2009. This increase was also due to improvements in traffic and gaming volumes generated by both the Canada Line and River Rock's redevelopments.

River Rock's average daily hotel revenue per available room ("REVPAR") was \$126 dollars in the fourth quarter of 2010, compared to \$116 dollars in the fourth quarter of 2009. This increase was due to a 7.8 percentage point increase in the average hotel occupancy rate to 79.2%, and was partially offset by a 4.8 percentage point decrease in the average daily room rate ("ADR") to \$163 dollars. The increased occupancy rate was primarily due to the increased traffic generated by both the Canada Line and River Rock's redevelopments, while the decreased ADR was primarily due to pricing fluctuations within the local market.

Expenses

Human resources expenses increased by 14% in the fourth quarter and 11% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These increases were primarily due to staffing level adjustments required to accommodate increases in visitation, gaming volumes, and hospitality business, as well as both inflationary increases and adjustments to ensure competitive compensation.

Property, marketing and administration expenses increased by 5% in the fourth quarter and 13% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These increases were primarily due to increased marketing and hospitality costs associated with the growth in River Rock's visitation.

EBITDA

EBITDA increased by 9% in the fourth quarter and 19% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These improvements were primarily due to River Rock's revenue increases.

Boulevard Casino ⁽¹⁾

	Fourth Quarter			Twelve Months of		
	2010	2009	% Chg	2010	2009	% Chg
Gaming revenues	\$ 11.3	\$ 12.3	(8%)	\$ 47.9	\$ 49.9	(4%)
Facility Development Commission	1.9	2.0	(5%)	7.8	8.2	(5%)
Hospitality and other revenues	2.6	2.5	4%	9.4	9.1	3%
Revenues before Promotional allowances	15.8	16.8	(6%)	65.1	67.2	(3%)
Less: Promotional allowances	(0.5)	(0.3)	67%	(1.5)	(1.3)	15%
Revenues	15.3	16.5	(7%)	63.6	65.9	(3%)
Human resources	6.0	5.5	9%	23.8	22.9	4%
Property, marketing and administration	3.2	3.4	(6%)	11.6	12.0	(3%)
EBITDA	\$ 6.1	\$ 7.6	(20%)	\$ 28.2	\$ 31.0	(9%)
Human resources as a % of Revenues before Promotional allowances	38.0%	32.7%		36.6%	34.1%	
EBITDA as a % of Revenues	39.9%	46.1%		44.3%	47.0%	

⁽¹⁾ The results of the Racebook at Boulevard are included in the results of TBC Teletheatre B.C.

	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Average
Table Drop	\$ 45.8	\$ 44.8	\$ 47.2	\$ 48.4	\$ 48.5	\$ 52.9	\$ 50.0	\$ 54.6	\$ 50.9	
Table Hold	\$ 8.9	\$ 9.0	\$ 9.7	\$ 9.8	\$ 9.7	\$ 9.8	\$ 9.6	\$ 10.0	\$ 10.5	
Table Hold %	19.4%	20.1%	20.6%	20.2%	20.0%	18.5%	19.2%	18.3%	20.6%	19.7%
Poker Rake	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.2	\$ 1.3	\$ 1.1	\$ 1.1	\$ 1.2	\$ 1.4	
Slot Coin-In	\$ 380.8	\$ 406.8	\$ 424.6	\$ 422.6	\$ 427.2	\$ 418.5	\$ 426.1	\$ 460.3	\$ 470.5	
Slot Win	\$ 27.8	\$ 28.9	\$ 30.8	\$ 29.8	\$ 30.1	\$ 30.0	\$ 31.5	\$ 31.9	\$ 31.6	
Slot Win/Slot/Day ⁽²⁾	\$ 292	\$ 314	\$ 325	\$ 314	\$ 343	\$ 351	\$ 369	\$ 377	\$ 366	
Slot Win %	7.3%	7.1%	7.3%	7.1%	7.0%	7.2%	7.4%	6.9%	6.7%	7.1%

⁽²⁾ Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues at Boulevard decreased by 7% in the fourth quarter of 2010, when compared to the fourth quarter of 2009. This decrease can be attributed to declines in both table drop and slot coin-in, which decreased by 6% and 11%, respectively. These declines were primarily due to increased disruption related to provincial highway enhancements, which are expected to continue until 2013, as well as both a challenging local economy and proximate competition. This competition included the Company's Maple Ridge Community Gaming Centre, which introduced temporary slot machines during October of 2010.

Revenues in the twelve months of 2010 decreased by 3%, when compared to the twelve months of 2009. This decrease was also due to disruption related to provincial highway enhancements, as well as both a challenging local economy and proximate competition.

Expenses

Human resources expenses increased by 9% in the fourth quarter and 4% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These increases were primarily due to increased staffing levels and training intended to improve customer service at the facility, as well as both inflationary increases and adjustments to ensure competitive compensation.

EBITDA

EBITDA decreased by 20% in the fourth quarter and 9% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These decreases were primarily due to the decline in revenues, which expenses intended to improve customer service were unable to mitigate.

MANAGEMENT'S DISCUSSION & ANALYSIS

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Vancouver Island Casinos (View Royal Casino and Casino Nanaimo)

	Fourth Quarter			Twelve Months of		
	2010	2009	% Chg	2010	2009	% Chg
Gaming revenues	\$ 8.1	\$ 8.3	(2%)	\$ 32.5	\$ 32.7	(1%)
Facility Development Commission	1.3	1.3	0%	5.3	5.3	0%
Hospitality and other revenues	0.9	0.8	13%	3.4	3.2	6%
Revenues before Promotional allowances	10.3	10.4	(1%)	41.2	41.2	0%
Less: Promotional allowances	(0.3)	(0.2)	50%	(1.2)	(0.9)	33%
Revenues	10.0	10.2	(2%)	40.0	40.3	(1%)
Human resources	2.9	2.6	12%	11.5	11.1	4%
Property, marketing and administration	1.5	1.3	15%	5.2	5.1	2%
EBITDA	\$ 5.6	\$ 6.3	(11%)	\$ 23.3	\$ 24.1	(3%)
Human resources as a % of Revenues before Promotional allowances	28.2%	25.0%		27.9%	26.9%	
EBITDA as a % of Revenues	56.0%	61.8%		58.3%	59.8%	

	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Average
Table Drop	\$ 12.8	\$ 13.7	\$ 13.7	\$ 13.1	\$ 12.6	\$ 13.2	\$ 12.1	\$ 12.4	\$ 13.2	
Table Hold	\$ 2.9	\$ 2.8	\$ 3.1	\$ 2.8	\$ 3.0	\$ 3.1	\$ 2.8	\$ 3.0	\$ 3.4	
Table Hold %	22.7%	20.4%	22.6%	21.4%	23.8%	23.5%	23.1%	24.2%	25.8%	23.1%
Slot Coin-In	\$ 375.3	\$ 379.8	\$ 394.4	\$ 376.8	\$ 384.3	\$ 387.9	\$ 385.1	\$ 392.0	\$ 392.1	
Slot Win	\$ 28.5	\$ 29.1	\$ 29.5	\$ 28.0	\$ 28.5	\$ 29.1	\$ 29.1	\$ 28.3	\$ 27.5	
Slot Win/Slot/Day ⁽¹⁾	\$ 309	\$ 324	\$ 321	\$ 326	\$ 322	\$ 351	\$ 374	\$ 374	\$ 371	
Slot Win %	7.6%	7.7%	7.5%	7.4%	7.4%	7.5%	7.6%	7.2%	7.0%	7.4%

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

Revenues

Revenues at the Vancouver Island Casinos in the fourth quarter and twelve months of 2010 were relatively consistent with the same periods in 2009.

Expenses

Human resources expenses increased by 12% in the fourth quarter and 4% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These increases were primarily due to increased staffing levels and training intended to improve customer service at the facility, as well as both inflationary increases and adjustments to ensure competitive compensation.

EBITDA

EBITDA decreased by 11% in the fourth quarter and 3% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These decreases were primarily due to the increase in operational expenses during the fourth quarter of 2010.

Other BC Casinos

(Chances Gaming Entertainment in Dawson Creek and Maple Ridge Community Gaming Centre (formerly "Haney Bingo Plex"))

	Fourth Quarter			Twelve Months of		
	2010	2009	% Chg	2010	2009	% Chg
Gaming revenues	\$ 1.8	\$ 1.2	50%	\$ 5.3	\$ 4.5	18%
Facility Development Commission	0.7	0.1	600%	1.0	0.5	100%
Hospitality and other revenues	0.4	0.3	33%	1.3	1.2	8%
Revenues before Promotional allowances	2.9	1.6	81%	7.6	6.2	23%
Less: Promotional allowances	(0.1)	—	—	(0.1)	(0.1)	0%
Revenues	2.8	1.6	75%	7.5	6.1	23%
Human resources	0.8	0.6	33%	2.8	2.7	4%
Property, marketing and administration	0.5	0.5	0%	1.6	1.8	(11%)
EBITDA	\$ 1.5	\$ 0.5	200%	\$ 3.1	\$ 1.6	94%
Human resources as a % of Revenues before Promotional allowances	27.6%	37.5%		36.8%	43.5%	
EBITDA as a % of Revenues	53.6%	31.3%		41.3%	26.2%	

	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Average
Slot Coin-In	\$ 95.3	\$ 56.8	\$ 54.9	\$ 51.7	\$ 54.9	\$ 54.7	\$ 49.9	\$ 55.2	\$ 51.6	
Slot Win	\$ 6.1	\$ 3.4	\$ 3.2	\$ 3.0	\$ 3.0	\$ 3.0	\$ 2.9	\$ 2.8	\$ 3.0	
Slot Win/Slot/Day ⁽¹⁾	\$ 260	\$ 249	\$ 234	\$ 227	\$ 217	\$ 220	\$ 212	\$ 207	\$ 217	
Slot Win %	6.4%	6.0%	5.8%	5.8%	5.5%	5.5%	5.8%	5.1%	5.8%	5.7%

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

Revenues

Revenues at the Company's Other BC Casinos increased by 75% in the fourth quarter and 23% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These increases were primarily due to the introduction of temporary slot machines at Maple Ridge Community Gaming Centre in October of 2010, which both generated new visitation and assisted in accommodating some of those patrons displaced by disruption from construction surrounding the Company's Boulevard Casino. Revenues also benefited from the receipt of a one-time FDC payment of \$0.4 during the fourth quarter of 2010.

Expenses

Human resources expenses increased by 33% in the fourth quarter and 4% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These increases were primarily due to increased staffing levels required to accommodate the introduction of temporary slot machines at Maple Ridge Community Gaming Centre in October of 2010.

EBITDA

EBITDA increased by 200% in the fourth quarter and 94% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These increases were primarily due to the introduction of temporary slot machines at Maple Ridge Community Gaming Centre in October of 2010.

Nova Scotia Casinos (Casino Nova Scotia Halifax and Casino Nova Scotia Sydney)

	Fourth Quarter			Twelve Months of		
	2010	2009	% Chg	2010	2009	% Chg
Gaming revenues	\$ 9.5	\$ 9.8	(3%)	\$ 40.2	\$ 40.1	0%
Hospitality and other revenues	1.5	1.1	36%	4.6	5.5	(16%)
Revenues before Promotional allowances	11.0	10.9	1%	44.8	45.6	(2%)
Less: Promotional allowances	(0.6)	(0.6)	0%	(2.4)	(2.4)	0%
Revenues	10.4	10.3	1%	42.4	43.2	(2%)
Human resources	4.1	3.8	8%	17.0	16.9	1%
Property, marketing and administration	3.7	3.9	(5%)	14.3	14.7	(3%)
EBITDA	\$ 2.6	\$ 2.6	0%	\$ 11.1	\$ 11.6	(4%)
Human resources as a % of Revenues before Promotional allowances	37.3%	34.9%		37.9%	37.1%	
EBITDA as a % of Revenues	25.0%	25.2%		26.2%	26.9%	

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	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Average
Table Drop	\$ 11.5	\$ 12.1	\$ 12.0	\$ 11.4	\$ 11.9	\$ 12.1	\$ 11.1	\$ 10.4	\$ 11.3	
Table Hold	\$ 2.2	\$ 2.5	\$ 1.9	\$ 2.2	\$ 2.4	\$ 2.2	\$ 1.9	\$ 2.0	\$ 2.3	
Table Hold %	19.1%	20.7%	15.8%	19.3%	20.2%	18.2%	17.1%	19.2%	20.4%	18.9%
Poker Rake	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.5	\$ 0.4	\$ 0.5	\$ 0.5	
Slot Coin-In	\$ 200.2	\$ 240.5	\$ 214.6	\$ 209.6	\$ 209.6	\$ 246.4	\$ 220.5	\$ 213.9	\$ 219.9	
Slot Win	\$ 15.6	\$ 18.6	\$ 16.8	\$ 15.6	\$ 15.8	\$ 18.8	\$ 17.3	\$ 16.0	\$ 16.5	
Slot Win/Slot/Day ⁽¹⁾	\$ 190	\$ 226	\$ 204	\$ 188	\$ 202	\$ 240	\$ 221	\$ 207	\$ 198	
Slot Win %	7.8%	7.7%	7.8%	7.4%	7.5%	7.6%	7.8%	7.5%	7.5%	7.6%

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

Revenues

Revenues at the Nova Scotia Casinos were relatively consistent in the fourth quarter of 2010, when compared to the fourth quarter of 2009. Revenues decreased by 2% in the twelve months of 2010, when compared to the twelve months of 2009. This decrease was primarily due to both an adjustment to hospitality revenues and a temporary increase in entertainment offerings, one-time events that occurred during the second and third quarters of 2010, respectively.

Expenses

Human resources expenses increased by 8% in the fourth quarter and 1% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These increases were due to adjustments to ensure competitive compensation, as well as severance costs associated with management changes during the second quarter of 2010.

EBITDA

EBITDA was unchanged in the fourth quarter of 2010, when compared to the fourth quarter of 2009. EBITDA decreased by 4% in the twelve months of 2010, when compared to the twelve months of 2009. This decrease was primarily due to the decline in hospitality revenues.

Great American Casinos

Results in U.S. Dollars

	Fourth Quarter			Twelve Months of		
	2010	2009	% Chg	2010	2009	% Chg
Gaming revenues	\$ 4.7	\$ 4.9	(4%)	\$ 18.7	\$ 19.8	(6%)
Hospitality and other revenues	1.1	1.1	0%	4.2	4.3	(2%)
Revenues before Promotional allowances	5.8	6.0	(3%)	22.9	24.1	(5%)
Less: Promotional allowances	(0.3)	(0.3)	0%	(1.4)	(1.2)	17%
Revenues	5.5	5.7	(4%)	21.5	22.9	(6%)
Human resources	2.9	3.2	(9%)	12.4	13.2	(6%)
Property, marketing and administration	1.3	1.6	(19%)	5.6	6.1	(8%)
EBITDA	\$ 1.3	\$ 0.9	44%	\$ 3.5	\$ 3.6	(3%)
Human resources as a % of Revenues						
before Promotional allowances	50.0%	53.3%		54.1%	54.8%	
EBITDA as a % of Revenues	23.6%	15.8%		16.3%	15.7%	

(in U.S. dollars)	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Average
Table Drop	\$ 31.1	\$ 33.7	\$ 28.0	\$ 25.6	\$ 27.2	\$ 25.9	\$ 27.5	\$ 29.1	\$ 25.0	
Table Hold	\$ 5.4	\$ 5.3	\$ 4.6	\$ 5.8	\$ 5.5	\$ 5.1	\$ 5.9	\$ 5.9	\$ 5.5	
Table Hold %	17.4%	15.7%	16.4%	22.7%	20.2%	19.7%	21.5%	20.3%	22.0%	19.5%
Poker Rake	\$ —	\$ —	\$ 0.1	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	

Results in Canadian Dollars

	Fourth Quarter			Twelve Months of		
	2010	2009	% Chg	2010	2009	% Chg
Revenues	\$ 5.6	\$ 6.0	(7%)	\$ 22.1	\$ 26.2	(16%)
EBITDA	1.4	1.0	40%	3.6	4.2	(14%)

Revenues and EBITDA in U.S. Dollars

Revenues at the Great American Casinos decreased by 4% in the fourth quarter and 6% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These decreases were primarily due declines in table hold percentage, the impact of which more than offset increases in table drop.

EBITDA increased by 44% in the fourth quarter of 2010, when compared to the fourth quarter of 2009. This increase was primarily due to the benefit of expense reductions. EBITDA decreased by 3% in the twelve months of 2010, when compared to the twelve months of 2009. This decrease was primarily due to the declines in table hold percentage, the impact of which was partially offset by the benefit of expense reductions.

The changing value of the Great American Casinos' functional currency, the U.S. dollar, in comparison to the Company's reporting currency, the Canadian dollar, impacted the reported results of the American casinos. The average value of the U.S. dollar decreased 4% against the Canadian dollar during the fourth quarter of 2010 and 12% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009.

RACINOS

BC Racinos (Fraser Downs Racetrack and Casino, Hastings Racecourse and TBC Teletheatre B.C.⁽¹⁾)

	Fourth Quarter			Twelve Months of		
	2010	2009	% Chg	2010	2009	% Chg
Gaming revenues	\$ 4.8	\$ 4.9	(2%)	\$ 18.7	\$ 19.9	(6%)
Facility Development Commission	0.9	0.9	0%	3.5	3.8	(8%)
Racetrack revenues	4.2	5.3	(21%)	18.1	23.4	(23%)
Hospitality and other revenues	1.4	1.7	(18%)	6.7	8.0	(16%)
Revenues before Promotional allowances	11.3	12.8	(12%)	47.0	55.1	(15%)
Less: Promotional allowances	(0.3)	(0.3)	0%	(1.3)	(1.2)	8%
Revenues	11.0	12.5	(12%)	45.7	53.9	(15%)
Human resources	4.0	4.8	(17%)	17.9	21.0	(15%)
Property, marketing and administration	3.0	4.6	(35%)	14.7	19.9	(26%)
EBITDA	\$ 4.0	\$ 3.1	29%	\$ 13.1	\$ 13.0	1%
Human resources as a % of Revenues						
before Promotional allowances	35.4%	37.5%		38.1%	38.1%	
EBITDA as a % of Revenues	36.4%	24.8%		28.7%	24.1%	

⁽¹⁾ As described in the "Other Financial Information" section of this MD&A, on April 1, 2010, the Company's control over TBC was reduced to significant influence so it ceased consolidating TBC from that date.

	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Average
Table Drop	\$ 7.3	\$ 6.4	\$ 7.0	\$ 6.8	\$ 7.4	\$ 6.0	\$ 7.0	\$ 6.6	\$ 5.6	
Table Hold	\$ 1.5	\$ 1.4	\$ 1.3	\$ 1.4	\$ 1.5	\$ 1.2	\$ 1.4	\$ 1.5	\$ 1.3	
Table Hold %	20.5%	21.9%	18.6%	20.6%	20.3%	20.0%	20.0%	22.7%	23.2%	20.9%
Slot Coin-In	\$ 218.7	\$ 222.2	\$ 225.4	\$ 196.3	\$ 217.4	\$ 234.6	\$ 244.6	\$ 235.4	\$ 235.0	
Slot Win	\$ 17.2	\$ 17.8	\$ 17.4	\$ 15.4	\$ 17.6	\$ 18.8	\$ 18.8	\$ 18.4	\$ 17.7	
Slot Win/Slot/Day ⁽²⁾	\$ 176	\$ 184	\$ 180	\$ 164	\$ 184	\$ 197	\$ 197	\$ 194	\$ 184	
Slot Win %	7.9%	8.0%	7.7%	7.8%	8.1%	8.0%	7.7%	7.8%	7.5%	7.8%

⁽²⁾ Slot Win/Slot/Day is an average, presented in dollars.

Revenues, Expenses and EBITDA

Revenues at the BC Racinos decreased by 12% in the fourth quarter and 15% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These decreases were primarily due to the deconsolidation of TBC in April of 2010, as described in the 'Other Financial Information' section of this MD&A. Revenues for the twelve months of 2010 were also impacted by the mandatory February closure of Hastings Racecourse during the Winter Olympics. This closure reduced all revenues at Hastings Racecourse during the first quarter of 2010 and diminished awareness of the property among patrons for the balance of the year, resulting in subsequent decreases in both visitation and gaming volumes.

Human resources expenses decreased by 17% in the fourth quarter and 15% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. Property, marketing, and administration expenses decreased by 35% in the fourth quarter and 26% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These decreases were primarily due to the deconsolidation of TBC. Expenses for the twelve months of 2010 were also impacted by the February closure of Hastings Racecourse.

EBITDA increased by 29% in the fourth quarter of 2010, when compared to the fourth quarter of 2009. This increase was primarily due to the deconsolidation of TBC, which resulted in reductions in expenses that more than offset the BC Racinos' decrease in racetrack revenues. EBITDA was relatively consistent in the twelve months of 2010, when compared to the twelve months of 2009. This was due to the deconsolidation of TBC, the benefits of which more than offset the impact of the February closure of Hastings Racecourse.

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Labour Relations

A collective agreement between Hastings Entertainment Inc. and UNITE HERE!, Local 40, with a term covering April 1, 2008 through December 31, 2010, governs wages and working conditions of "employees engaged in the food and beverage dispensing at the Hastings Park Racecourse." Notice to commence collective bargaining for a renewal collective agreement was served on October 13, 2010. Collective bargaining commenced on January 20, 2011, and is ongoing.

Georgian Downs

	Fourth Quarter			Twelve Months of		
	2010	2009	% Chg	2010	2009	% Chg
Gaming revenues	\$ 3.1	\$ 2.9	7%	\$ 12.5	\$ 10.9	15%
Racetrack revenues	0.4	0.4	0%	1.7	1.7	0%
Hospitality and other revenues	0.6	0.6	0%	1.7	3.4	(50%)
Revenues before Promotional allowances	4.1	3.9	5%	15.9	16.0	(1%)
Less: Promotional allowances	—	—		—	(0.4)	(100%)
Revenues	4.1	3.9	5%	15.9	15.6	2%
Human resources	0.7	0.7	0%	2.7	3.2	(16%)
Property, marketing and administration	1.3	1.4	(7%)	4.8	5.0	(4%)
EBITDA	\$ 2.1	\$ 1.8	17%	\$ 8.4	\$ 7.4	14%
Human resources as a % of Revenues before Promotional allowances	17.1%	17.9%		17.0%	20.0%	
EBITDA as a % of Revenues	51.2%	46.2%		52.8%	47.4%	

Revenues and EBITDA

Revenues at Georgian Downs increased by 5% in the fourth quarter and 2% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. Gaming revenues increased by 7% in the fourth quarter and 15% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These increases, which were primarily due to the additional gaming capacity installed at Georgian Downs during both the third quarter of 2009 and the second quarter of 2010, offset declines in hospitality and other revenues created by the OLG assuming control of certain food and beverage outlets at the property during the third quarter of 2009.

EBITDA increased by 17% in the fourth quarter and 14% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These improvements were due to both the increase in gaming revenues and the reduction of operating expenses to reflect the Company's reduced role in Georgian Downs' food and beverage operations, and were partially offset by increased occupancy costs.

Labour Relations

A collective agreement between Georgian Downs and Public Service Alliance of Canada, Local 00500, with a term covering September 18, 2006 through September 17, 2010, governs wages and working conditions of employees in Georgian Downs' Mutuels, Maintenance, Food & Beverage, and Gift Shop departments. Notice to commence collective bargaining was exchanged on August 30, 2010. Collective bargaining for a renewal collective agreement commenced on September 15, 2010, and is ongoing.

Flamboro Downs

	Fourth Quarter			Twelve Months of		
	2010	2009	% Chg	2010	2009	% Chg
Gaming revenues	\$ 3.0	\$ 2.9	3%	\$ 12.1	\$ 12.5	(3%)
Racetrack revenues	0.8	0.9	(11%)	3.5	3.6	(3%)
Hospitality and other revenues	0.7	1.0	(30%)	2.9	3.9	(26%)
Revenues before Promotional allowances	4.5	4.8	(6%)	18.5	20.0	(8%)
Less: Promotional allowances	—	(0.1)	(100%)	—	(0.3)	(100%)
Revenues	4.5	4.7	(4%)	18.5	19.7	(6%)
Human resources	1.3	1.6	(19%)	5.1	6.3	(19%)
Property, marketing and administration	1.4	1.6	(13%)	5.5	6.2	(11%)
EBITDA	\$ 1.8	\$ 1.5	20%	\$ 7.9	\$ 7.2	10%
Human resources as a % of Revenues before Promotional allowances	28.9%	33.3%		27.6%	31.5%	
EBITDA as a % of Revenues	40.0%	31.9%		42.7%	36.5%	

Revenues and EBITDA

Revenues at Flamboro Downs decreased by 4% in the fourth quarter and 6% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These declines were due to both a change in Flamboro Downs' compensation from OLG for complimentary beverages and the impact of a challenging local economy.

EBITDA increased by 20% in the fourth quarter and 10% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These increases were primarily due to improved management of the property's operational expenses, which more than offset the revenue declines.

Labour Relations

A collective agreement between Flamboro Downs Limited and Service Employees International Union, with a term covering January 1, 2007 through December 31, 2009 and subsequently extended by mutual agreement to December 31, 2010, governs wages and working conditions of employees in Flamboro Downs' Mutuels, Maintenance & Janitorial, Security, Food & Beverage, and Administration departments. Collective bargaining for a renewal collective agreement commenced on November 29, 2010, and is ongoing.

Corporate & Other

	Fourth Quarter			Twelve Months of		
	2010	2009	% Chg	2010	2009	% Chg
Revenues	\$ —	\$ —		\$ 0.5	\$ 0.5	0%
Human resources	3.6	3.8	(5%)	15.1	16.2	(7%)
Property, marketing and administration	1.8	1.7	6%	6.3	7.1	(11%)
EBITDA	\$ (5.4)	\$ (5.5)	2%	\$ (20.9)	\$ (22.8)	8%

EBITDA

EBITDA from Corporate & Other increased by 2% in the fourth quarter and 8% in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These improvements were primarily due to reductions in both staff and head office lease expenses, and were partially offset by employment termination costs associated with management changes.

Discussion of Items Excluded from EBITDA

Amortization

Amortization increased by \$0.7 in the fourth quarter and \$7.4 in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These increases were primarily due to additional amortization associated with the major development projects completed in 2009.

Stock-Based Compensation

Stock-based compensation was flat in the fourth quarter of 2010 and increased by \$0.5 in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These results were primarily due to a higher fair value attributed to a lower number of stock options granted in the first quarter of 2010, partially offset by a lower average number of unvested options outstanding during the fourth quarter and twelve months of 2010, when compared to the same periods in 2009.

Restructuring and Other

Restructuring and other costs were \$2.1 in the fourth quarter and \$2.3 in the twelve months of 2010. These costs were primarily due to business development expenses associated with the Company's B.C. horseracing operations. Restructuring and other costs in the fourth quarter and twelve months of 2009 primarily related to severance associated with staff reductions made at the Company's gaming properties and at head office that totalled \$0.8 and \$13.4, respectively. In the first quarter of 2009, the Company vacated a portion of its leased head office space and recorded \$4.2 of associated restructuring expenses.

Impairment of Long-Lived Assets

Impairment of long-lived assets was \$47.3 in the fourth quarter and \$51.3 in the twelve months of 2010. These non-cash impairment charges were a result of revised capital investment expectations in connection with the future renewal of the operating lease agreement associated with Hastings Racecourse and business development projects that would not be reinitiated in the foreseeable future.

Impairment of Goodwill

Impairment of goodwill was \$14.2 in the fourth quarter and twelve months of 2010. The non-cash impairment charge reflects the full write-off of goodwill associated with Flamboro Downs as a result of changes in expected future cash flows.

Interest and Financing Costs, net

Interest and financing costs, net of interest income, decreased by \$1.2 in the fourth quarter and the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. This was primarily due to lower interest expense from lower average levels of debt outstanding on the Revolving Credit Facility that was repaid in the first quarter of 2010.

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Other Expenses

Other expenses decreased by \$0.3 in the fourth quarter of 2010, when compared to the fourth quarter of 2009. The decrease was primarily due to the deconsolidation of TBC (as described in the "Other Financial Information" section of this MD&A). Other expenses decreased by \$1.2 in the twelve months of 2010, when compared to the twelve months of 2009. This decrease was primarily due to the deconsolidation of TBC since April 2010 and the realization of \$0.9 in non-cash foreign exchange losses in the first quarter of 2009 arising from the receipt of a large principal repayment on the U.S. dollar denominated debt due from one of the Company's U.S. based subsidiaries.

Income Taxes

Income tax expense decreased by \$8.3 in the fourth quarter and \$4.5 in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009, respectively. The following table reconciles the expected income tax provision to the actual income tax expense for each period presented:

	Fourth Quarter		Twelve Months of	
	2010	2009	2010	2009
Basic federal and provincial statutory income tax rate	28.5%	30.0%	28.5%	30.0%
Expected income tax provision for the period	\$ (14.5)	\$ 3.1	\$ (6.1)	\$ 8.9
Effect of:				
Non-deductible impairment of goodwill	4.4	—	4.4	—
Non-deductible stock-based compensation	0.2	0.3	1.5	1.5
Tax rate differential on impairment of long-lived assets	1.8	—	1.8	—
Changes in tax rates on future income taxes	(0.3)	(3.7)	(1.2)	(6.0)
Change in valuation allowance on future income tax assets	0.5	0.4	0.5	0.4
Other items	0.1	0.4	(0.2)	0.4
Income tax expense	\$ (7.8)	\$ 0.5	\$ 0.7	\$ 5.2

As described above, income taxes decreased primarily due to lower earnings before income taxes in the fourth quarter and twelve months of 2010 and a lower corporate income tax rate for 2010. These decreases were partially offset by: the non-deductible goodwill impairment recorded during the fourth quarter of 2010, the non-cash future income tax recoveries arising from decreases in enacted tax rates in the fourth quarter and twelve months of 2009, and the non-cash future income tax impact of temporary differences reversing at higher tax rates than previously estimated due to the long-lived asset impairments recorded in the fourth quarter of 2010.

Shareholders' Net Earnings

Shareholders' net earnings decreased by \$51.7 in the fourth quarter and by \$45.6 in the twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These decreases were primarily due to non-cash impairment charges, as well as restructuring and other expenses associated with its BC horseracing operations, which were partially offset by the EBITDA improvement and lower income taxes.

CONSOLIDATED QUARTERLY RESULTS TREND

	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Revenues	\$ 97.2	\$ 96.3	\$ 97.0	\$ 93.0	\$ 96.3	\$ 96.0	\$ 93.8	\$ 96.1	\$ 96.7
EBITDA	\$ 35.0	\$ 35.0	\$ 35.0	\$ 31.4	\$ 33.0	\$ 34.2	\$ 30.1	\$ 29.3	\$ 23.6
EBITDA as a % of Revenues	36.0%	36.3%	36.1%	33.8%	34.3%	35.6%	32.1%	30.5%	24.4%
Shareholders' net (loss) earnings:	\$ (41.9)	\$ 5.9	\$ 9.6	\$ 4.3	\$ 9.8	\$ 9.5	\$ 6.2	\$ (2.0)	\$ (1.7)
Shareholders' net (loss) earnings per common share:									
Basic	\$ (0.51)	\$ 0.07	\$ 0.12	\$ 0.05	\$ 0.12	\$ 0.12	\$ 0.08	\$ (0.02)	\$ (0.02)
Diluted	\$ (0.51)	\$ 0.07	\$ 0.11	\$ 0.05	\$ 0.12	\$ 0.11	\$ 0.07	\$ (0.02)	\$ (0.02)

For the fourth quarter of 2010, the Company reported revenues of \$97.2, a \$0.9 increase from the fourth quarter of 2009. This improvement was primarily due to increased gaming volumes at River Rock, which continued to benefit from property redevelopments and enhancements completed during the second half of 2009 and first quarter of 2010. The revenue increase, in combination with the Company's improved efficiency, facilitated the generation of \$35.0 of EBITDA, an increase of \$2.0 from the fourth quarter of 2009.

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.

At December 31, 2010, the Company had:

- Short-term investments placed in major financial institutions that have minimum grade "A" credit ratings;
- Relatively low levels of receivables of which the majority of these are due from: the Nova Scotia Gaming Corporation (a branch of that province's government) and other provincial gaming corporations, sales tax rebates from the federal government, racetrack operators, a horsemen association, and financial institutions;
- Low exposure to foreign currency exchange rate movements and low exposure to floating interest rate changes since it has cross-currency interest rate swaps that hedge the cash flows associated with its U.S. dollar denominated Term Loan B and Subordinated Notes and has relatively low levels of foreign denominated assets and liabilities;
- \$162.7 of available credit on its Revolving Credit Facility;
- Additional debt capacity within the limitations established by the covenants on its existing credit and debt facilities; and
- Counterparties to its existing debt and credit facilities and cross-currency interest rate swaps that are primarily major financial institutions that have minimum grade "A" credit ratings.

Financial Position

	As at December 31,				
	2010	2009	% Chg	2008	% Chg
Cash and cash equivalents	\$ 50.9	\$ 34.6	47%	\$ 43.6	(21%)
Short-term investments	53.0	—	—	—	—
Other current assets	16.8	21.8	(23%)	38.7	(44%)
Property, plant and equipment	675.9	735.6	(8%)	704.0	4%
Other long-term assets	170.8	212.1	(19%)	237.7	(11%)
Total Assets	\$ 967.4	\$ 1,004.1	(4%)	\$ 1,024.0	(2%)
Current liabilities	60.8	66.4	(8%)	77.1	(14%)
Long-term debt (excluding current portion)	325.8	356.9	(9%)	440.0	(19%)
Other long-term liabilities	161.7	146.4	10%	114.2	28%
Total Liabilities	548.3	569.7	(4%)	631.3	(10%)
Shareholders' equity	419.1	434.4	(4%)	392.7	11%
	\$ 967.4	\$ 1,004.1	(4%)	\$ 1,024.0	(2%)

Total Assets

Total assets decreased by \$36.7 in 2010 compared to 2009 primarily due to the amortization of property, plant and equipment and intangible assets, and impairment charges associated with Hastings Racecourse, Flamboro Downs, and other properties under development. These decreases were partially offset by cash generated by operating activities, purchases of short-term investments, and additions to property plant and equipment on the Company's major development projects.

Total assets decreased by \$19.9 in 2009 compared to 2008 primarily due to the amortization of property, plant and equipment and intangible assets, a reduction in other assets associated with the derivative asset at the end of 2008 moving to a liability position in 2009, as well as a reduction in non-cash future income tax assets. These decreases were largely offset by cash generated by operating activities and additions to property, plant and equipment on the major development projects.

Total Liabilities

Total liabilities decreased by \$21.4 in 2010 compared to 2009 primarily due to the repayment of the remaining borrowings on the Revolving Credit Facility in the first quarter of 2010 and a reduction in current liabilities primarily due to a reduction in construction related activities, when compared to December 31, 2009.

Long-term debt, excluding current portion, decreased by \$83.1 in 2009, when compared to 2008. This decrease was primarily due to the foreign currency exchange rate's impact on the Canadian dollar carrying values of the U.S. dollar denominated Senior Secured Term Loan B and Senior Subordinated Notes and net repayments of \$28.7 on the Revolving Credit Facility. The changes in the values of the Senior Secured Term Loan B and Senior Subordinated Notes were effectively hedged by the change in value of our cross-currency interest rate swaps.

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Shareholders' equity

Shareholders' equity decreased by \$15.3 in 2010 compared to 2009 primarily due to the \$22.1 in shareholders' net loss, and was partially offset by a \$5.4 increase in stock-based compensation, and \$1.3 in proceeds received on the exercise of stock options.

Shareholders' equity increased by \$41.7 in 2009 compared to 2008 primarily due to the \$23.5 in shareholders' net earnings, a \$12.3 decrease in accumulated other comprehensive loss, a \$4.9 increase in stock-based compensation, and \$1.0 in proceeds received on the exercise of stock options.

Cash Flows

	Fourth Quarter			Twelve Months of		
	2010	2009	% Chg	2010	2009	% Chg
Cash generated by operating activities	\$ 36.3	\$ 35.5	2%	\$ 101.7	\$ 93.8	8%
Cash used in investing activities	(55.2)	(9.7)	(469%)	(72.7)	(75.4)	4%
Cash used in financing activities	(0.3)	(28.5)	99%	(12.8)	(27.3)	53%
Effect of foreign exchange on cash and cash equivalents	(0.1)	0.1		0.1	(0.1)	
Cash Inflow (Outflow)	\$ (19.3)	\$ (2.6)	(643%)	\$ 16.3	\$ (9.0)	

Cash generated by operating activities increased in the fourth quarter and twelve months of 2010, when compared to the fourth quarter and twelve months of 2009. These increases were primarily due to increased EBITDA, and were partially offset by a lower comparative increase in non-cash working capital.

Cash used in investing activities increased in the fourth quarter when compared to the fourth quarter of 2009. This increase was primarily due to the purchase of short-term investments. Cash used in investing activities in the twelve months of 2010 decreased when compared to the twelve months of 2009. This decrease was primarily due to the comparative reductions in construction related activities in 2010 associated with the substantial completion of the Company's major development projects in 2009, partially offset by the purchase of \$53.0 in short-term investments. In addition, TBC has been deconsolidated since April 2010 (as described in the "Other Financial Information" section of this MD&A).

Cash used in financing activities in the fourth quarter of 2010 was primarily due to the quarterly debt repayment on the Term Loan B. Cash used in financing activities in the twelve months of 2010 was primarily due to the net repayment of the Revolving Credit Facility in the first quarter of 2010. Cash used in financing activities in the fourth quarter and twelve months of 2009 related to the net repayment of long-term debt, primarily on the Revolving Credit Facility.

Capital Resources

Long-Term Debt and Equity

	As at December 31,	
	2010	2009
Term Loan B, net of unamortized transaction costs of \$1.5 (2009 – \$2.0)	\$ 161.2	\$ 171.3
Senior Subordinated Notes and unamortized premium of \$1.1 (2009 – \$1.3), net of unamortized transaction costs of \$3.6 (2009 – \$4.4)	166.6	175.6
Senior Secured Revolving Credit Facility	—	12.0
Other	—	0.1
	327.8	359.0
Less: current portion	2.0	2.1
	\$ 325.8	\$ 356.9

At December 31, 2010 the Company is in compliance with its financial covenants as shown below:

Covenant test	Required ratio	Actual ratio
Total Debt to Adjusted EBITDA ratio ⁽¹⁾	< 5.00	2.90
Senior Debt to Adjusted EBITDA ratio ⁽¹⁾	< 3.50	1.42
Interest Coverage ratio ⁽¹⁾	> 2.25	5.04
Fixed Charge Coverage ratio ⁽²⁾	> 2.00	5.13

⁽¹⁾ Defined in the long-term debt agreement covering the Term Loan B and Revolving Credit Facility.

⁽²⁾ Defined in the long-term debt agreement covering the Subordinated Notes. Tested on specified events.

The Company and its debt facilities have current independent credit ratings as follows:

	Moody's ⁽³⁾	Standard & Poor's ⁽⁴⁾
Corporate	Ba3 Stable	BB+ Stable
Term Loan B and Revolving Credit Facility	Ba2	BBB
Subordinated Notes	B2	BB

⁽³⁾ On June 29, 2010, Moody's reaffirmed the Company's ratings of Ba3 Stable Corporate Family Rating (CFR) and Probability of Default Rating (PDR), Ba2 rating of the senior secured credit facilities and B2 rating of the senior subordinated notes.

⁽⁴⁾ On July 9, 2010, Standard & Poor's upgraded their rating on the Company's Corporate Credit rating from BB Stable, the Secured Term Loan B and Revolving Credit Facility from BBB- and the Subordinated Notes from BB.

Cross-Currency Interest Rate and Currency Swap Agreements & Hedge Accounting

In anticipation of issuance of the Company's debt refinancing in February 2007, the Company entered into a series of cross-currency interest rate and principal swaps that effectively converted both the U.S. dollar floating interest rate Term Loan B and the U.S. dollar fixed interest rate Subordinated Notes into Canadian dollar fixed interest rate debt. As at December 31, 2010 the cross-currency interest rate swap agreements are as follows:

Debt	Notional Principal		Interest Rate		Maturity Date
	Receive (USD)	Pay (CAD)	Receive (USD)	Pay (CAD)	
Term Loan B	\$ 163.6 ⁽⁵⁾	\$ 193.3 ⁽⁵⁾	US LIBOR+1.50%	6.1%	February 14, 2014
Subordinated Notes	\$ 170.0	\$ 201.1	7.25%	6.6%	February 15, 2015

⁽⁵⁾ The Term Loan B cross-currency interest rate swap's notional principal reduces by 0.25% of the original principal of \$170.0 USD quarterly to match the scheduled principal reductions on the Term Loan B.

At December 31, 2010, the Company's swap associated with the Term Loan B was in a \$44.7 liability position (2009 – \$35.1 liability) and is recorded in derivative liabilities on the consolidated statements of financial position. The swap associated with the Subordinated Notes was in a \$22.9 liability position (2009 – \$15.7 liability) and is recorded in derivative liabilities on the consolidated statements of financial position.

The Company has evaluated these cross-currency interest rate swaps and assessed them as effective hedges of the cash flows associated with the Term Loan B and the Subordinated Notes. The Company has applied hedge accounting to these swaps as it believes hedge accounting best represents the economic substance of the underlying transactions. Accordingly, the changes in fair values of the swaps, net of income taxes, have been recorded in other comprehensive income.

The fair values of the Company's cross-currency interest rate swaps at December 31, 2010 and at December 31, 2009 were determined based on a credit risk adjusted discounted cash flow model. This model makes assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and the U.S. at the respective period ends. The credit risk associated with these cross-currency interest rate swap agreements is mitigated since the counterparties to these swaps are Canadian chartered banks with minimum "A" credit ratings.

Outstanding Share Data

As at December 31, 2010 there were 82,872,319 common shares issued and outstanding as compared to 82,374,058 as at December 31, 2009. As at December 31, 2010, there were 6,965,669 stock options outstanding at a weighted average exercise price of \$7.23.

As at March 16, 2011, there were 83,002,291 common shares outstanding and 7,903,863 stock options outstanding.

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 British Columbia the BCLC's FDC program permits a capital expenditure reimbursement commission of 3% of gross gaming win from casinos, racetracks and community gaming centres. In addition, the BCLC introduced an accelerated FDC program in 2006 that provides an additional 2% of gross gaming win towards site-specific reimbursements of new gaming redevelopments.

Approved expenditures incurred to improve or maintain the two Nova Scotia casinos facilities are reimbursed by the Nova Scotia Gaming Corporation ("NSGC") from a Capital Reserve Account ("CRA"). The Company is required to make contributions to the CRA equal to 5% of the annual gross operational revenues from the two Nova Scotia casinos with a minimum contribution of approximately \$5.0 per year adjusted for inflation since April 2010. If the CRA is in a deficit balance, the amount owed to the Company accrues interest at a rate of bank prime plus 2% per annum.

During the fourth quarter and twelve months of 2010, the Company's capital expenditures net of related accounts payable totalled \$8.5 and \$26.1, respectively. Maintenance capital expenditures primarily related to various property upgrades and information technology. Development capital expenditures are primarily related to the major development projects in 2010 (described in the "Major Developments" section of this MD&A). For the upcoming twelve months of 2011, the Company estimates that development capital expenditures and maintenance capital expenditures net of related accounts payable will total approximately \$30 and \$15, respectively.

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The following table summarizes the changes in the Company's Approved Amounts (a term defined in the Company's casino operating service agreements with the BCLC) to be recovered by future FDC receipts from BCLC:

	2010	2009
Opening Approved Amounts at January 1,	\$ 385.7	\$ 357.3
Additional Approved Amounts	89.6	57.6
FDC receipts	(30.2)	(29.2)
Closing Approved Amounts at December 31,	\$ 445.1	\$ 385.7

The differences between the FDC Approved Amounts and the additions to property, plant and equipment is primarily due to the difference in timing between when the expenditures are incurred, when the invoices are received, and when they are submitted to BCLC for approval.

Contingencies

We have issued letters of credit to guarantee performance, primarily under construction contracts, gaming cash floats and service commitments in the aggregate amount of \$37.3 at December 31, 2010 (2009 – \$35.1).

Litigation

In 2005, as part of the acquisition of Georgian Downs, the Company entered into an agreement that provided a consultant a deemed contribution for a notional equity interest in Georgian Downs as consideration for certain consulting services for its operations in the Province of Ontario. The notional equity interest entitled the consultant to future remuneration depending on the operating results of Georgian Downs provided that certain services were performed. The consultant had an option to sell his notional equity interest in Georgian Downs to the Company for consideration calculated using a predefined formula based on Georgian Downs' operating results for the twelve month period preceding the option's exercise. The Company had a call option to purchase the consultant's notional equity interest from June 2012 for consideration calculated using the same predefined formula. On July 30, 2007, the Company terminated the agreement and tendered the sum of \$1.6 being the full amount that the Company determined to be validly due and payable to the consultant. The consultant and the Company have significantly different views as to the consultant's monetary entitlement under the agreement. The consultant filed an application in the Ontario Superior Court of Justice that disputes the validity of the termination of the agreement. The Company also filed a suit in the Ontario Superior Court of Justice seeking a declaration that the agreement has been properly terminated by the Company. Management believes that the Company has acted appropriately with respect to both the termination and the tendering of payment to the consultant and intends to vigorously defend its position. On January 9, 2009, the Ontario Superior Court of Justice (Commercial List) granted an Endorsement which ordered that the consultant's application be converted into an action and be consolidated with the Company's action. At this stage, liability or quantum with respect to this litigation cannot be reasonably determined.

The Company is involved in various other disputes, claims and litigation. Management believes the amount of the ultimate liability for these will not materially affect the financial position of the Company.

Guarantees and Indemnifications

The Company may provide guarantees and indemnifications in conjunction with transactions in the normal course of operations. These are recorded as liabilities when reasonable estimates of the obligations can be made. Guarantees and indemnifications that the Company has provided include obligations to indemnify:

- directors and officers of the Company and its subsidiaries for potential liability while acting as a director or officer of the Company, together with various expenses associated with defending and settling such suits or actions due to association with the Company, the risk of which is mitigated by the Company's directors' and officers' liability insurance;
- certain vendors of acquired companies or properties for obligations that may or may not have been known at the date of the transaction;
- certain financial institutions for costs that they may incur as a result of representations made in our debt and equity offering documents; and
- lessors of leased properties for personal injury claims that may arise at the facilities we operate.

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, 2010				Total
	Within 1 year	2 – 3 years	4 – 5 years	More than 5 years	
Accounts payable and accrued liabilities	\$ 52.3	\$ —	\$ —	\$ —	\$ 52.3
Payments related to cross-currency interest rate swaps	27.4	54.5	411.6	—	493.5
Receipts related to cross-currency interest rate swaps	(17.0)	(34.1)	(346.2)	—	(397.3)
Term Loan B and Subordinated Notes	17.0	34.1	346.2	—	397.3
Operating leases	3.9	3.6	1.4	3.0	11.9
Income taxes payable	5.4	—	—	—	5.4
Other contractual commitments	16.3	6.9	1.8	0.6	25.6
Total	\$ 105.3	\$ 65.0	\$ 414.8	\$ 3.6	\$ 588.7

The expected payments related to the cross-currency interest rate swaps represent the Canadian dollar fixed interest and principal payments the Company is required to make under these contracts.

The expected receipts related to the cross-currency interest rate swaps represent the U.S. dollar interest and principal payments due on the Term Loan B and Subordinated Notes, converted to Canadian dollars at the December 31, 2010 foreign currency exchange rate.

The Term Loan B and the Subordinated Notes amounts represent interest and principal payments, converted to Canadian dollars at the December 31, 2010 foreign currency exchange rate. Similarly, as the Term Loan B bears interest at a floating rate (U.S. LIBOR plus 1.50%), the interest rate applicable at December 31, 2010 of 1.79% has been applied to all future periods in the above table. The Subordinated Notes bear interest at a fixed rate of 7.25%.

Operating leases include property leases for our head office, a ground lease with the City of Surrey, BC for Fraser Downs, a ground lease with the City of Sydney, NS for our Casino Nova Scotia Sydney, and an operating agreement with the City of Vancouver, BC for Hastings Racecourse.

Other contractual commitments include amounts committed to the NSGC to fund responsible gaming programs.

Expected payments related to facility development projects are not reflected in this table unless they are contractually committed.

In July 2010, the Company agreed to \$2.4 in service commitments to the District of Maple Ridge over the next five years that are associated with the Maple Ridge Community Gaming Centre permanent facility.

Future Cash Requirements

We believe that our current operational requirements and major development plans can be funded from existing cash and cash equivalents, short-term investments, 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

Deconsolidation of TBC Teletheatre B.C.

In the second quarter of 2010, there was a change in accounting for the Company's 50% ownership investment in TBC Teletheatre B.C. ("TBC"). Prior to April 2010, the Company effectively controlled TBC and fully consolidated it. In April 2010, the Company signed a Memorandum of Agreement and related Addendum with the B.C. Horse Racing Industry (the "BC Horse Racing Industry Agreement") in order to support efforts to revitalize and restore financial strength to British Columbia's horseracing industry. On signing the BC Horse Racing Industry Agreement, the Company deconsolidated TBC, and accounts for its 50% ownership investment using the equity method since the Company has significant influence over TBC. The equity method results in this investment being presented within the "other assets" line of the consolidated statements of financial position, and that investment balance is increased by TBC's periodic net earnings and decreased by any partnership distributions that are received. The Company's share of TBC's net earnings are recorded within the "foreign exchange loss and other" line of the consolidated statements of earnings (loss) and within the "other expenses" line of this MD&A.

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Changes in Accounting Policies

On January 1, 2010, the Company early adopted the following accounting standards of the Canadian Institute of Chartered Accountants ("CICA"): Business Combinations, Section 1582; Consolidated Financial Statements, Section 1601; and Non-Controlling Interests, Section 1602. These standards replace the existing guidance and correspond to similar provisions of International Financial Reporting Standards. The standards will change the accounting requirements for future business combinations subsequent to January 1, 2010 and will require all direct incremental costs incurred by the acquirer to effect the acquisition to be expensed, as opposed to being capitalized. The new standards also prevent any retroactive goodwill adjustments due to contingent consideration or trailing payments. With respect to contingent consideration or trailing payments on past business combinations, the standard in effect at the date of the acquisition will continue to apply. The new standards also require presenting the attribution of net earnings between the Company's shareholders and its non-controlling interests. The effect of this presentation change is reflected in this MD&A.

Transition to International Financial Reporting Standards

The Canadian Institute of Chartered Accountants has announced a plan which requires the transition to International Financial Reporting Standards ("IFRS") as replacement guidance for Canadian generally accepted accounting principles ("GAAP") currently employed by Canadian public companies. The changeover will occur no later than fiscal years beginning January 1, 2011. The Company believes its transition to IFRS will not materially affect the manner in which its revenues and EBITDA are currently recognized and measured. The adoption of IFRS will not have an impact on the net cash flows of the Company. The changes made to the consolidated statements of financial position and consolidated statements of earnings (loss) have resulted in reclassifications of various amounts on the statements of cash flows, however, no reconciliations have been presented as there has been no change to the net cash flows. The Company's first financial statements presented in accordance with IFRS will be for the three month period ended March 31, 2011.

The Company's IFRS implementation plan addresses project management, accounting policy changes, training and communication, business impacts and transitional reporting and disclosure changes. The following progress has been made in these areas:

a) *Project management*

The Company has formed an IFRS Steering Committee to provide guidance during the IFRS implementation project and has developed a timeline for key project milestones and deliverables. A detailed project plan with assigned responsible sub-project owners and deadlines is being followed to ensure IFRS readiness for 2011.

b) *Accounting policy changes*

The Company has completed its research and its related documentation of expected differences between its current accounting policies that are in accordance with Canadian GAAP and those to be adopted under IFRS. The Company is in the process of finalizing its accounting policies that will be required under current IFRS standards. The areas with the most potential for future impact on the Company's financial statements are expected to be the recognition, measurement and disclosure of: property, plant & equipment; intangible assets; business combinations; impairments; stock-based compensation; and income taxes.

The IFRS standard setter, the International Accounting Standards Board, has activities currently underway which are expected to change certain IFRS standards, including those standards relating to *Financial Instruments, Income Taxes and Provisions, Contingent Liabilities and Contingent Assets*. These changes may impact the Company. The Company will assess any changes in all IFRS standards as part of its on-going IFRS implementation plan.

c) *Training and communication*

The Company's plans are to ensure that its key stakeholders remain informed about the anticipated effects of the IFRS transition. IFRS training for relevant finance staff is ongoing, while targeted staff trainings have been held to raise awareness of the accounting impact that future business decisions may potentially have under IFRS reporting standards. Investor relations' representation on the project's steering committee has enabled that department to address shareholder questions and concerns about the IFRS transition's impact on our financial reporting. The Audit, Risk and Finance Committee of the Company's Board has received quarterly presentations and project status updates from management.

d) *Business impacts*

The Company has considered what effects the IFRS transition will have on our business policies, information technology systems and activities. The following key areas have been affected:

- Internal controls over financial reporting with respect to the IFRS transition project;
- Dual reporting obligation for the year 2010 because statements are required under both Canadian GAAP and IFRS for that year; and
- The budget for 2011 has factored in any IFRS related impacts that were identified.

e) *Transitional reporting and disclosure changes*

The Company is finalizing the financial statement presentation and considering the disclosure options available to it upon initial changeover to IFRS and is developing ongoing reporting mechanisms to capture future IFRS disclosure information. The Company has expanded note disclosures covering property, plant and equipment, intangibles, and goodwill in the 2010 annual Financial Statements to comply with IFRS requirements. IFRS 1, First-time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. At the date of transition to IFRS the Company has the option to adopt certain exemptions from the full retrospective application, presentation and disclosure requirements of certain IFRS. Of the available exemptions, the Company currently expects to only apply the following:

- It will not restate the accounting of past business combinations;
- It will restate certain assets to fair value as deemed cost;
- It will elect to not restate borrowing costs;
- It will reset its foreign currency translation account to nil; and
- It will only make the required restatements for stock options that have not vested at the transition date.

The calculation of the Company's debt covenants will not be affected by the transition to IFRS since they are structured to use Canadian GAAP that was effective at February 14, 2007, the date the Company entered into agreements for its Term Loan B, Revolving Credit Facility and Subordinated Notes.

f) *IFRS transitional opening consolidated statement of financial position*

The Company is finalizing the impact of its adoption on the January 1, 2010 financial position based on the IFRS 1 elections discussed above. The anticipated opening measurement differences to date are summarized in the reconciliation below:

IFRS OPENING CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(expressed in millions of Canadian dollars)

As at January 1, 2010	Under CDN GAAP	Notes					Under IFRS
		i	ii	iii	iv	v	
ASSETS							
CURRENT	\$ 56.4						\$ 56.4
NON-CURRENT	947.7	(26.9)	(10.9)			(0.9)	909.0
	\$ 1,004.1						\$ 965.4
LIABILITIES							
CURRENT	\$ 66.4						\$ 66.4
NON-CURRENT	503.3	(6.8)				(0.9)	495.6
	569.7						562.0
SHAREHOLDERS' EQUITY							
Share capital and contributed surplus	347.6					1.5 (0.2)	348.9
Accumulated other comprehensive loss	(10.4)			5.8			(4.6)
Retained earnings	97.2	(20.1)	(10.9)	(5.8)	(1.5)	0.2	59.1
	434.4						403.4
	\$ 1,004.1						\$ 965.4

i) *Impairments of non-financial assets*

Under IFRS, an impairment loss is recognized when the carrying value of a non-financial asset exceeds the discounted present value of future cash flows expected from its use and eventual disposition. Under Canadian GAAP, a similar impairment test is performed, but is based on undiscounted future cash flows, with the exception of goodwill which is also tested on a discounted future cash flows basis. Under both IFRS and Canadian GAAP, an impairment loss is measured as the excess of the carrying value of the non-financial asset over its fair value. The impact of discounting future cash flows resulted in IFRS transition impairments in the carrying value of property, plant and equipment of \$15.7, and intangible assets of \$11.2 associated with the investment in the operations of Hastings Racecourse. This impairment also resulted in an associated decrease in future income taxes of \$6.8 and a decrease in retained earnings of \$20.1.

ii) *Fair value as deemed cost*

At the date of transition to IFRS, the Company has the option to elect to restate the carrying values of certain assets that it chooses to their fair values. At the date they were acquired, real estate lands held for development had elements of uncertainty related to the scope and timing of the associated, originally planned development projects. As a result, the Company has decided that all real estate assets held for development for more than 24 months will be stated at fair value as their deemed carrying value at the January 1, 2010 IFRS transition date. The Company has engaged a third party appraiser to prepare valuations of certain real estate lands held for development. As a result of this election, the Company has recorded a January 1, 2010 fair value decrease of \$10.9 on its land, and a corresponding decrease in retained earnings of \$10.9.

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(iii) Foreign currency translation adjustment ("FCTA")

IFRS 1 provides the Company the option of resetting its accumulated balance of the unrealized effect of foreign currency translation of foreign operations (the "Cumulative FCTA account") to nil at the date of transition to IFRS. On transition to IFRS, the Company has elected to reset its Cumulative FCTA account to \$nil, as permitted by IFRS 1. As a result of this election, the Company has recorded an IFRS transition adjustment in its accumulated other comprehensive loss and retained earnings to eliminate the \$5.8 accumulated balance of the unrealized effect of foreign currency translation of foreign operations. Going forward under IFRS, the Company will continue to record in other comprehensive income a foreign currency translation adjustment each period end associated with the translation of the Company's foreign operations that have functional currencies that are different than the Company's reporting currency, the Canadian dollar.

iv) Share-based payments

The Company currently measures stock-based compensation for stock options grants at their fair value determined using the Black-Scholes option pricing formula and expenses this equally over the options' vesting terms. IFRS requires the same fair value of stock options granted to be expensed on an accelerated basis over the options' vesting term using a method called graded vesting. As a result, the Company has recorded a January 1, 2010 adjustment within the components of shareholders' equity to restate the cumulative impact of this difference.

The Company currently assumes that all stock options will vest and under Canadian GAAP, recognizes the effect of forfeitures as they occur. Under IFRS, the Company is required to estimate the expected rate of stock option forfeiture at the grant date and factor that into the stock options' fair value measurement. As a result of this difference, the Company has recorded an IFRS transition adjustment within the components of shareholders' equity that takes into account the forfeiture of stock option grants that have unvested options at January 1, 2010.

Under Canadian GAAP, the Company expenses the fair value of stock options granted to non-employees over the period that the non-employees provide their services and re-measures the fair value of their stock options at each reporting period until the services are completed. Under both IFRS and Canadian GAAP the fair values of stock options granted to employees are measured at the grant date and are not subsequently adjusted. Further, under IFRS, the definition of an employee is broader than currently applied by the Company under Canadian GAAP. As a result, on transition to IFRS, the Company is required to change the classification and accounting for certain non-employees' stock options awards, as defined under Canadian GAAP, to those required for employee stock options. As a result of this difference, the Company has recorded a January 1, 2010 adjustment within the components of shareholders' equity that effectively treats stock option awards granted to non-employees, as defined under Canadian GAAP, as employees under IFRS at the original award grant date.

As a result of the above-mentioned Canadian GAAP and IFRS share-based payment differences, the Company has recorded a cumulative January 1, 2010 adjustment within the components of shareholders' equity that increased share capital and contributed surplus by \$1.5, and reduced retained earnings by \$1.5.

v) Income taxes

Under IFRS, future income taxes are not recognized on the initial acquisition of an asset or liability, unless the asset or liability was acquired in a business combination or the transaction affected accounting profit or taxable profit. For the River Rock Canada Line Parking Garage transaction that was described in Note 14 of the Company's 2010 Annual Financial Statements, a future income tax liability was recognized on the initial acquisition of the land and cash received in accordance with Canadian GAAP. Under IFRS, the receipt of this land and cash did not require the recognition of deferred tax liabilities. As a result of this difference, the Company has recorded a January 1, 2010 decrease in property, plant and equipment of \$0.9, an associated decrease in deferred credits and other liabilities of \$2.2 and an associated increase in future income tax liabilities of \$1.3.

In addition, under IFRS, income taxes relating to transactions originally recorded to equity accounts will be credited or charged to equity. Under Canadian GAAP, the Company has accounted for these income taxes in the consolidated statements of earnings (loss). As a result of this difference, the Company has recorded a January 1, 2010 decrease in share capital and contributed surplus of \$0.2 and an associated increase in retained earnings of \$0.2.

g) IFRS differences subsequent to transition

The Company is currently in the process of finalizing its IFRS differences related to its quarterly statements of earnings subsequent to January 1, 2010. In addition to the effects of the above transition adjustments, the following IFRS differences have been identified for the year ended December 31, 2010:

Goodwill

- In July 2010, the Company recognized a liability for the contingent trailing payments associated with its 2008 acquisition of Maple Ridge Community Gaming Centre (formerly Haney Bingo Plex). Under Canadian GAAP, these payments were treated as an increase of \$1.1 in goodwill. Under IFRS, recognition of such trailing payment accruals are expensed.

Flamboro Downs

- During the fourth quarter of 2010, the Company performed its normal course impairment tests to assess the recoverability of its long-lived assets and goodwill. The impairment test for goodwill under both Canadian GAAP and IFRS is based on discounted future cash flows, resulting in no differences relating to goodwill. Under Canadian GAAP, the impairment test for long-lived assets requires the carrying value of long-lived assets to be tested against the undiscounted future cash flows, which resulted in no additional impairments. Under IFRS, long-lived assets are compared to both their fair value less costs to sell and discounted future cash flows, as the testing methodology for long-lived assets and goodwill is similar. As a result of this difference, the Company recorded an impairment charge of \$9.9 and a future income tax liability decrease of \$2.4.

Hastings Racecourse

- Under Canadian GAAP, the carrying value of Hastings Racecourse was determined to exceed its undiscounted cash flows, requiring its long-lived assets to be recorded at its fair value. Fair value was determined using discounted future cash flows, which resulted in the same recoverable amount under IFRS. As previously discussed, the Company recorded a January 1, 2010 IFRS transition impairment of \$26.9 against its long-lived assets. Therefore, the impairment recognized in the fourth quarter of 2010 under IFRS is estimated at \$27.5, a decrease of \$19.3 compared to Canadian GAAP. The income tax effect of the impairment recorded in the fourth quarter of 2010 under IFRS is estimated at \$6.3, a decrease of \$5.4 compared to Canadian GAAP.

This disclosure reflects expectations based on information available and IFRS standards at the time of reporting. Changes in circumstances or revisions to the current IFRS standards may cause the Company to revise its IFRS opening balance sheet and policy choices before the changeover date.

Critical Accounting Estimates

The Company's reported financial position and results of operations are dependent on our selection of accounting policies that are based on Canadian GAAP and accounting estimates that underlie the preparation of our consolidated financial statements. The Company's consolidated financial statements contain a summary of its significant accounting policies and accounting estimates. Estimates by their nature are subject to risks, uncertainties and assumptions, which could cause the Company's financial position and operating results to differ materially from those presented in the Company's consolidated financial statements. Future changes in accounting estimates will be applied on a prospective basis.

The critical accounting estimates that we believe are the most judgmental or are material to the Company's consolidated financial statements are those relating to the impairment of long-lived assets and goodwill, estimated useful lives of property, plant and equipment and intangible assets, the fair value of net assets acquired in business combinations, the fair value of assets acquired in business transactions with non-monetary consideration, stock-based compensation, determination of fair value of derivatives and other financial instruments, income taxes, and contingencies.

Long-Lived Assets and Goodwill Impairment Tests

Long-lived assets are tested for impairment whenever management believes events or circumstances indicate that the carrying values of those assets may not be fully recoverable (a "triggering event"). A long-lived asset impairment loss is recognized when the carrying value of that asset exceeds management's estimate of the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured as the excess of the carrying value of the asset over its estimated fair value. The Company determines the fair value of long-lived assets using discounted cash flows.

Goodwill is tested for impairment at least annually, at year-end, and whenever a triggering event indicates that the carrying values of goodwill may not be fully recoverable. The impairment test consists of allocating goodwill to the Company's reporting units and then comparing the carrying value of the reporting units, including goodwill, to their fair values. The Company determines the fair value of goodwill using discounted cash flows. The excess of the carrying value amount over the fair value of goodwill, if any, is charged to operations in the period the impairment occurred.

Estimated Useful Lives of Property, Plant and Equipment and Intangible Assets

Property, plant and equipment and intangible assets are amortized in the consolidated statements of earnings (loss) over the estimated useful lives of the assets. Judgment is used to estimate an asset's useful life and is based on an analysis of all pertinent factors including, amongst others, our expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of asset's legal or contractual life without substantial cost, and renewal history.

Business Combinations

The cost of an acquired company ("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 business valuers 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 management's estimate of the contingent consideration that will become due beyond a reasonable doubt is recognized as a liability at the time of acquisition. When the contingency is resolved and the consideration is issued or becomes issuable, any difference in the fair value of the contingent consideration issued or issuable over the amount initially recognized will be recognized in the consolidated statements of earnings (loss).

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended December 31, 2010
(Dollar amounts expressed in millions, except for per share information)

Value of Assets Acquired in Business Transactions With Non-monetary Consideration

The Company measures non-monetary consideration received in a business transaction at the fair value of the asset given up and the fair value of the asset received, whichever is more reliably measurable. Measurement of fair value is based on an analysis of pertinent information that may include third-party asset appraisals, market values evidenced from similar transactions, and discounted cash flows.

Stock-Based Compensation

Companies that issue equity based compensation, such as stock options, are required to record the fair value of the options granted as an operating expense in the consolidated statements of earnings (loss) over the vesting period of the options. At the date of the option grant, the Company estimates the fair value of the option using the Black-Scholes pricing model. That model takes into account the exercise price of the stock option, an estimate of the expected life of the option, the current price of the underlying stock, an estimate of the stock's volatility, an estimate of future dividends on the underlying stock and the risk-free rate of return expected for an instrument with a term equal to the expected life of the option. Once the fair value is determined and the period of expensing established, the charge is not adjusted for subsequent changes in the original assumptions unless the terms of the original stock option grant terms have been modified. The Company re-measures non-employee stock option awards at each reporting period and on the settlement date and recognizes the compensation expense over the contract life of the options or the option settlement date, whichever is earlier.

Determination of Fair Value of Derivatives and Other Financial Instruments

The fair values of the Company's cross-currency interest rate swaps are based on credit risk adjusted discounted cash flows that require assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and the U.S.

The fair values of financial instruments are based on independent prices quoted in active markets. In the absence of an active market, fair values are determined based on valuation models such as discounted cash flows, which required the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates that reflect the risk of the financial instrument.

Income Taxes

The Company's future income tax assets and liabilities are due to temporary differences between the carrying amount and 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 upon amounts recorded in the financial statements and are subject to any accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of undeducted tax losses are based upon 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 upon estimations of the Company's future financial results.

If future operating results differ from our current expectations, if enacted tax rates change, if tax legislation or regulations change, or if our interpretations of income tax legislation change, then our expectations of future timing difference reversals may also change and require material future income tax adjustments.

Contingencies

Amounts are accrued for the financial resolution of contingent liabilities 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 financial statements 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 contingent liability accruals are regularly assessed as new information becomes available.

The Company does not record contingent assets.

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 instruments that give rise or may give rise to the most significant exposure to foreign currency and floating interest rate risk are the Term Loan B, the Subordinated Notes, and the Revolving Credit Facility.

The Company entered into a series of cross-currency interest rate swaps to hedge the currency and interest rate risks associated with the Term Loan B and the Subordinated Notes. Refer to the "Capital Resources" section of this MD&A for information on the Company's long-term debt and the hedging activities used to manage the foreign currency and interest rate risks associated therewith.

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 conclude 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, 2010.

As well, as of the end of the fiscal year ended December 31, 2010, the Chief Executive Officer and Chief Financial Officer have evaluated and conclude that the Company's internal controls over financial reporting, designed under the Committee of Sponsoring Organization's 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 2010, there was neither material weakness nor change in the Company's disclosure controls and procedures or its internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, these controls.

Definitions of Other Terms Used in the MD&A

Gross gaming win – the amount wagered on gaming activities, less the payout or prizes to winning customers.

Racebook – an off-track wagering facility.

Revenues – means the sum of the following:

- Casino gaming in BC – gaming revenues are net of commissions paid to BCLC (commissions are 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 commissions paid to BCLC (commissions are 75% of the win on slots, and 40% to 75% of the weekly bingo win) and are net of prizes.
- Horseracing in BC and Ontario – Racetrack revenues represent the Company's share of total wagering less amounts returned as winning wagers, provincial and federal taxes, and includes the host track share of wagering on the Company's races simulcast to other associations.
- Casino gaming in Washington – gaming revenues are net of county gaming taxes at various rates ranging from 10% to 11% for card and progressive jackpot games, 5% on pull-tabs and 2% on amusement games.
- Casino gaming in Nova Scotia – gaming revenues are approximately equal to 52.725% of the gross gaming win.
- Slot commissions in Ontario – slot machine commissions represent 10% of the win from slot machines, all of which are operated by OLG.
- Facility Development Commission ("FDC") – revenues earned from BCLC as a fixed percentage of gross gaming win, subject to the Company incurring sufficient Approved Amounts (a defined term in the casino operating service agreements and generally consists of approved capital and operating expenditures related to the development or improvement of gaming properties). Specifically, BCLC's program permits a 3% FDC commission on gross gaming win from casinos, racetracks and community gaming centres and provides an additional, accelerated 2% of gross gaming win towards site-specific reimbursements of new gaming redevelopments.
- Hospitality and other revenues:
 - Food and beverage revenues – revenues are recorded at the retail price at the time of service. Food and beverage revenues in Nova Scotia are generally recorded at retail price less the 47.275% revenue retained by the NSGC.
 - Hotel revenues – revenues are recognized as services are performed.
 - Other revenues – ATM commissions, theatre revenues, advertising 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 food and beverage revenues, are deducted.

Additional Information

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

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

MANAGEMENT'S DISCUSSION & ANALYSIS

For the year ended December 31, 2010
(Dollar amounts expressed in millions, except for per share information)

SUPPLEMENTAL FINANCIAL INFORMATION

Consolidated Quarterly Results Trend

	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009
Gaming Revenues					
River Rock Casino Resort	\$ 22.7	\$ 21.2	\$ 21.8	\$ 20.5	\$ 20.4
Boulevard Casino	11.3	11.7	12.5	12.3	12.3
Vancouver Island Casinos	8.1	8.3	8.3	7.8	8.3
Other BC Casinos	1.8	1.2	1.2	1.1	1.2
Nova Scotia Casinos	9.5	11.2	10.0	9.4	9.8
Great American Casinos	4.8	4.8	4.2	5.4	5.2
BC Racinos	4.8	4.9	4.7	4.3	4.9
Georgian Downs	3.1	3.5	3.2	2.8	2.9
Flamboro Downs	3.0	3.2	3.1	2.9	2.9
Corporate & Other	—	0.3	—	—	—
	69.1	70.3	69.0	66.5	67.9
Facility Development Commission					
River Rock Casino Resort	3.3	3.1	3.2	3.0	3.1
Boulevard Casino	1.9	2.0	2.0	2.0	2.0
Vancouver Island Casinos	1.3	1.3	1.4	1.3	1.3
Other BC Casinos	0.7	0.1	0.1	0.1	0.1
BC Racinos	0.9	1.0	0.8	0.8	0.9
	8.1	7.5	7.5	7.2	7.4
Hospitality and Other Revenues					
River Rock Casino Resort	8.8	7.9	8.4	7.8	8.0
Boulevard Casino	2.6	2.1	2.4	2.3	2.5
Vancouver Island Casinos	0.9	0.8	0.9	0.8	0.8
Other BC Casinos	0.4	0.3	0.3	0.3	0.3
Nova Scotia Casinos	1.5	1.0	0.6	1.5	1.1
Great American Casinos	1.1	1.1	1.1	1.1	1.1
BC Racinos	1.4	2.1	2.0	1.3	1.7
Georgian Downs	0.6	0.5	0.5	0.2	0.6
Flamboro Downs	0.7	0.7	0.7	0.6	1.0
Corporate & Other	—	0.1	0.1	—	—
	18.0	16.6	17.0	15.9	17.1
Racetrack Revenues					
BC Racinos	4.2	3.9	4.9	5.0	5.3
Georgian Downs	0.4	0.5	0.5	0.3	0.4
Flamboro Downs	0.8	0.9	0.9	0.9	0.9
	5.4	5.3	6.3	6.2	6.6
Promotional Allowances	(3.4)	(3.4)	(2.8)	(2.8)	(2.7)
Revenues	\$ 97.2	\$ 96.3	\$ 97.0	\$ 93.0	\$ 96.3
EBITDA					
River Rock Casino Resort	\$ 15.3	\$ 13.9	\$ 15.5	\$ 13.8	\$ 14.1
Boulevard Casino	6.1	6.6	7.8	7.7	7.6
Vancouver Island Casinos	5.6	6.0	6.1	5.6	6.3
Other BC Casinos	1.5	0.6	0.5	0.4	0.5
Nova Scotia Casinos	2.6	3.8	2.0	2.6	2.6
Great American Casinos	1.4	0.9	0.2	1.2	1.0
BC Racinos	4.0	3.4	3.6	2.0	3.1
Georgian Downs	2.1	2.4	2.4	1.8	1.8
Flamboro Downs	1.8	2.3	2.1	1.6	1.5
Corporate & Other	(5.4)	(4.9)	(5.2)	(5.3)	(5.5)
	\$ 35.0	\$ 35.0	\$ 35.0	\$ 31.4	\$ 33.0

2010 FINANCIAL REVIEW



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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and presentation of the accompanying consolidated financial statements of Great Canadian Gaming Corporation. All related financial information presented elsewhere in this Annual Report, including the Management's Discussion and Analysis, is also the responsibility of management and is consistent with the information contained in the consolidated financial statements.

The Company's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and include certain amounts that are based on management's estimates and judgments relating to matters not concluded by year end. Actual results may differ from management's estimates because future events and circumstances may not occur as expected.

In discharging its responsibility for the integrity, consistency, objectivity and reliability of the consolidated financial statements, management maintains and relies upon systems of internal controls designed to provide reasonable assurance that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. These controls include quality standards in hiring and training of employees, formal policies and procedures, a corporate code of conduct and accountability for performance within appropriate and well-defined areas of responsibility. The systems of internal controls are further supported by our staff of internal auditors who conduct periodic audits of various aspects of the Company's operations.

The Board of Directors oversees management's responsibilities for financial reporting and the systems of internal controls through its Audit, Risk & Finance Committee, which is composed entirely of independent directors. The Audit, Risk & Finance Committee meets with management on a regular basis to review the Company's consolidated financial statements and its systems of internal controls.

The Company's consolidated financial statements have been audited on behalf of shareholders by Deloitte & Touche LLP, who had full and free access to the Company, its records and the Audit, Finance & Risk Committee to discuss audit, financial reporting, internal controls and related matters. Their report, which expresses an unqualified opinion on the Company's consolidated financial statements, can be found below.



Ross J. McLeod

Chairman & Chief Executive Officer



Kiran S. Rao

Interim Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Great Canadian Gaming Corporation

We have audited the accompanying consolidated financial statements of Great Canadian Gaming Corporation, which comprise the consolidated statements of financial position as at December 31, 2010 and December 31, 2009, and the consolidated statements of earnings (loss), comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Great Canadian Gaming Corporation as at December 31, 2010 and December 31, 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants

March 16, 2011

Vancouver, British Columbia

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Dollar amounts expressed in millions)

As at December 31,		2010	2009
ASSETS			
Current			
Cash and cash equivalents	Note 4	\$ 50.9	\$ 34.6
Short-term investments	Note 5	53.0	—
Restricted cash	Note 4	1.6	5.6
Accounts receivable		7.4	7.3
Due from Nova Scotia Gaming Corporation	Note 6	1.9	1.7
Prepays, deposits and other assets		5.9	7.2
		120.7	56.4
Property, plant and equipment	Note 8	675.9	735.6
Intangible assets	Note 9	136.7	167.6
Goodwill	Note 10	24.4	37.9
Future income taxes	Note 19	7.7	2.0
Other assets		2.0	4.6
		\$ 967.4	\$ 1,004.1
LIABILITIES			
Current			
Accounts payable and accrued liabilities		\$ 52.3	\$ 63.4
Income taxes payable		5.4	0.1
Long-term debt, deferred credits and other liabilities, current		3.1	2.9
		60.8	66.4
Long-term debt	Note 11	325.8	356.9
Derivative liabilities	Note 13	67.6	50.8
Deferred credits and other liabilities	Note 14	28.1	27.0
Future income taxes	Note 19	66.0	68.6
		548.3	569.7
SHAREHOLDERS' EQUITY			
Share capital and contributed surplus	Note 15	354.3	347.6
Accumulated other comprehensive loss	Note 16	(10.3)	(10.4)
Retained earnings		75.1	97.2
		419.1	434.4
		\$ 967.4	\$ 1,004.1

Contingencies (Note 26)

Commitments (Note 26 and Note 27b)



ROSS J. McLEOD, Director

APPROVED BY THE BOARD:



ADRIAN R. THOMAS, Director

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

(Dollar amounts expressed in millions, except for per share information)

For the years ended December 31,		2010	2009
REVENUES	Note 17	\$ 383.5	\$ 382.2
EXPENSES			
Human resources		153.2	155.6
Property, marketing and administration		93.9	100.0
Amortization		55.9	48.5
Stock-based compensation		5.4	4.9
Restructuring and other	Note 18	2.3	13.4
		310.7	322.4
		72.8	59.8
Interest and financing costs, net	Note 11	28.0	29.2
Impairment of long-lived assets	Note 7	51.3	—
Impairment of goodwill	Note 7	14.2	—
Foreign exchange loss and other		0.5	0.8
(LOSS) EARNINGS BEFORE INCOME TAXES		(21.2)	29.8
Income taxes	Note 19	0.7	5.2
NET (LOSS) EARNINGS		\$ (21.9)	\$ 24.6
NET (LOSS) EARNINGS ATTRIBUTABLE TO:			
Shareholders of the Company		\$ (22.1)	\$ 23.5
Non-controlling interests		0.2	1.1
		\$ (21.9)	\$ 24.6
SHAREHOLDERS' NET (LOSS) EARNINGS PER COMMON SHARE	Note 20		
Basic		\$ (0.27)	\$ 0.29
Diluted		\$ (0.27)	\$ 0.28
WEIGHTED AVERAGE NUMBER OF COMMON SHARES			
Basic		82,641,029	82,182,940
Diluted		82,641,029	83,171,871

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollar amounts expressed in millions)

For the years ended December 31,	2010	2009
Net (loss) earnings	\$ (21.9)	\$ 24.6
Other comprehensive (loss) income, net of tax		
Current period changes in fair values of derivatives designated as cash flow hedges, net of income taxes of \$3.4 (2009 – \$9.7)	(13.4)	(25.1)
Loss on derivatives designated as cash flow hedges transferred to net (loss) earnings in the period, net of income taxes of \$3.9 (2009 – \$16.2)	14.3	39.9
Unrealized effect of foreign currency translation of foreign operations	(0.8)	(2.5)
Other comprehensive income	0.1	12.3
Comprehensive (loss) income	\$ (21.8)	\$ 36.9
Comprehensive (loss) income attributable to:		
Shareholders of the Company	\$ (22.0)	\$ 35.8
Non-controlling interests	0.2	1.1
	\$ (21.8)	\$ 36.9

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollar amounts expressed in millions)

For the years ended December 31,	2010	2009
Cash Flows from Operating Activities		
Net (loss) earnings	\$ (21.9)	\$ 24.6
Adjustments to reconcile net earnings to cash generated by operating activities:		
Amortization	55.9	48.5
Impairment of long-lived assets	51.3	—
Impairment of goodwill	14.2	—
Stock-based compensation	5.4	4.9
Future income taxes	(8.8)	0.6
Non-cash interest and financing costs	1.7	1.6
Non-cash restructuring and other costs	1.7	4.2
Other	(0.8)	(1.2)
Changes in non-cash operating working capital	Note 21	3.0
Cash generated by operating activities	101.7	93.8
Cash Flows from Investing Activities		
Purchase of short-term investments	(53.0)	—
Purchase of property, plant and equipment, net of related accounts payable	(26.1)	(86.7)
Proceeds from the sale of property, plant and equipment	4.3	4.6
Funds due from Nova Scotia Gaming Corporation for purchases of plant and equipment	(3.6)	(1.4)
Funds received from Nova Scotia Gaming Corporation	3.4	3.4
Restricted cash – construction holdbacks	3.8	4.0
Deconsolidation of TBC Teletheatre B.C.	Note 2	(1.4)
Promissory note receivable	—	0.7
Acquisitions related contingent payments	(0.1)	—
Cash used in investing activities	(72.7)	(75.4)
Cash Flows from Financing Activities		
Repayment of long-term debt	(14.1)	(87.1)
Proceeds from long-term debt	—	59.0
Common shares issued for cash, net of issuance costs	1.3	0.8
Cash used in financing activities	(12.8)	(27.3)
Effect of foreign exchange on cash and cash equivalents	0.1	(0.1)
Cash Inflow (Outflow)	16.3	(9.0)
Cash and cash equivalents, beginning of year	34.6	43.6
Cash and cash equivalents, end of year	\$ 50.9	\$ 34.6
Supplemental Disclosure		
Interest paid	\$ 27.2	\$ 28.2
Income taxes paid	\$ 4.1	\$ 2.8
Interest received	\$ 0.6	\$ 0.4

See accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Dollar amounts expressed in millions)

	Common Shares		Contributed	Share Capital and Contributed	Accumulated Other Comprehensive	Retained	Non- Controlling	Total
	Number ⁽¹⁾	Amount	Surplus	Surplus	(Loss) Income	Earnings	Interests	
At December 31, 2008	82,086	\$ 312.0	\$ 29.7	\$ 341.7	\$ (22.7)	\$ 73.7	\$ —	\$ 392.7
Stock-based compensation	—	—	4.9	4.9	—	—	—	4.9
Exercise of incentive stock options	288	1.1	(0.1)	1.0	—	—	—	1.0
Comprehensive income	—	—	—	—	12.3	23.5	1.1	36.9
Distribution of non-controlling interest	—	—	—	—	—	—	(1.1)	(1.1)
At December 31, 2009	82,374	\$ 313.1	\$ 34.5	\$ 347.6	\$ (10.4)	\$ 97.2	\$ —	\$ 434.4
Stock-based compensation	—	—	5.4	5.4	—	—	—	5.4
Exercise of incentive stock options	498	2.1	(0.8)	1.3	—	—	—	1.3
Comprehensive (loss) income	—	—	—	—	0.1	(22.1)	0.2	(21.8)
Distribution of non-controlling interest	—	—	—	—	—	—	(0.2)	(0.2)
At December 31, 2010	82,872	\$ 315.2	\$ 39.1	\$ 354.3	\$ (10.3)	\$ 75.1	\$ —	\$ 419.1

⁽¹⁾ Share information is presented in thousands of common shares.

See accompanying Notes to the Consolidated Financial Statements.

**NOTES TO THE
CONSOLIDATED FINANCIAL STATEMENTS**



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009
(Dollar amounts expressed in millions, except for per share information)

1. NATURE OF BUSINESS

Great Canadian Gaming Corporation (the "Company") is a multi-jurisdictional gaming and entertainment operator with operations in British Columbia, Ontario and Nova Scotia, Canada, and Washington State, United States of America. The Company operates ten casinos, a thoroughbred racetrack that offers slot machines, three standardbred racetracks (two offer slot machines and one offers both slot machines and table games), two community gaming centres, a hotel and conference centre, two show theatres, and various associated food and beverage and entertainment facilities.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are presented in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

a) Principles of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. Significant inter-company balances and transactions with subsidiaries are eliminated upon consolidation.

b) Principal operating entities

Entity	Ownership interest at December 31, 2010 and 2009
Flamboro Downs Limited	100%
Georgian Downs Limited	100%
Great American Gaming Corporation	100%
Great Canadian Casinos Inc.	100%
Great Canadian Entertainment Centres Ltd.	100%
Hastings Entertainment Inc.	100%
Metropolitan Entertainment Group	100%
Orangeville Raceway Limited	100%
TBC Teletheatre B.C.	50%

In April 2010, there was a change in accounting for the Company's 50% ownership investment in TBC Teletheatre B.C. ("TBC"). Prior to April 2010, the Company effectively controlled TBC and fully consolidated it. In April 2010, the Company signed a Memorandum of Agreement and related Addendum with the B.C. Horse Racing Industry (the "BC Horse Racing Industry Agreement") in order to support efforts to revitalize and restore financial strength to British Columbia's horseracing industry. On signing the BC Horse Racing Industry Agreement, the Company deconsolidated TBC, and accounts for its 50% ownership investment using the equity method since it has significant influence over it. The equity method results in this investment being presented within the "other assets" line of the consolidated statements of financial position at December 31, 2010, and that investment balance is increased by TBC's periodic net earnings and decreased by any partnership distributions that are received. The Company's share of TBC's net earnings are recorded within the "foreign exchange loss and other" line of the consolidated statements of earnings (loss).

c) Uncertainty in management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, but not limited to, impairment of goodwill and long-lived assets, estimated useful lives of property, plant and equipment and intangible assets, the fair value of net assets acquired in business combinations, the fair value of assets acquired in business transactions with non-monetary consideration (see Note 14), stock-based compensation, determination of fair value of derivatives and other financial instruments, income taxes and contingencies. Actual results may differ from those estimates.

d) Cash and cash equivalents

Cash and cash equivalents include cash and liquid investments with an original maturity of three months or less.

e) Facility Development Commission

The Facility Development Commission ("FDC") is a compensation component of the Company's Casino Operational Services Agreements ("COSAs") and Community Gaming Centre Operational Services Agreements ("CGCOSAs") with the British Columbia Lottery Corporation ("BCLC"). FDC is earned (paid by BCLC to the Company) as a fixed percentage of gross gaming win, subject to the Company incurring sufficient Approved

Amounts (a defined term in the COSAs and CGCOSAs, which generally consists of approved capital and operating expenditures related to the development or improvement of gaming properties), and is paid weekly to the Company. Approved Amounts are reduced by the FDC receipts.

FDC is recorded as part of revenues on the consolidated statements of earnings (loss) when earned, limited to the extent that sufficient Approved Amounts have previously been made by the Company. Currently, the FDC percentage is 3% of the gross gaming win from gaming activities.

BCLC provides for an additional accelerated FDC amount equal to 2% of the gross gaming win from a redeveloped casino property on projects approved by BCLC. The accelerated FDC is a one-time initiative that is limited to the initial redevelopment of a property and continues to be received until the approved eligible costs of the redevelopment are recovered.

f) Marketing fees to BCLC

The Company contributes between 0.5% and 0.6% of the gross gaming win in three of its BC casinos and two of its BC racing properties to BCLC as contributions toward marketing programs. BCLC uses the contributions to fund various marketing programs. The Company records its contributions when incurred as property, marketing and administration expenses on the consolidated statements of earnings (loss).

g) Capital Reserve Account

The Amended and Restated Operating Contract ("AROC") with the Nova Scotia Gaming Corporation ("NSGC") includes a provision for reimbursement of certain of the Company's qualifying expenditures under the NSGC's Capital Reserve Account.

The Company is required under the AROC to make contributions to the NSGC's Capital Reserve Account equal to 5% of the annual gross operational revenues from the two Nova Scotia casinos with a minimum contribution of approximately \$5.0 per year adjusted for inflation since April 2010. Reimbursement of qualifying expenditures is received from the Capital Reserve Account, or if there is an insufficient balance in the Capital Reserve Account, is recorded as a receivable from NSGC and recorded as a reduction in the historical cost of the related expenditures at the time approval is given by NSGC. As provided for in the AROC, to the extent a receivable balance exists, the Company earns interest on the balance at a rate of bank prime plus 2% per annum.

The replacement assets acquired using funds from the Capital Reserve Account are the property of the Company until the end of the term of the AROC, at which time, the assets revert to NSGC.

h) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization, impairments, and amounts approved under the Capital Reserve Account. Amortization is expensed on a straight-line basis from the month assets are put in use over the estimated useful lives of the assets generally at the following rates:

Land	not amortized
Buildings	lesser of useful life or 40 years
Building improvements	lesser of useful life or 5 years
Equipment	1 to 5 years
Leasehold improvements	lesser of useful life or lease term, including renewal term, if applicable

During the construction period of significant facilities, the Company capitalizes construction and overhead costs, including interest, directly attributable to the construction project. The costs of construction of the Company's gaming and ancillary facilities are classified as properties under development. When the property or portion thereof is substantially complete and ready for use, costs cease to be capitalized, are transferred from properties under development to their respective asset categories, and are amortized over the assets' estimated useful lives down to the estimated residual value, if applicable.

i) Intangible assets

The Company's finite-lived intangible assets consist primarily of electronic gaming rights, operational service agreements, siteholder agreements and horse racing licences. Intangible assets are amortized over their estimated useful lives ranging from three to twenty years. Judgment is used to estimate an intangible asset's useful life and is based on an analysis of all pertinent factors, including expected use of the intangible asset, contractual provisions that enable renewal or extension of the intangible asset's legal or contractual life without substantial cost, and renewal history. Changes in the estimate of an intangible asset's useful life are treated as a change in accounting estimate and are applied prospectively.

Intangible assets are tested for impairment consistent with the method described for long-lived assets below (see Note 2 (k)).

j) Goodwill

Goodwill represents the excess of the purchase price of acquired companies over the estimated fair value of the tangible and intangible net assets acquired. Goodwill is tested for impairment at least annually and whenever events or circumstances indicate that its carrying value may not be fully recoverable. The impairment test requires comparing the carrying values of the reporting units, including goodwill, to their fair values. The Company determines fair value using discounted cash flows. The excess of the carrying value amount over the fair value of goodwill, if any, is charged to operations in the period the impairment occurred.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009
(Dollar amounts expressed in millions, except for per share information)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) *Impairment of long-lived assets*

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the carrying value of a long-lived asset intended for use exceeds the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured as the excess of the carrying value of the asset over its fair value.

l) *Debt transaction costs*

Debt transaction costs relate to the costs associated with securing long-term financing and credit facilities, and are recorded net of the long-term debt instrument. These costs are expensed to interest and financing costs, net on the consolidated statements of earnings (loss) over the term of the related debt using the effective interest method. When a debt facility is retired by the Company, any remaining balance of related debt transaction costs is expensed to interest and financing costs, net on the consolidated statements of earnings (loss) in the period that the debt facility is retired.

m) *Comprehensive income (loss)*

Comprehensive income (loss) consists of net earnings (loss) and other comprehensive income ("OCI") as presented on the consolidated statements of comprehensive income (loss). OCI represents changes in shareholders' equity in a period arising from the portion of the change in the fair values of the Company's derivatives designated as cash flow hedges that are determined to be effective, gains and losses on derivatives designated as cash flow hedges transferred to net earnings (loss) in the current period, and the unrealized effect of foreign currency translation of foreign operations.

n) *Financial instruments*

Financial instruments are initially recognized at fair value. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values of financial instruments are based on independent prices quoted in active markets. In the absence of an active market, fair values are determined based on valuation models such as discounted cash flows, which require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. Subsequent measurement depends on management's classification of the financial assets as held-for-trading, available-for-sale, held-to-maturity or loans and receivables, and financial liabilities as held-for-trading or other liabilities. The classification of financial instruments depends on the nature of and the purpose of the financial instruments, management's choice and in some circumstances, management's intentions.

Held-for-Trading

Financial instruments classified as held-for-trading are measured at fair value with the realized and unrealized changes in fair value recognized each reporting period through interest and financing costs, net on the consolidated statements of earnings (loss).

Available-for-Sale

Financial assets classified as available-for-sale are measured at fair value with the unrealized changes in fair value recorded each reporting period in OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted price in an active market are recorded at cost. Each reporting period, available-for-sale assets are written down to fair value through interest and financing costs, net on the consolidated statements of earnings (loss) to reflect impairments that are considered to be other than temporary.

Held-to-Maturity, Loans and Receivables and Other Liabilities

Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost using the effective interest rate method.

The following table summarizes the Company's selected financial instrument classifications based on its intentions:

Financial instrument	Classification
Cash	Held-for-trading
Cash equivalents	Held-to-maturity
Short-term investments	Held-to-maturity
Restricted cash	Held-for-trading
Accounts receivable	Loans and receivables
Due from Nova Scotia Gaming Corporation	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities
Derivative liabilities	Cash flow hedge

o) Hedges

The Company entered into cross-currency interest rate swaps (see Note 13) to hedge the U.S. dollar exchange rate and interest rate risks associated with its long-term debt. The Company designated these cross-currency interest rate swaps as cash flow hedges. The fair value of these hedging instruments is included in the consolidated statements of financial position at December 31, 2010. The portion of the changes in fair values of the cross-currency interest rate swaps that is determined to be effective is recorded in OCI as changes in fair value of derivatives designated as cash flow hedges, and any ineffective portion is recorded as interest and financing costs, net in the consolidated statements of earnings (loss). The hedged debt is translated to Canadian dollars at the exchange rate in effect on the last day of the reporting period, and through the application of hedge accounting, the resulting foreign exchange gains or losses which are included in the foreign exchange loss and other line of the consolidated statements of earnings (loss) are effectively offset by the gains or losses on derivatives designated as cash flow hedges.

The Company assesses the effectiveness of its hedging instruments at each reporting period. Hedge accounting is discontinued prospectively when the hedging relationship no longer qualifies as an effective hedge, or it is terminated upon the early termination of the hedged item. When hedge accounting is discontinued, changes in fair value of these financial instruments are recorded as interest and financing costs, net on the consolidated statements of earnings (loss).

p) Translation of foreign operations and foreign currency transactions

The Company's financial statements are presented in Canadian dollars. The Company's non-Canadian operations are translated into Canadian dollars using the current rate method. Under this method, assets and liabilities are translated into Canadian dollars using the exchange rates in effect on the dates of the consolidated statements of financial position. Revenues and expenses are translated at average exchange rates prevailing during the year. The resulting translation gains and losses are included as a separate component of OCI.

Transactions completed in foreign currencies are translated into Canadian dollars at the rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are reflected in the consolidated financial statements at the exchange rates prevailing at the dates of the consolidated statements of financial position with the resulting gain or loss included in the foreign exchange loss and other line of the consolidated statements of earnings (loss) in the period in which it occurs.

q) Stock-based compensation

The Company applies the fair value method of accounting for all stock option awards using the Black-Scholes option pricing model. Under this method, the Company recognizes compensation expense for employee stock option awards, based on the grant date fair value, over the vesting period of the options. The Company re-measures non-employee stock option awards at each reporting period and on the settlement date and recognizes the compensation expense over the contract life of the options or the option settlement date, whichever is earlier. The Company assumes that all awards will vest and recognizes the effect of forfeitures as they occur.

r) Revenue recognition

Gaming revenues, which include revenues from table games, slot machines, bingo games, FDC from BCLC, and siteholder payments from Ontario Lottery and Gaming Corporation ("OLG") are recorded when earned and payable to the Company after deduction for the portion of gaming and other revenues payable to BCLC, OLG, and NSGC, accruals for payouts on progressive games, and gaming taxes payable to Washington State.

Racetrack revenues are recorded when earned and payable to the Company, net of amounts returned as winning wagers, provincial and federal taxes, and purses for wagering. Racetrack revenues also include the net amount of the on-site wagering on races simulcast from other associations as well as fees received based on off-site wagering on races simulcast to other associations.

Hotel, food and beverage, entertainment and other operating revenues are recognized as goods are delivered and services are performed.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009
(Dollar amounts expressed in millions, except for per share information)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) *Income taxes*

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated tax payable for the current year. Future income taxes relate to the expected future tax consequences of differences between the carrying amount of items on the consolidated statements of financial position and their corresponding tax values. Future income tax assets, if any, are recognized only to the extent that, in the opinion of the Company, it is more likely than not that the future income tax assets will be realized. To the extent that the Company does not consider it more likely than not that a future income tax asset will be recovered, it provides a valuation allowance against the excess. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of the enactment or substantive enactment.

t) *Earnings (loss) per common share*

Basic earnings (loss) per common share are calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common share are presented using the treasury stock method and are calculated by dividing net earnings (loss) applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

3. CHANGES IN ACCOUNTING POLICIES

On January 1, 2010, the Company early adopted the following accounting standards of the Canadian Institute of Chartered Accountants ("CICA"): Business Combinations, Section 1582; Consolidated Financial Statements, Section 1601; and Non-Controlling Interests, Section 1602. These standards replace existing guidance and correspond to similar provisions of International Financial Reporting Standards. The standards change the accounting requirements for business combinations subsequent to January 1, 2010 and require all direct incremental costs incurred by the acquirer to effect the acquisition to be expensed, as opposed to being capitalized. The new standards also prevent any retroactive goodwill adjustments due to contingent consideration or trailing payments. With respect to contingent consideration or trailing payments on past business combinations, the standard in effect at the date of the acquisition will continue to apply. The new standards also require presenting the attribution of net earnings (loss) between the Company's shareholders and its non-controlling interests. The effect of this change is included in these consolidated financial statements.

Recent Accounting Pronouncements

No recently released Canadian accounting standards have been issued that are not yet effective that would have a significant impact on the Company other than the following:

The CICA has announced that Canadian GAAP for publicly accountable enterprise companies will be replaced with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective for fiscal years beginning on or after January 1, 2011. As of January 1, 2011, the Company will prepare its consolidated financial statements in accordance with IFRS with comparative figures for 2010.

The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Company for its year ended December 31, 2010, and restatement of the opening consolidated statement of financial position as at January 1, 2010. The Company's first financial statements presented in accordance with IFRS will be for the three-month period ended March 31, 2011.

4. CASH AND CASH EQUIVALENTS

	As at December 31,	
	2010	2009
Cash in banks	\$ 45.7	\$ 26.1
Cash floats	5.2	8.5
	<u>\$ 50.9</u>	<u>\$ 34.6</u>

Cash equivalents may include investments in term deposits, commercial paper, bankers' acceptances, money market investments and guaranteed investment certificates with original maturities within three months of the investment date.

Cash and cash equivalents excludes cash floats of \$15.9 (2009 – \$15.4) provided by BCLC for use in BC casino operations. Since these cash floats are owned by BCLC, they are not included in the Company's cash and cash equivalents balances. The Company has issued letters of credit in favour of BCLC as security for these amounts (see Note 26 (a)).

Restricted cash is comprised of \$0.6 (2009 – \$4.4) related to future payments for construction projects, \$0.6 (2009 – \$0.5) held for capital expenditures that require approval from OLG, and \$0.4 (2009 – \$0.7) for horsemen's purse pools.

5. SHORT-TERM INVESTMENTS

Short-term investments may include investments in term deposits, commercial paper, bankers' acceptances, money market investments and guaranteed investment certificates with original maturities greater than three months from the date of purchase, but less than one year.

6. DUE FROM NOVA SCOTIA GAMING CORPORATION

The \$1.9 due from NSGC is the Capital Reserve Account receivable (2009 - \$1.7). The Capital Reserve Account receivable represents amounts spent by the Company on approved expenditures, plus accrued interest on the outstanding balance at bank prime plus 2% per annum, less repayments from the NSGC's Capital Reserve Account based on 5% of the gross operational revenues from the two Nova Scotia casinos.

7. IMPAIRMENT OF LONG-LIVED ASSETS AND GOODWILL

The Company performs year-end reviews of its operations and normal course impairment tests to assess the recoverability of its goodwill, intangible assets, and property, plant and equipment. As a result of revised capital investment expectations in connection with the future renewal of the operating lease agreement associated with Hastings Racecourse and other business development projects that would not be reinitiated in the foreseeable future, the carrying values of property, plant and equipment and intangible assets have been impaired by \$32.1 and \$19.2, respectively. In addition, changes in expected future cash flows have resulted in the full goodwill impairment of \$14.2 associated with Flamboro Downs.

In connection with the impairment recorded for Hastings Racecourse, the Company revised the estimated remaining useful lives of its intangible assets and property, plant and equipment. The net effect of the change in estimate and the impairment recorded is approximately a \$1.3 increase in the annual non-cash amortization expense related to these assets on a prospective basis.

8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and building improvements	Leasehold improvements	Equipment	Properties under development	Total
Cost						
Balance at December 31, 2008	\$ 77.8	\$ 510.4	\$ 65.7	\$ 89.4	\$ 87.6	\$ 830.9
Additions	0.2	0.8	0.2	2.5	71.4	75.1
Disposals	(0.1)	(0.4)	(2.6)	(6.5)	—	(9.6)
Reclassifications	1.4	132.7	6.9	6.6	(147.6)	—
Translation and other	(0.4)	(1.7)	(0.5)	(0.9)	—	(3.5)
Balance at December 31, 2009	\$ 78.9	\$ 641.8	\$ 69.7	\$ 91.1	\$ 11.4	\$ 892.9
Additions	1.8	—	0.1	4.0	14.7	20.6
Disposals	(3.9)	—	(0.2)	(1.0)	—	(5.1)
Reclassifications	—	12.0	2.3	2.6	(16.9)	—
Deconsolidation of TBC	—	—	(0.2)	(0.6)	—	(0.8)
Translation and other	(0.1)	(1.1)	(0.3)	(0.3)	—	(1.8)
Balance at December 31, 2010	\$ 76.7	\$ 652.7	\$ 71.4	\$ 95.8	\$ 9.2	\$ 905.8
Accumulated amortization and impairments						
Balance at December 31, 2008	\$ —	\$ (58.3)	\$ (7.3)	\$ (61.3)	\$ —	\$ (126.9)
Amortization	—	(20.8)	(4.2)	(10.3)	—	(35.3)
Disposals	—	—	1.1	2.7	—	3.8
Translation and other	—	0.3	0.2	0.6	—	1.1
Balance at December 31, 2009	\$ —	\$ (78.8)	\$ (10.2)	\$ (68.3)	\$ —	\$ (157.3)
Amortization	—	(27.9)	(5.1)	(9.2)	—	(42.2)
Disposals	—	—	0.1	0.9	—	1.0
Impairments ⁽¹⁾	(0.9)	—	(23.4)	(2.0)	(5.8)	(32.1)
Deconsolidation of TBC	—	—	0.1	0.2	—	0.3
Translation and other	—	0.1	0.1	0.2	—	0.4
Balance at December 31, 2010	\$ (0.9)	\$ (106.6)	\$ (38.4)	\$ (78.2)	\$ (5.8)	\$ (229.9)
Carrying amount						
At December 31, 2009	\$ 78.9	\$ 563.0	\$ 59.5	\$ 22.8	\$ 11.4	\$ 735.6
At December 31, 2010	\$ 75.8	\$ 546.1	\$ 33.0	\$ 17.6	\$ 3.4	\$ 675.9

⁽¹⁾ The impairment recorded during 2010 relates to Hastings Racecourse and other properties under development as described in Note 7.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009
(Dollar amounts expressed in millions, except for per share information)

9. INTANGIBLE ASSETS

	BC Gaming Operating Agreements	Nova Scotia Gaming Operating Agreement	Ontario Siteholder Agreements	Other	Total
Cost					
At December 31, 2008	\$ 74.1	\$ 34.6	\$ 106.0	\$ 1.7	\$ 216.4
Acquired through business combinations	—	—	—	0.8	0.8
At December 31, 2009	\$ 74.1	\$ 34.6	\$ 106.0	\$ 2.5	\$ 217.2
Acquired through business transactions	2.0	—	—	—	2.0
At December 31, 2010	\$ 76.1	\$ 34.6	\$ 106.0	\$ 2.5	\$ 219.2
Accumulated amortization and impairments					
At December 31, 2008	\$ (10.7)	\$ (7.1)	\$ (17.4)	\$ (0.7)	\$ (35.9)
Amortization	(4.2)	(4.2)	(5.2)	(0.1)	(13.7)
At December 31, 2009	\$ (14.9)	\$ (11.3)	\$ (22.6)	\$ (0.8)	\$ (49.6)
Amortization	(4.1)	(4.2)	(5.2)	(0.2)	(13.7)
Impairment ⁽¹⁾	(19.2)	—	—	—	(19.2)
At December 31, 2010	\$ (38.2)	\$ (15.5)	\$ (27.8)	\$ (1.0)	\$ (82.5)
Carrying amount					
At December 31, 2009	\$ 59.2	\$ 23.3	\$ 83.4	\$ 1.7	\$ 167.6
At December 31, 2010	\$ 37.9	\$ 19.1	\$ 78.2	\$ 1.5	\$ 136.7

⁽¹⁾ The impairment recorded during 2010 relates to Hastings Racecourse as described in Note 7.

10. GOODWILL

	Total
Cost	
At December 31, 2008	\$ 48.9
Foreign exchange movements	(1.1)
At December 31, 2009	\$ 47.8
Additions for contingent consideration	1.1
Foreign exchange movements	(0.4)
At December 31, 2010	\$ 48.5
Impairments	
At December 31, 2008	\$ (9.9)
Impairment	—
At December 31, 2009	\$ (9.9)
Impairment	(14.2)
At December 31, 2010	\$ (24.1)
Carrying amount	
At December 31, 2009	\$ 37.9
At December 31, 2010	\$ 24.4

As part of the 2008 acquisition of Haney Bingo Plex, the Company agreed to pay additional cash consideration of up to \$1.3 over ten years if the bingo facility was upgraded to a Community Gaming Centre and once slot machines were installed and operating for profit. In July 2010, Haney Bingo Plex was approved for redevelopment as the Maple Ridge Community Gaming Centre and construction of the slot room commenced, thereby triggering the recognition of these future payments. The \$1.1 present value of these trailing payments has been recorded as a liability with a corresponding increase in goodwill. On October 15, 2010, the slot machines commenced operation.

The impairment recorded during 2010 relates to Flamboro Downs as described in Note 7.

11. LONG-TERM DEBT

	As at December 31,	
	2010	2009
Term Loan B, net of unamortized transaction costs of \$1.5 (2009 – \$2.0)	\$ 161.2	\$ 171.3
Senior Subordinated Notes and unamortized premium of \$1.1 (2009 – \$1.3), net of unamortized transaction costs of \$3.6 (2009 – \$4.4)	166.6	175.6
Senior Secured Revolving Credit Facility	—	12.0
Other	—	0.1
	327.8	359.0
Less: current portion	2.0	2.1
	\$ 325.8	\$ 356.9

The expected repayments of long-term debt for the five following years ending December 31 are as follows:

2011	\$ 2.0
2012	2.0
2013	2.0
2014	156.7
2015	169.1
Total repayments	331.8
Less: unamortized transaction costs and premium	4.0
Total long-term debt (including current portion)	\$ 327.8

The Company's long-term debt facilities consist of (a) US\$170.0 (initial principal) Senior Secured Term Loan B (the "Term Loan B"), and a \$200.0 Senior Secured Revolving Credit Facility (the "Revolving Credit Facility"), secured by a common credit agreement and (b) US\$170.0 of Senior Subordinated Notes (the "Subordinated Notes").

a) Term Loan B and Revolving Credit Facility

The Term Loan B is denominated in U.S. dollars (US\$170.0 initial principal) and bears interest at a floating rate (U.S. LIBOR plus 1.50%), payable quarterly. At December 31, 2010, the principal balance outstanding for the Term Loan B is US\$163.6 (2009 – US\$165.3). The Company hedged both the currency risk and the floating interest rate risk to effectively result in an initial principal of \$200.8 in Canadian dollars and a fixed interest rate of 6.1% per annum (see Note 13). The Term Loan B had an initial term of seven years and is repayable without premium or penalty, subject to customary costs, at any time. Principal repayments of \$0.5 in Canadian dollars are required quarterly, with the balance due at maturity on February 14, 2014.

The Revolving Credit Facility is denominated in Canadian dollars and has a five-year term that expires in February 2012. The interest rate on advanced amounts and the commitment fee on the unused facility (see Note 27 (c)) are based on the Company's Total Debt to Adjusted EBITDA ratio, which is calculated quarterly (see Note 12).

The Term Loan B and the Revolving Credit Facility are guaranteed and secured by substantially all of the assets of the Company and its subsidiaries. Both the Term Loan B and the Revolving Credit Facility require the Company to comply with certain operational and financial covenants (which are defined in the underlying agreements). The financial covenants which are tested quarterly are: Total Debt to Adjusted EBITDA ratio of 5.0 or less; Senior Debt to Adjusted EBITDA ratio of 3.5 or less, and Interest Coverage ratio of 2.0 or greater for the first three years following February 14, 2007 and 2.25 thereafter.

After deducting outstanding letters of credit of \$37.3 (2009 - \$35.1) (see Note 26 (a)) and borrowings on the Revolving Credit Facility of \$nil (2009 – \$12.0), at December 31, 2010 the Company had \$162.7 (2009 – \$152.9) remaining credit available on the Revolving Credit Facility. The counter-parties to this facility are major financial institutions with minimum "A" credit ratings.

b) Subordinated Notes

The Subordinated Notes are unsecured and guaranteed by the Company and substantially all of its subsidiaries. The Subordinated Notes are denominated in U.S. dollars (US\$170.0) and bear interest at a rate of 7.25%, payable semi-annually. The Company has hedged the currency risk to effectively result in a principal of \$201.1 in Canadian dollars at a fixed interest rate of 6.6% per annum (see Note 13). The Subordinated Notes have a term of eight years with the principal amount of the notes repayable at maturity on February 15, 2015. There are provisions for early redemption of the Subordinated Notes at the Company's option during defined periods prior to maturity with payment of defined premiums. On February 14, 2007 these provisions for early redemption were recorded at their fair value of \$2.1 as a derivative asset and as a premium on the Subordinated Notes (see Note 13 (b)).

The Subordinated Notes require the Company to comply with operational and financial covenants. The financial covenants require the Company to maintain a Fixed Charge Coverage Ratio, as defined in the underlying note agreement, of greater than 2.0 and is tested on the occurrence of specified events.

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11. LONG-TERM DEBT (Continued)

b) Subordinated Notes (Continued)

The Subordinated Notes have been structured so that interest payments are not subject to Canadian withholding taxes. To the extent that Canadian tax regulations change to impose a withholding tax on the interest payments, the Company has agreed to gross-up the interest payments to ensure the holder of the Subordinated Notes receives the same amount in the absence of the withholding tax, subject to certain requirements and limitations.

All the debt facilities have: (i) mandatory repayments in the case of proceeds from certain asset sales or receipt of insurance proceeds that are not re-invested by the Company within certain time limits; (ii) restrictions on certain asset sales, acquisitions, and distributions; (iii) limitations on the incurrence of additional debt or indebtedness or liens; and (iv) provisions for the Company to re-purchase and re-issue portions of the Term Loan B and/or Subordinated Notes should the holder be required to register with a gaming authority having jurisdiction over the Company and either refuses or is found to be unsuitable for registration.

The transaction costs of establishing the Term Loan B and the Subordinated Notes were \$10.5 and were recorded as a reduction of the balance of the related debt, and are expensed to interest and financing costs, net on the consolidated statements of earnings (loss) over the term of the related debt using the effective interest method. The transaction costs of establishing the Revolving Credit Facility were \$2.7 and are recorded as a component of other assets on the consolidated statements of financial position, and are expensed to interest and financing costs, net on the consolidated statements of earnings (loss) over the term of the Revolving Credit Facility.

c) Interest and financing costs, net

Interest and financing costs, net consists of:

	Year ended December 31,	
	2010	2009
Interest and financing costs on long-term debt	\$ 28.7	\$ 29.7
Interest income	(0.7)	(0.5)
Interest and financing costs, net	\$ 28.0	\$ 29.2

Interest costs capitalized to property, plant and equipment that was under development during the year ended December 31, 2010 totalled \$nil (2009 — \$0.5).

12. CAPITAL DISCLOSURES

The Company's capital structure comprises:

- Shareholders' equity;
- Long-term debt and related derivative liabilities;
- Cash and cash equivalents;
- Short-term investments; and
- Outstanding letters of credit.

The Company's objectives are to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk levels and to manage capital in a manner that balances the interests of equity and debt holders. The Company manages its capital structure in light of changes in economic conditions and the risk characteristics of the Company's operations. The Company's major capital allocation decisions include a comparison of the expected financial returns from those investments to its estimated weighted-average cost of capital. The Company currently plans to use its cash and cash equivalents, short-term investments, cash flows from operations, and established debt facilities to finance its properties' development plans.

The Company monitors its capital structure and must comply with certain financial covenants related to its long-term debt. The Company intends to manage its capital by operating at a level that provides a conservative margin compared to the limits of its covenants.

At December 31, 2010 the Company is in compliance with its financial covenants as shown below:

Covenant test	Required ratio	Actual ratio
Total Debt to Adjusted EBITDA ratio ⁽¹⁾	< 5.00	2.90
Senior Debt to Adjusted EBITDA ratio ⁽¹⁾	< 3.50	1.42
Interest Coverage ratio ⁽¹⁾	> 2.25	5.04
Fixed Charge Coverage ratio ⁽²⁾	> 2.00	5.13

⁽¹⁾ Defined in the long-term debt agreement covering the Term Loan B and Revolving Credit Facility.

⁽²⁾ Defined in the long-term debt agreement covering the Subordinated Notes. Tested on specified events.

As part of the capital structure monitoring process, the Company has independent credit ratings as follows:

	Moody's ⁽³⁾	Standard & Poor's ⁽⁴⁾
Corporate	Ba3 Stable	BB+ Stable
Term Loan B and Revolving Credit Facility	Ba2	BBB
Subordinated Notes	B2	BB

⁽³⁾ On June 29, 2010, Moody's reaffirmed the Company's ratings of Ba3 Stable Corporate Family Rating (CFR) and Probability of Default Rating (PDR), Ba2 rating of the senior secured credit facilities and B2 rating of the senior subordinated notes.

⁽⁴⁾ On July 9, 2010, Standard & Poor's upgraded their rating on the Company's Corporate Credit rating from BB Stable, the Secured Term Loan B and Revolving Credit Facility from BBB- and the Subordinated Notes from BB-

13. DERIVATIVES

a) Cross-currency interest rate swaps

The Company entered into cross-currency interest rate swaps that effectively converted both the U.S. dollar floating interest rate Term Loan B and the U.S. dollar fixed interest rate Subordinated Notes into Canadian dollar fixed interest rate debt (see Note 27 (c)). As at December 31, 2010, the cross-currency interest rate swap agreements are:

Debt	Notional Principal		Interest Rate		Maturity Date
	Receive (USD)	Pay (CAD)	Receive (USD)	Pay (CAD)	
Term Loan B	\$163.6 ⁽⁵⁾	\$193.3 ⁽⁵⁾	US LIBOR+1.50%	6.1%	February 14, 2014
Subordinated Notes	\$170.0	\$201.1	7.25%	6.6%	February 15, 2015

⁽⁵⁾ The Term Loan B cross-currency interest rate swap's notional principal reduces by 0.25% of the original principal of \$170.0 USD quarterly to match the scheduled principal reductions on the Term Loan B.

At December 31, 2010, the Company's swap associated with the Term Loan B was in a \$44.7 liability position (2009 – \$35.1 liability) and is recorded in derivative liabilities on the consolidated statements of financial position. The swap associated with the Subordinated Notes was in a \$22.9 liability position (2009 – \$15.7 liability) and is recorded in derivative liabilities on the consolidated statements of financial position.

The Company has evaluated these cross-currency interest rate swaps and assessed them as effective hedges of the cash flows associated with the Term Loan B and the Subordinated Notes. The Company has applied hedge accounting to these swaps as it believes hedge accounting best represents the economic substance of the underlying transactions. Accordingly, the changes in fair values of the swaps, net of income taxes, have been recorded in other comprehensive income.

The fair values of the Company's cross-currency interest rate swaps at December 31, 2010 and at December 31, 2009 were determined based on a credit risk adjusted discounted cash flow model. This model makes assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and the U.S. at the respective period ends.

b) Embedded derivative

The Company's Subordinated Notes agreement has provisions for early redemption during defined periods prior to maturity with the payment of defined premiums. On issuance of the Subordinated Notes on February 14, 2007, the \$2.1 fair value of this embedded derivative was recorded as a derivative asset in other assets and as a premium on the long-term debt on the consolidated statements of financial position. The fair value of this embedded derivative included in other assets as at December 31, 2010 was \$nil (2009 – \$nil). The premium is amortized over the term of the Subordinated Notes using the effective interest method.

14. DEFERRED CREDITS AND OTHER LIABILITIES

	Year ended December 31,	
	2010	2009
Deferred credits	\$ 23.3	\$ 24.0
Other liabilities	5.9	3.8
	29.2	27.8
Less: current portion	1.1	0.8
	\$ 28.1	\$ 27.0

On August 22, 2008, the Company entered into definitive agreements with the South Coast British Columbia Transportation Authority ("TransLink") and Canada Line Rapid Transit Inc. ("Canada Line") to build and operate a 1,200 stall multi-level parking garage at Bridgeport Station, across from the River Rock Casino Resort ("River Rock") in Richmond, British Columbia.

The consideration received from TransLink is being treated as compensation for the cost of providing future parking services to Canada Line's passengers. Accordingly, the fair value of the land received of \$17.2 was accounted for as a non-monetary transaction and cash of \$4.5 was recorded as "cash and cash equivalents", with a corresponding credit to "deferred credits". Upon completion of the parking garage in August 2009, the Company started amortizing the deferred credit on a straightline basis over a period of 32 years.

The accruals in relation to restructuring and other expenses (see Note 18) are included in other liabilities.

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15. SHARE CAPITAL AND CONTRIBUTED SURPLUS

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

a) Normal course issuer bid

For the year ended December 31, 2010, the Company did not purchase any shares under its normal course issuer bid, which expired on December 15, 2010. During 2009, no common shares were purchased under the normal course issuer bids.

Subsequent to December 31, 2010, the Company received approval from the Toronto Stock Exchange ("TSX") to commence another normal course issuer bid for up to 2,000,000 of its common shares, representing approximately 2.4% of the Company's outstanding common shares. This bid commenced on January 27, 2011 and will end on January 26, 2012, or earlier if the number of shares approved for purchase in the issuer bid have been obtained. Pursuant to TSX policies, daily purchases made by the Company will not exceed 33,609 common shares, or 25% of the average daily trading volume of 134,427 common shares on the TSX. 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 by-laws and rules. Any shares purchased by the Company will be subsequently cancelled.

b) Stock option plan

Under the Company's stock option plan, the maximum number of stock options reserved for issuance is limited to 10% of the common shares issued and outstanding at any given time. In addition, no one individual may receive stock options in excess of 5% of the issued and outstanding common shares of the Company at the time of a stock option grant. Stock options granted vest over three years and expire five years from the date of grant.

As at December 31, 2010, 1,321,563 stock options (2009 – 2,212,234) remained available for granting. Subsequent to December 31, 2010, 1,071,500 stock options were granted at an exercise price of \$7.14.

Outstanding stock options under the plan are as follows:

	Options ⁽¹⁾	2010 Weighted-Average Exercise Price	Options ⁽¹⁾	2009 Weighted-Average Exercise Price
Outstanding, beginning of year	6,025	\$ 7.12	4,406	\$ 11.87
Granted	1,940	7.62	3,527	2.76
Forfeited	(420)	11.03	(474)	12.28
Expired	(81)	16.92	(1,146)	10.96
Exercised	(498)	2.67	(288)	2.65
Outstanding, end of year	6,966	\$ 7.23	6,025	7.12

⁽¹⁾ Option information is resented as options for thousands of common shares.

Options outstanding and exercisable at December 31, 2010 are as follows:

Exercise Price	Number Outstanding ⁽¹⁾	Weighted- Average Remaining Contractual Life	Outstanding Options' Weighted- Average Exercise Price	Number Exercisable ⁽¹⁾	Exercisable Options' Weighted- Average Exercise Price
\$2.62 – \$3.99	2,460	2.7 years	\$ 2.62	1,435	\$ 2.62
\$4.00 – \$9.99	2,202	3.9 years	7.23	756	6.88
\$10.00 – \$11.99	1,976	0.9 years	11.86	1,976	11.86
\$12.00 – \$14.99	328	1.8 years	13.91	305	13.90
	6,966	2.5 years	\$ 7.23	4,472	\$ 8.19

⁽¹⁾ Option information is presented as options for thousands of common shares.

The fair values of stock options granted during 2010 were determined using the Black-Scholes option pricing model with the following assumptions: no dividends are to be paid; average expected volatility of 56% (2009 – 49%); average risk-free interest rate of 1.2% (2009 – 1.2%); and expected life of 2.5 years (2009 – 2.5 years). The weighted average grant-date fair value per stock option granted during 2010 was \$2.67 (2009 – \$0.86).

During the year ended December 31, 2010, the total compensation expense related to the fair value of stock options was \$5.4 (2009 – \$4.9).

c) *Employee share purchase plan*

Eligible employees of the Company may elect to participate in the Employee Share Purchase Plan (the "Share Purchase Plan") by contributing up to 5% of their gross pay, with the Company matching 25% of the contributions. As at December 31, 2010, 802,727 (2009 – 866,325) common shares were held by employees under the Share Purchase Plan and 32% of employees participated in the Plan (2009 – 36%). Due to the uncertain economic climate during 2009, on April 1, 2009 the Company temporarily suspended its contribution match to the Share Purchase Plan. As at December 31, 2010, this temporary suspension is still in effect.

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

	As at December 31,	
	2010	2009
Accumulated other comprehensive loss comprises:		
Changes in fair values of derivatives designated as cash flow hedges, net of income taxes	\$ (49.7)	\$ (36.3)
Loss on derivatives designated as cash flow hedges transferred to net earnings, net of income taxes	46.0	31.7
Unrealized effect of foreign currency translation of foreign operations	(6.6)	(5.8)
Accumulated other comprehensive loss	\$ (10.3)	\$ (10.4)

17. REVENUES

	Year ended December 31,	
	2010	2009
Gaming revenues	\$ 274.9	\$ 269.9
Facility Development Commission	30.2	29.2
Hospitality and other revenues	67.5	65.3
Racetrack revenues	23.3	28.7
	395.9	393.1
Less: Promotional allowances	(12.4)	(10.9)
Revenues	\$ 383.5	\$ 382.2

18. RESTRUCTURING AND OTHER

In 2008, the Company commenced expense reduction initiatives in anticipation of a weakened Canadian economy. Since that time, restructuring expenses associated with these initiatives have totalled \$15.2 (2009 – \$14.8). The following table summarizes the restructuring and other expenses incurred during the last two years:

	Type	Year ended December 31,	
		2010	2009
Severance	Restructuring	\$ 0.3	\$ 9.0
Stock-based compensation	Restructuring	—	0.2
Vacated head office lease	Restructuring	0.1	3.2
Impairment of leasehold improvements	Restructuring	—	1.0
Business development expenses	Other	1.9	—
Restructuring and other expenses		\$ 2.3	\$ 13.4

The following table summarizes movements in the restructuring and other expense accruals associated with these initiatives:

	Severance		Vacated head office lease		Total
Balance at December 31, 2008	\$ 0.8	\$ —	\$ —	\$ 0.8	
Restructuring and other expenses	9.0	3.2		12.2	
Payments	(9.3)	(0.8)		(10.1)	
Balance at December 31, 2009	0.5	2.4		2.9	
Restructuring and other expenses	0.3	0.1		0.4	
Payments	(0.6)	(0.8)		(1.4)	
Balance at December 31, 2010	\$ 0.2	\$ 1.7	\$ —	\$ 1.9	

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19. INCOME TAXES

The Company's income tax expense is as follows:

	Year ended December 31,	
	2010	2009
Current income tax expense	\$ 9.5	\$ 4.6
Future income tax (recovery) expense	(8.8)	0.6
	\$ 0.7	\$ 5.2
Basic federal and provincial statutory income tax rate	28.50%	30.00%
Expected income tax provision for the period	\$ (6.1)	\$ 8.9
Effect of:		
Non-deductible impairment of goodwill	4.4	—
Non-deductible stock-based compensation	1.5	1.5
Tax rate differential on impairment of long-lived assets	1.8	—
Changes in tax rates on future income taxes	(1.2)	(6.0)
Change in valuation allowance on future income tax assets	0.5	0.4
Other items	(0.2)	0.4
	\$ 0.7	\$ 5.2

Temporary differences and carry-forwards which give rise to future income tax assets and liabilities at December 31 are as follows:

	2010	2009
Future income tax asset (liability) arising from:		
Intangible assets	\$ (36.0)	\$ (44.9)
Property, plant and equipment	(32.5)	(35.4)
Deferred partnership income	(2.2)	(3.6)
Debt transaction costs	(0.8)	(0.3)
Deferred compensation costs	0.2	0.6
Uneconomic lease costs	0.4	0.6
Non-capital loss carry-forwards	1.2	3.5
Capital loss carry-forwards	1.2	1.2
Cross-currency interest rate swaps	1.3	1.8
Former debt redemption costs	3.2	4.0
Deferred credits	5.8	6.0
Other	(0.1)	(0.1)
	\$ (58.3)	\$ (66.6)

Presented on the consolidated statements of financial position at December 31 as follows:

	2010	2009
Future income tax assets	\$ 7.7	\$ 2.0
Future income tax liabilities	(66.0)	(68.6)
Future income tax liabilities, net	\$ (58.3)	\$ (66.6)

The Company has non-capital loss carry-forwards for tax purposes of approximately \$4.6 (2009 – \$11.7) available to reduce future years' income for tax purposes. These losses will expire as follows:

2014 – 2015	\$ 1.6
2026 – 2030	3.0
	\$ 4.6

The Company has not recognized a future income tax asset for capital loss carry-forwards of \$4.9 (2009 – \$3.2), which may only be used to offset future capital gains. These losses may be carried forward indefinitely.

20. SHAREHOLDERS' NET (LOSS) EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings (loss) per common share:

	Year ended December 31,	
	2010	2009
Shareholders' net (loss) earnings (A)	(22.1)	\$ 23.5
Weighted average number of common shares outstanding (B) ⁽¹⁾	82,641	82,183
Dilutive adjustment for stock options ⁽¹⁾	—	989
Diluted weighted-average number of common shares (C) ⁽¹⁾	82,641	83,172
Shareholders' net (loss) earnings per common share		
Basic (A/B)	\$ (0.27)	\$ 0.29
Diluted (A/C)	\$ (0.27)	\$ 0.28

⁽¹⁾ Share information is presented in thousands of common shares.

The following table summarizes the outstanding stock options that are not included in the above calculation because their effect would be anti-dilutive for the period:

	Year ended December 31,	
	2010	2009
Options ⁽²⁾	6,966	3,043

⁽²⁾ Information is presented in thousands.

21. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Year ended December 31,	
	2010	2009
Restricted cash – operating	\$ 0.2	\$ 1.0
Accounts receivable	(0.2)	7.0
Income taxes receivable or payable	5.3	1.3
Prepays, deposits and other assets	1.2	1.2
Accounts payable and accrued liabilities	(3.5)	0.1
	\$ 3.0	\$ 10.6

22. SEGMENTED INFORMATION

The Company and its subsidiaries operate in one industry segment, the gaming industry. The Company conducts business in two geographic segments: Canada and the United States ("US"). Revenues and assets attributable to each geographic segment as at or for the year ended December 31 are as follows:

	2010			2009		
	Canada	US	Total	Canada	US	Total
Revenues	\$ 361.4	\$ 22.1	\$ 383.5	\$ 356.0	\$ 26.2	\$ 382.2
Property, plant and equipment	\$ 662.2	\$ 13.7	\$ 675.9	\$ 720.9	\$ 14.7	\$ 735.6
Goodwill	\$ 17.8	\$ 6.6	\$ 24.4	\$ 30.9	\$ 7.0	\$ 37.9
Total assets	\$ 945.6	\$ 21.8	\$ 967.4	\$ 977.2	\$ 26.9	\$ 1,004.1

23. RELATED PARTY TRANSACTIONS

On March 31, 2009, the Company acquired 100% of the outstanding common shares of the Canadian Gaming Institute Inc. ("CGI"), a casino dealer training company controlled by a director of the Company. The total cash purchase price for the common shares was \$0.6. This related party transaction was recorded at the exchange amount, which is the amount of consideration paid or received as negotiated by the related parties. In 2009, there were no transactions with CGI prior to the date of acquisition.

On May 1, 2009, the Company's Chairman and Chief Executive Officer entered into a shareholder agreement with Ridge Capital Amalgamated Corp. ("Ridge Capital"), which owns four million common shares in Great Canadian Gaming Corporation. Through this agreement, the Company's Chairman and Chief Executive Officer acquired the right to exercise the votes attached to these shares in return for indemnifying Ridge Capital in certain circumstances should the shares lose value. Ownership of the shares remains with Ridge Capital, subject to the terms of the shareholder agreement.

The Company has engaged the services of a company ("the Consulting company") whose shareholder was, until May 1, 2009, a director and officer of Ridge Capital. Human resources expenses for 2009 include \$0.3 in fees for the Consulting company's advice on the Company's strategic and operational efficiency initiatives. On May 13, 2009, the Company issued to the Consulting company options to acquire 280,000 common shares of the Company at an exercise price of \$4.40 per option. As these transactions were in the normal course of operations, they were measured at the exchange amount agreed to by the Consulting company and the Company.

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24. FACILITY DEVELOPMENT COMMISSION APPROVED AMOUNTS

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

	2010	2009
Opening Approved Amounts at January 1,	\$ 385.7	\$ 357.3
Additional Approved Amounts	89.6	57.6
FDC receipts	(30.2)	(29.2)
Closing Approved Amounts at December 31,	\$ 445.1	\$ 385.7

Approved Amounts have not been recorded in the consolidated statements of financial position. Since FDC is earned as a fixed percentage of gross gaming win, subject to the Company incurring sufficient Approved Amounts, recovery of Approved Amounts requires the generation of sufficient gross gaming win and that the operating agreements with BCLC remain in good standing.

25. EMPLOYEE FUTURE BENEFITS

The Company maintains a defined contribution pension plan for its Canadian employees. Under this plan, eligible employees contribute a minimum of 2% to a maximum of 15% of their gross pay. The Company makes contributions representing 2% of eligible employees' base pay. Contributions made by the Company during the year ended December 31, 2010 totalled \$1.6 (2009 – \$1.6).

26. COMMITMENTS, CONTINGENCIES AND LITIGATION

a) Letters of credit

As at December 31, 2010, letters of credit in the amount of \$37.3 (2009 – \$35.1) were outstanding as security primarily in connection with gaming cash floats, construction projects and service commitments.

b) Litigation

In 2005, as part of the acquisition of Georgian Downs, the Company entered into an agreement that provided a consultant a deemed contribution for a notional equity interest in Georgian Downs as consideration for certain consulting services for its operations in the Province of Ontario. The notional equity interest entitled the consultant to future remuneration depending on the operating results of Georgian Downs provided that certain services were performed. The consultant had an option to sell his notional equity interest in Georgian Downs to the Company for consideration calculated using a predefined formula based on Georgian Downs' operating results for the twelve month period preceding the option's exercise. The Company had a call option to purchase the consultant's notional equity interest from June 2012 for consideration calculated using the same predefined formula. On July 30, 2007, the Company terminated the agreement and tendered the sum of \$1.6 being the full amount that the Company determined to be validly due and payable to the consultant. The consultant and the Company have significantly different views as to the consultant's monetary entitlement under the agreement. The consultant filed an application in the Ontario Superior Court of Justice that disputes the validity of the termination of the agreement. The Company also filed a suit in the Ontario Superior Court of Justice seeking a declaration that the agreement has been properly terminated by the Company. Management believes that the Company has acted appropriately with respect to both the termination and the tendering of payment to the consultant and intends to vigorously defend its position. On January 9, 2009, the Ontario Superior Court of Justice (Commercial List) granted an Endorsement which ordered that the consultant's application be converted into an action and be consolidated with the Company's action. At this stage, liability or quantum with respect to this litigation cannot be reasonably determined.

The Company is involved in various other disputes, claims and litigation. Management believes the amount of the ultimate liability for these will not materially affect the financial position of the Company.

c) Guarantees and indemnifications

The Company may provide guarantees and indemnifications in conjunction with transactions in the normal course of operations. These are recorded as liabilities when reasonable estimates of the obligations can be made. Guarantees and indemnifications that the Company has provided include obligations to indemnify:

- i. directors and officers of the Company and its subsidiaries for potential liability while acting as a director or officer of the Company, together with various expenses associated with defending and settling such suits or actions due to association with the Company, the risk of which is mitigated by the Company's directors' and officers' liability insurance;
- ii. certain vendors of acquired companies or property for obligations that may or may not have been known at the date of the transaction;
- iii. certain financial institutions for costs that they may incur as a result of representations made in debt and equity offering documents; and
- iv. lessors of leased properties for personal injury claims that may arise at the facilities the Company operates.

27. FINANCIAL INSTRUMENTS

The Company's financial instruments and the types of risks to which their carrying values are exposed are as follows:

Financial instrument	Risks			
	Credit	Liquidity	Interest rate	Currency
Measured at amortized cost:				
Cash equivalents	x			x
Short-term investments	x		x	
Accounts receivable	x			x
Due from Nova Scotia Gaming Corporation	x			
Other assets	x			
Accounts payable and accrued liabilities		x		x
Long-term debt, and other liabilities		x		x
Measured at fair value:				
Cash	x			x
Restricted cash	x			
Cross-currency interest rate swaps (included in derivative liabilities)	x	x	x	x

a) Credit risk

Credit risk is the risk that a party to one of the Company's financial instruments will cause a financial loss to the Company by failing to discharge an obligation. The carrying values of the Company's financial assets, which represent the maximum exposure to credit risk, are as follows:

	Year ended December 31,	
	2010	2009
Cash in banks	\$ 45.7	\$ 26.1
Short-term investments	53.0	—
Restricted cash	1.6	5.6
Accounts receivable	7.4	7.3
Due from Nova Scotia Gaming Corporation	1.9	1.7
	\$ 109.6	\$ 40.7

Cash in banks, restricted cash, and short-term investments: Credit risk associated with these assets is minimized substantially by ensuring that these financial assets are placed in the debt instruments of Canadian and U.S. federal governments and well-capitalized financial institutions.

Accounts receivable, Due from Nova Scotia Gaming Corporation, and Other assets: Credit risk associated with these assets is minimized due to their nature. The majority of these receivable balances are due from sales tax rebates from the federal and provincial governments, the Nova Scotia Gaming Corporation (a branch of that province's government) and other provincial gaming corporations, racetrack operators, a horseracing association, and financial institutions. The provision for doubtful accounts receivable is estimated based on an assessment of individual accounts and the length of time balances have been outstanding. As at December 31, 2010, the provision for doubtful accounts receivable totalled \$2.2 (2009 – \$0.6).

Cross-currency interest rate swaps: At December 31, 2010, the Company's swap associated with the Term Loan B was in a \$44.7 liability position (2009 – \$35.1) and the swap associated with the Subordinated Notes was in a \$22.9 liability position (2009 – \$15.7). The credit risk associated with these cross-currency interest rate swap agreements is mitigated since the counterparties to these swaps are Canadian chartered banks with minimum "A" credit ratings.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009
(Dollar amounts expressed in millions, except for per share information)

27. FINANCIAL INSTRUMENTS (Continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come close. The Company manages liquidity risk by monitoring its capital structure (see Note 12), regularly monitoring forecast and actual cash flows, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within the Revolving Credit Facility (see Note 11). The Company expects the following maturities of its financial liabilities (including interest) and operating leases and contracts:

	Expected payments by period as at December 31, 2010					Total
	Within 1 year	2 – 3 years	4 – 5 years	More than 5 years		
Accounts payable and accrued liabilities	\$ 52.3	\$ —	\$ —	\$ —	\$ 52.3	
Payments related to cross-currency interest rate swaps	27.4	54.5	411.6	—	493.5	
Receipts related to cross-currency interest rate swaps	(17.0)	(34.1)	(346.2)	—	(397.3)	
Term Loan B and Subordinated Notes	17.0	34.1	346.2	—	397.3	
Operating leases	3.9	3.6	1.4	3.0	11.9	
Income taxes payable	5.4	—	—	—	5.4	
Other contractual commitments	16.3	6.9	1.8	0.6	25.6	
Total	\$ 105.3	\$ 65.0	\$ 414.8	\$ 3.6	\$ 588.7	

The expected payments related to the cross-currency interest rate swaps (see Note 13) represent the Canadian dollar fixed interest and principal payments required under these contracts.

The expected receipts related to the cross-currency interest rate swaps represent the U.S. dollar interest and principal payments due on the Term Loan B and Subordinated Notes, converted to Canadian dollars at the December 31, 2010 foreign currency exchange rate.

The Term Loan B and the Subordinated Notes (see Note 11) amounts represent interest and principal payments, converted to Canadian dollars at the December 31, 2010 foreign currency exchange rate. Similarly, as the Term Loan B bears interest at a floating rate (U.S. LIBOR plus 1.50%), the interest rate applicable at December 31, 2010 of 1.79% has been applied to all future periods in the above table. The Subordinated Notes bear interest at a fixed rate of 7.25%.

Operating leases and other contractual contracts include property leases for the Company's head office, a ground lease with the City of Surrey, BC for Fraser Downs, a ground lease with the City of Sydney, NS for Casino Nova Scotia Sydney, an operating agreement with the City of Vancouver, BC for Hastings Racecourse and commitments to NSGC to fund responsible gaming programs.

The Company believes that it will not encounter difficulty in meeting the obligations associated with its financial liabilities and further believes that if necessary, it would be able to access the capital markets for additional financial resources at prevailing market rates.

c) Market risk

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates and/or foreign currency exchange rates. With the exception of its cross-currency interest rate swaps and short-term investments, the carrying amounts of the Company's financial instruments are not subject to interest rate risk. The following table sets out a sensitivity analysis of the effect on the carrying amount of the Company's financial instruments (with the exceptions of its long-term debt and cross-currency interest rate swaps described below) that are subject to foreign currency risk by applying reasonably possible changes in foreign currency rates relative to the Company's functional currency, the Canadian dollar:

	Carrying amount December 31, 2010	Foreign Currency Risk ⁽¹⁾			
		-25%		+25%	
		Net earnings (loss)	OCI	Net earnings (loss)	OCI
Financial Assets					
Cash and cash equivalents	\$ 50.9	\$ (1.4)	\$ (1.0)	\$ 1.4	\$ 1.0
Accounts receivable	7.4	(0.1)	—	0.1	—
Financial Liabilities					
Accounts payable and accrued liabilities	52.3	0.3	0.6	(0.3)	(0.6)
Total (decrease) increase		\$ (1.2)	\$ (0.4)	\$ 1.2	\$ 0.4

⁽¹⁾ Displayed is the effect on the Company's U.S. dollar denominated financial assets and liabilities if the value of the U.S. dollar were to decrease or increase relative to the Canadian dollar by 25% from the actual period end rate.

Long-term debt and cross-currency interest rate swaps

The Company is required to make payments on the Term Loan B and Subordinated Notes in U.S. dollars. The Company has mitigated its exposure to fluctuations in interest rates and foreign currency rates related to its U.S. dollar denominated debt. The Company entered into a series of cross-currency interest rate swaps that effectively converted both the U.S. dollar floating interest rate Term Loan B and the U.S. dollar fixed interest rate Subordinated Notes into Canadian dollar fixed interest rate debt (see Notes 11 and 13). The fair values of the U.S. dollar denominated debt and related cross-currency interest rate swap derivatives fluctuate with changes in market interest rates and foreign exchange rates, but their respective future cash flows do not fluctuate. Consequently, absent early redemption at the Company's option, the market risks of the U.S. dollar denominated debt and cross-currency interest rate swaps are effectively eliminated.

Revolving Credit Facility

The Revolving Credit Facility has interest rates on advanced amounts and a commitment fee on the unused facility that are based on the Total Debt to Adjusted EBITDA ratio (defined in the underlying debt agreement) which is calculated quarterly. The following table summarizes the interest rate and commitment fee on the Revolving Credit Facility that apply, depending on the Company's quarterly Total Debt to Adjusted EBITDA ratio calculated for the most recent trailing twelve months:

Total Debt / Adjusted EBITDA	Margin on Bankers' Acceptances or Eurodollar Rate Advances & Letters of Credit	Margin on Canadian Prime Rate or U.S. Base Rate Advances	Commitment Fee
>= 4.50	2.25%	1.00%	0.50%
4.00 to < 4.50	1.88%	0.63%	0.40%
3.50 to < 4.00	1.63%	0.38%	0.35%
3.00 to < 3.50	1.38%	0.13%	0.30%
2.50 to < 3.00	1.13%	0.00%	0.25%
2.00 to < 2.50	0.88%	0.00%	0.20%
< 2.00	0.75%	0.00%	0.18%

d) Fair values

The fair values of cash and cash equivalents, restricted cash, accounts receivable, due from Nova Scotia Gaming Corporation, accounts payable and accrued liabilities and cross-currency interest rate swaps approximate their carrying values.

The Company's short-term investments and long-term debt instruments are Level 2() financial instruments as they are estimated based on quoted prices that are observable for similar instruments or on the current rates offered to the Company for debt of the same maturity. At December 31, 2010, the fair values of the Company's short-term investments totalled \$53.0 (2009 – \$nil) and the fair values of the Company's long-term debt instruments totalled \$334.0 (2009 – \$349.3).

The fair values of the Company's cross-currency interest rate swaps at December 31, 2010 were in a combined liability position of \$67.6 (2009 – \$50.8) and were determined based on credit risk adjusted discounted cash flows. The cross-currency interest rate swaps are considered Level 2(1) liabilities as the model makes assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and the U.S. at December 31, 2010.

The Company does not hold any Level 1(1) financial assets or liabilities that are based on unadjusted quoted prices trading in active markets, or, Level 3(1) financial assets or liabilities that require management to make assumptions regarding the measurement of fair value using significant inputs that are not based on observable market data.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009
(Dollar amounts expressed in millions, except for per share information)

28. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company's consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which differ from those principles that the Company would have followed had its consolidated financial statements been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

Material variations between financial statement items under Canadian GAAP and the amounts determined under U.S. GAAP are presented in the following reconciliations, which were prepared to comply with the requirements of Item 17 of Form 20-F of the United States Securities and Exchange Commission.

There are no material variations that affected the consolidated statements of cash flows for the years ended December 31, 2010 and 2009. The material variations which affect the consolidated statements of financial position as at December 31, 2010 and 2009, and the consolidated statements of earnings (loss) for the years ended December 31, 2010 and 2009 are as follows:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(expressed in millions of Canadian dollars)

As at December 31, 2010	Under CDN GAAP	Notes		Under U.S. GAAP
		a	b	
ASSETS				
Current				
Cash and cash equivalents	\$ 50.9	\$ —	\$ —	\$ 50.9
Short-term investments	53.0	—	—	53.0
Restricted cash	1.6	—	—	1.6
Accounts receivable	7.4	—	—	7.4
Due from Nova Scotia Gaming Corporation	1.9	—	—	1.9
Prepays, deposits, and other assets	5.9	—	—	5.9
	120.7	—	—	120.7
Property, plant and equipment	675.9	—	—	675.9
Intangible assets	136.7	—	—	136.7
Goodwill	24.4	—	—	24.4
Future income taxes	7.7	—	—	7.7
Other assets	2.0	—	—	2.0
	967.4	—	—	967.4
LIABILITIES				
Current				
Accounts payable and accrued liabilities	52.3	—	—	52.3
Income taxes payable	5.4	—	—	5.4
Long-term debt, deferred credit and other liabilities, current	3.1	—	—	3.1
	60.8	—	—	60.8
Long-term debt	325.8	—	—	325.8
Derivative liabilities	67.6	—	—	67.6
Deferred credit and other liabilities	28.1	—	—	28.1
Future income taxes	66.0	—	—	66.0
	548.3	—	—	548.3
SHAREHOLDERS' EQUITY				
Share capital and contributed surplus	354.3	(12.5)	—	341.8
Accumulated other comprehensive loss	(10.3)	—	(3.8)	(14.1)
Retained earnings	75.1	12.5	3.8	91.4
	419.1	—	—	419.1
	\$ 967.4	\$ —	\$ —	\$ 967.4

See accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(expressed in millions of Canadian dollars)

As at December 31, 2009	Under CDN GAAP	Notes		Under U.S. GAAP
		a	b	
ASSETS				
Current				
Cash and cash equivalents	\$ 34.6	\$ —	\$ —	\$ 34.6
Restricted cash	5.6	—	—	5.6
Accounts receivable	7.3	—	—	7.3
Due from Nova Scotia Gaming Corporation, current	1.7	—	—	1.7
Prepays, deposits, and other assets	7.2	—	—	7.2
	56.4	—	—	56.4
Property, plant and equipment	735.6	—	—	735.6
Intangible assets	167.6	—	—	167.6
Goodwill	37.9	—	—	37.9
Future income taxes	2.0	—	—	2.0
Other assets	4.6	—	—	4.6
	1,004.1	—	—	1,004.1
LIABILITIES				
Current				
Accounts payable and accrued liabilities	63.4	—	—	63.4
Income taxes payable	0.1	—	—	0.1
Long-term debt, deferred credit and other liabilities, current	2.9	—	—	2.9
	66.4	—	—	66.4
Long-term debt	356.9	—	—	356.9
Derivative liabilities	50.8	—	—	50.8
Deferred credit and other liabilities	27.0	—	—	27.0
Future income taxes	68.6	—	—	68.6
	569.7	—	—	569.7
SHAREHOLDERS' EQUITY				
Share capital and contributed surplus	347.6	(12.5)	—	335.1
Accumulated other comprehensive income (loss)	(10.4)	—	(3.4)	(13.8)
Retained earnings	97.2	12.5	3.4	113.1
	434.4	—	—	434.4
	\$ 1,004.1	\$ —	\$ —	\$ 1,004.1

See accompanying notes.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009
(Dollar amounts expressed in millions, except for per share information)

28. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

CONSOLIDATED STATEMENT OF EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)

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

As at December 31, 2010	Under CDN GAAP	Notes b	Under U.S. GAAP
REVENUES	\$ 383.5	\$ —	\$ 383.5
EXPENSES			
Human resources	153.2	—	153.2
Property, marketing and administration	93.9	—	93.9
Amortization	55.9	—	55.9
Stock-based compensation	5.4	—	5.4
Restructuring and other	2.3	—	2.3
	310.7	—	310.7
	72.8	—	72.8
Interest and financing costs, net	28.0	—	28.0
Impairment of long-lived assets	51.3	—	51.3
Impairment of goodwill	14.2	—	14.2
Foreign exchange loss (gain) and other	0.5	(0.4)	0.1
(LOSS) EARNINGS BEFORE INCOME TAXES	(21.2)	0.4	(20.8)
Income taxes	0.7	—	0.7
NET (LOSS) EARNINGS	\$ (21.9)	\$ 0.4	\$ (21.5)
NET (LOSS) EARNINGS ATTRIBUTABLE TO:			
Shareholders of the Company	(22.1)	0.4	(21.7)
Non-controlling interests	0.2	—	0.2
	\$ (21.9)	\$ 0.4	\$ (21.5)
SHAREHOLDERS' NET (LOSS) EARNINGS PER COMMON SHARE			
Basic	\$ (0.27)		\$ (0.26)
Diluted	\$ (0.27)		\$ (0.26)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES			
Basic	82,641,029		82,641,029
Diluted	82,641,029		82,641,029
NET (LOSS) EARNINGS	(21.9)	0.4	(21.5)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Changes in fair values of derivatives	(13.4)	—	(13.4)
Loss on derivatives	14.3	—	14.3
Unrealized effect of foreign currency translation	(0.8)	(0.4)	(1.2)
COMPREHENSIVE (LOSS) INCOME	\$ (21.8)	\$ —	\$ (21.8)

See accompanying notes.

CONSOLIDATED STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME

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

As at December 31, 2009	Under CDN GAAP	Notes b	Under U.S. GAAP
REVENUES	\$ 382.2	\$ —	\$ 382.2
EXPENSES			
Human resources	155.6	—	155.6
Property, marketing and administration	100.0	—	100.0
Amortization	48.5	—	48.5
Stock-based compensation	4.9	—	4.9
Restructuring and other	13.4	—	13.4
	322.4	—	322.4
	59.8	—	59.8
Interest and financing costs, net	29.2	—	29.2
Foreign exchange loss (gain) and other	0.8	(1.4)	(0.6)
EARNINGS BEFORE INCOME TAXES	29.8	1.4	31.2
Income taxes	5.2	—	5.2
NET EARNINGS	\$ 24.6	\$ 1.4	\$ 26.0
NET EARNINGS ATTRIBUTABLE TO:			
Shareholders of the Company	23.5	1.4	24.9
Non-controlling interests	1.1	—	1.1
	\$ 24.6	\$ 1.4	\$ 26.0
SHAREHOLDERS' NET EARNINGS PER COMMON SHARE			
Basic	\$ 0.29		\$ 0.30
Diluted	\$ 0.28		\$ 0.30
WEIGHTED AVERAGE NUMBER OF COMMON SHARES			
Basic	82,182,940		82,182,940
Diluted	83,171,871		83,171,871
NET EARNINGS	24.6	1.4	26.0
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Changes in fair values of derivatives	(25.1)	—	(25.1)
Loss on derivatives	39.9	—	39.9
Change in foreign currency translation adjustments	(2.5)	(1.4)	(3.9)
COMPREHENSIVE INCOME	\$ 36.9	\$ —	\$ 36.9

See accompanying notes.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009
(Dollar amounts expressed in millions, except for per share information)

28. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

Notes to the reconciliation between Canadian and U.S. GAAP as at and for the years ended December 31, 2010 and 2009

a) *Stock-based compensation*

Prior to 2006, under Canadian GAAP, the Company applied the fair value method of accounting for all stock option awards, recognizing compensation expense that was recorded as a charge against earnings. Under U.S. GAAP, these awards historically were accounted for under the recognition and measurement provisions of APB No. 25, "Accounting for Stock Issued to Employees" (APB 25), and its related interpretations. Effective January 1, 2006, the Company adopted Accounting Standards Codification ("ASC") Topic 718 "Stock Based Compensation", using the modified-prospective application transition method. Results for prior periods have not been restated. Because the fair value recognition provisions of ASC Topic 718 were materially consistent under the Company's equity plans, the adoption of ASC Topic 718 did not have a significant impact on the financial position or results of operations of the Company. Prior to the Company's adoption of ASC Topic 718, benefits of tax deductions in excess of recognized compensation costs were reported as an operating cash flow.

b) *Foreign exchange loss (gain)*

Under Canadian GAAP, a proportionate amount of the cumulative foreign currency translation account is recognized in net income on a partial realization or disposition of an investment in a self-sustaining foreign subsidiary. Under U.S. GAAP, ASC Topic 830 "Derecognition", such recognition occurs only when there has been a substantially complete realization of the investment.

Recent accounting pronouncements

The following U.S. GAAP accounting pronouncements made in the past year may affect the reconciliation of its financial statements prepared under Canadian GAAP to these determined under U.S. GAAP as presented to comply with the requirements of Item 17, of Form 20-F of the United States Securities and Exchange Commission:

In December 2010, the Financial Accounting Standards Board ("FASB") issued ASU 2010-29, "*Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations*". This ASU clarifies the acquisition date that should be used for reporting the pro forma financial information disclosures in Topic 805 when comparative financial statements are presented. The amendments also expand the supplemental pro forma disclosures under Topic 805. ASU 2010-29 is effective prospectively for business combinations for which the acquisition date is on or after January 1, 2011. The Company expects that the adoption of ASU 2010-29 will not have a material impact on its consolidated financial statements.

In April 2010, the FASB issued ASU 2010-16, "*Entertainment – Casinos (Topic 924): Accruals for Casino Jackpot Liabilities*". This ASU clarifies the accounting for casino base jackpot liabilities. The adoption of ASU 2010-16 is effective for fiscal years beginning on or after December 15, 2010. The Company expects that adoption of ASU 2010-16 will not have a material impact on its consolidated financial statements.

In March 2010, the FASB issued ASU 2010-11, "*Derivatives and Hedging (Topic 815): Scope Exception Related to Embedded Credit Derivatives*". This update clarifies the embedded derivative scope exception and brings U.S. GAAP closer to IFRS. This ASU is effective for fiscal quarters beginning after June 15, 2010. The adoption of ASU 2010-11 did not have a material impact on the consolidated financial statements.

29. SUBSEQUENT EVENTS

On February 22, 2011, a municipal council vote in Tukwila, Washington resulted in a prohibition of the operation of card rooms in that city effective January 1, 2016. Unless the municipality subsequently reverses this decision, the Company's Tukwila card room will be closed in January of 2016. Consequently, the facility's long-lived assets will be amortized over their remaining useful lives to a maximum of five years. This legislative change has no impact on the Company's other Washington State locations.

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