EVERGREEN GAMING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE QUARTER ENDED JUNE 30, 2015

The following discussion and analysis of the financial position and results of operations of the Company is prepared as of August 21, 2015 and should be read in conjunction with the unaudited consolidated interim condensed financial statements of the Company, and the notes thereto, for the quarter ended June 30, 2015 as well as the audited consolidated financial statements of the Company, and the notes thereto, for the year ended December 31, 2014.

In this discussion, unless the context otherwise dictates, a reference to the Company and its business and operations is a reference to Evergreen Gaming Corporation ("Evergreen") and its wholly owned subsidiary, Washington Gaming, Inc.("WGI") and its subsidiaries, and the business and operations of both. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Dollar amounts referred to herein are expressed in U.S. dollars, unless otherwise stated.

Description of the Business

Evergreen is in the business of overseeing the gaming operations of its principal U.S. subsidiary, Washington Gaming, Inc. ("WGI")

WGI, through its subsidiary corporations, operates four casinos in Washington State: The Riverside Casino in Tukwila, Goldies Casino in Shoreline and Chips and Palace Casinos in Lakewood. These are mini-casinos (or house-banked card rooms) which offer to persons of legal age a variety of games of chance at which the player may win or lose money, a business commonly referred to as "gaming". The Company also operates restaurants in each casino, as required by state law. The casinos and restaurants are open 20 hours a day two days a week, and 24 hours a day five days a week.

The casinos currently offer card games such as: Poker, Blackjack, Spanish 21, 4-card Poker, Ultimate Texas Hold-em, PaiGow and Baccarat. Each casino has up to 15 gaming tables and, in accordance with Washington State gaming law, the maximum single betting limit is $300. They also offer a game known as "pull tabs", a game in which the player can win specified prizes by matching certain combinations concealed under perforated strips on each paper game piece.

The Company opened The Palace Tukwila in November 2014, an eight-table poker only card room which offers pull tabs and full food and beverage services. It is open 5 days a week, 14 or more hours per day, depending on poker games in play.

Michels Management Services, LLC was hired as of February 1, 2012 to provide management and accounting services for the casinos in return for a fee of 30% of net income. This additional expense is reflected in the operating results. For additional information see Related Party Transactions.

Overall Performance
Current quarter compared to prior year

Revenues for the quarter ended June 30, 2015 increased $1,251,463 or 17% over the same period in the prior year, including poker revenues of $220,483 from The Palace Tukwila, which completed its second full quarter. Gaming dollars were up at the four big casinos 6.2%, and due to hold percentages that increased by almost 2 points, the table game win accounted for the large revenue increase. Chips Casino in Lakewood generated the bulk of this growth, with its eighth straight quarter of revenue growth. Riverside, Palace Lakewood and Goldies had rather flat quarters with revenues approximately the same as prior year. All four casinos are profitable with a combined quarterly contribution margin of $1,222,422, while the Palace Poker Room showed a loss of $155,363. Overall operating expenses, specifically labor cost, increased over the prior year due to the annual increase in the minimum wage, additional related payroll taxes, and the effects of additional health insurance costs under the Affordable Care Act which went into effect in January, 2015.

Net income before taxes was $1,096,183 compared to $557,716 for the second quarter 2014. The Company has continued to enhance its marketing programs for attracting and retaining customers, providing a wonderful gaming experience and excellent customer service.

Working capital at June 30, 2015 was $1,013,717, compared to negative working capital of $16,641 as at December 31, 2014, an improvement of $1,030,358 generated from the profits of the second quarter. With sustained healthy revenues and ongoing expense controls, management expects continued profitable operations sufficient to exceed the cash demands necessary for the company to meet its future obligations.

The Company’s assets at June 30, 2015 totaled $18,639,619 compared to total liabilities of $10,584,292. At December 31, 2014, total assets were $18,143,126 compared to total liabilities of $11,902,666. These figures reflect improvements in cash balances and a continued emphasis on reduction in liabilities.

The Company’s cash at June 30, 2015 was $3,734,828, compared to $3,092,061 at December 31, 2014. These amounts include “Restricted Cash” balances of $486,555 and $651,631 respectively. “Restricted Cash” balances are jackpot funds held for prizes being offered at the casinos and additional compensating balances held by the bank in restricted accounts for cash guarantee purposes. The bank cancelled its requirement for compensating balances based on the Company’s positive performance and released the $62,500 in restricted funds in April 2015. Cash generated from operations for the quarter ended June 30, 2015 was $1,896,282 compared to $1,356,021 in the same quarter prior year.

Summary of Quarterly Results

The following table sets out selected financial information, presented in United States dollars.

	2015 Quarter Ended (in 000's)				
		12/31/15	9/30/15	6/30/2015	3/31/2015
(a)	Revenue	-	-	8,592	7,975
(b)	Income (loss) before discontinued operations and extraordinary items	-	-	$ 1,096	$ 719
(c)	Income (loss) per share:				
	Basic -	-	-	$ 0.01	$ 0.00
	Fully Diluted -	-	-	$ 0.01	$ 0.00
(d)	Net income (loss)	-	-	$ 1,096	$ 719
(e)	Net income (loss) per share:				
	Basic -	-	-	$ 0.01	$ 0.01
	Fully Diluted -	-	-	$ 0.01	$ 0.01

	2014 Quarter Ended (in 000's)				
		12/31/14	9/30/14	6/30/2014	3/31/2014
(a)	Revenue	7,809	7,872	$ 7,343	$ 7,531
(b)	Income before discontinued operations and extraordinary items	$ 606	$ 855	$ 702	$ 557
(c)	Income per share:				
	Basic -	$ 0.01	$ 0.01	$ 0.00	$ 0.00
	Fully Diluted -	$ 0.01	$ 0.01	$ 0.00	$ 0.00
(d)	Net income	$ 606	$ 855	$ 702	$ 557
(e)	Net income per share:				
	Basic -	$ 0.01	$ 0.01	$ 0.00	$ 0.00
	Fully Diluted -	$ 0.01	$ 0.01	$ 0.00	$ 0.00

	2013 Quarter Ended (in 000's)				
		12/31/13	9/30/13	-	-
(a)	Revenue	$ 7,157	$ 6,633	-	-
(b)	Income before discontinued operations and extraordinary items	$ 441	$ 12	-	-
(c)	Income per share:				
	Basic -	$ 0.00	$ 0.00	-	-
	Fully Diluted -	$ 0.00	$ 0.00	-	-
(d)	Net income	$ 441	$ 12	-	-
(e)	Net income per share:				
	Basic -	$ 0.00	$ 0.00	-	-
	Fully Diluted -	$ 0.00	$ 0.00	-	-

Current quarter compared to prior quarter

The results for the second quarter of 2015 were in line with expectations, generating net revenues of $8,592,557 compared to first quarter revenues of $7,974,971. Casino operating income was $1,222,422 compared to $848,183 in the prior quarter. Chips Casino Lakewood continued to do very well; with a 31% increase in revenues over the first quarter. Riverside Casino had a challenging quarter, where Baccarat dollars dropped at the casino were 21% lower than the prior quarter and while the hold percentage went up almost 2 points on these games, it was not enough to counter the 1 point drop in the table games hold. The Palace Lakewood and Goldies Casinos continue to generate revenue and income streams consistent with prior quarters. Overall, the Company generated quarterly income of $1,096,183 before taxes, compared to $718,684 in the prior quarter.

The results for the first quarter of 2015 were in line with expectations, generating net revenues of $7,974,971 and casino operating income of $848,784. Goldies and Chips Lakewood did exceptionally well, while Riverside had a challenging quarter due to a 2 point drop in the hold percentage. The Palace Lakewood continues to generate revenue and income streams consistent with prior quarters. Overall, the Company generated quarterly income of $718,686 before taxes, compared to $652,880 in the prior quarter. The Palace Tukwila Poker Room, open since November 2014, is proving a challenge as the Company works to carve out a niche in the local poker market. It is hoped that specialized marketing programs aimed at player groups throughout the local area will generate the excitement needed to sustain this new and intimate casino.

The final quarter of 2014 produced total revenues of $7,830,217, just $24,809 less than the prior quarter. Chips Lakewood continued its growth for the 6th quarter, at $257,870 above their prior quarter revenues, while the Palace and Riverside were on par with the prior quarter. Goldie’s revenues suffered in the 4th quarter as their hold percentages for both table games and baccarat there decreased by more than 3 percentage points. The Company opened a small poker room in November 2014 in order to capitalize on the lack of poker facilities in Tukwila. The Palace Tukwila generated $133,757 in revenues for the last seven weeks of the quarter. Overall, net income for the 4th quarter was $605,879 lower than the third quarter by $249,875, due in part to additional marketing expenses targeting new players and retention of the current customer base.

The quarter ending September 30, 2014 generated revenues of $7,872,825, an increase of $529,932, or 7.2% over the prior quarter. Table games dollars dropped at the Palace declined by 7.2% but total revenues there were consistent with the prior quarter. Both Riverside and Goldie’s bounced back from their second quarter dip in revenues. Chips is continuing its growth spurt, generating its fifth quarter of increased revenues, which were $263,756 higher than the prior quarter. The Company’s net income before taxes for the quarter was $855,754, which compared favorably to the prior quarter’s $556,663.

The second quarter of 2014 yielded revenues of $7,342,893. This was down $188,329 or 2% from the first quarter, which is consistent with seasonal revenue patterns. The new marketing programs in the second quarter generated higher revenues for the seasonally challenged second quarter. Income from operations was consistent with seasonal fluctuations. Net income before taxes was $556,663, and although $144,657 below the first quarter, was the best second quarter in recent history.

Total net revenues in the first quarter of 2014 were $7,531,222 compared to $7,125,829 for the prior quarter ended December 31, again due to the increase in the gaming net win percentage. Operating expenses were lower than the prior quarter by $178,920. The company wrote off approximately $78,000 in NSF checks in November 2013 that have been referred to collection, which explains a good portion of the difference. The remainder reflects the efforts of company-wide cost controls and purchasing programs. After administration costs, income from operations was $857,811 compared to $428,185 in the fourth quarter.

Casino net revenues in the fourth quarter of 2013 were $7,125,829 compared to $6,653,874 for the prior quarter. The month of November was particularly low in revenues due to a 4 point drop in the hold percentage, causing the quarter to end with only a small increase in revenues over the third quarter summer months. All revenue increases were largely erased by a similar increase in expenses, particularly in marketing, labor and operating costs. Income from casino operations was $428,185 compared to $394,618 in the third quarter.

The third quarter 2013 generated revenues of $6,653,874, down $520,948 from the second quarter. In all respects the third quarter generated better results than forecasted. Win percentages remained constant, and expenses were held to the same level as the prior quarter resulting in income from operations of $175,615, compared to $597,661 for the prior quarter. Net income before taxes was $16,465, compared to $454,970 in the second quarter. Goldies is beginning to benefit from the closure of the Drift on Inn Casino, and strong performance continues at the Riverside.

Liquidity and Capital Resources

Historically, the Company's sources of funding have been debt and equity financing and cash flow from operations. As of June 30, 2015, the Company had arm's length debt of $4,988,338, the majority of which is related to mortgages. Related party debt totaled $2,802,132 which is due to Michels Development for the note from Goldies in Shoreline.

At June 30, 2015, the Company had cash of $3,734,828 and net working capital of $1,013,717. Total debt payments of $1,229,420 were made during the first 6 months of 2015. Fixed monthly debt service is approximately $90,000, but should drop to $72,000 in the third quarter 2015.

On June 1, 2015 the Company amended the Goldies Casino related party note with Michels Development. The revision, effective June 1, 2015, extends the due date from April 15, 2016 to May 31, 2018; changes the monthly payment from $16,000 to a minimum of $20,000; and increases the interest rate from 5% to 8%. There is no prepayment penalty clause, and additional payments may be made by Goldies Casino as cashflow warrants. As of August 21, 2015, additional payments of $296,000 have been made on this note.

On August 5, 2015, the Company refinanced the first position note payable to a third party secured by the property at 14027 Interurban Ave S. Tukwila, WA. A new 10-year $720,000 loan at Banner Bank carries a 5% fixed interest rate for the first five years, with monthly payments of $7,658.71. In years 6-10, the rate will be calculated based on the Bullet Rate for the 5-year FHLB Fixed Rate Advances (the "Index") plus a margin of three percentage points (3.000%). If the Index rate changes, the amount or number of monthly payments and/or the final payment amounts may change to accommodate the change in interest rate. The interest rate may not fall below the initial 5%, and its maximum is limited by law. This action pays off the 9.5% interest rate loan that was in place, reducing the monthly payment by $1,252 per month.

Transactions with Related Parties

The Company's 2011 acquisition of the Chips and Palace casinos in Lakewood was paid for by the issuance of the Company's stock. This resulted in the vendor, Michels Development LLC, owner Steve Michels, becoming a related party with respect to Company transactions. In December 2011 Steve Michels, owner of Michels Development, became a director of the Company.

Michels Development LLC is also the holder of a Goldies Casino note payable acquired by the Company in the 2011 Timrick acquisition. The Goldies Casino note carries an amended interest rate of 8%, has a balance of $2,802,132 and as amended is due May 31, 2018. It is secured by the units of Epstein Noriega, LLC. This note was amended on June 1, 2015 as detailed above.

The board of directors consists of four members as of June 30, 2015, two of which are related parties. One receives no salaries or other compensation, but effective June 1, 2015 the second of the two will receive $1,500 monthly and $2000 per quarterly board meeting. The remaining two directors are independent and from outside the Company. Each of them will receive $500 monthly and $1,500 per quarterly board meeting for their services.

Michels Management Services, LLC was hired by the Company as of February 1, 2012 to provide all management and accounting services for the casinos. The management agreement provides for Michels Management Services to earn management fees of 30% of net income from operations which for the quarter ended June 30, 2015 totalled $418,668. Through May 31, 2015, management fees were paid based on 30 percent of net income from the combined group of related casinos. Effective June 1, 2015 and through the remainder of 2015, management fees will be the lesser of $25,000 per week, or 30% of net profits. As of June 30, 2015 $321,773 is owed for management fees, which is included in "Accrued expenses, related party" on the Statement of Financial Position.

The Company continues to have access to the $1.2 million line of credit available to Tacoma Casino LLC, and Pete's Flying Aces, Inc. from the vendor of the companies, Michels Development. As of April 24, 2015, this balance is $0.

Changes in Accounting Policy

Effective January 1, 2015, the Company adopted the following revised International Financial Reporting Standards *("IFRS")* and International Accounting Standards ("IAS") issued by the IASB, and interpretation of the International Financial Reporting Standards Interpretations Committee ("IFRIC"). These revised IFRSs and IASs did not have a material impact on the Company's consolidated financial statements:

- *IFRS 8, Operating Segments* – amended to require the disclosure of the judgments made by management in applying the aggregation criteria to operating segments and to clarify that the reconciliation of the segment assets is required if they are regularly provided to the chief operation decision-maker.
- *IFRS 13, Fair Value Measurement* – the basis of conclusions was amended to clarify that issuing *IFRS 13* and amending *IFRS 9, Financial Instruments* and *IAS 39, Financial Instruments: Recognition and measurement* did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis.
- *IAS 16 and IAS 38, Intangible assets* – amended to clarify that, under the revaluation method, the gross amount of property, plant and equipment and intangible asset is adjusted in a manner consistent with revaluation of the carrying amount of the asset.
- *IAS 24, Related party disclosures* – amended to clarify how payments to entities providing management services are to be disclosed.

Recent Accounting Pronouncements

The Company is currently reviewing the effects of the following new and revised accounting pronouncements and their impact on the Company's consolidated financial statements:

Effective for annual periods beginning on or after January 1, 2016:

- *IFRS 10 and IAS 28, Investment in Associates and Joint Ventures ("IAS 28")* – amended to require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business and to require partial recognition of gains and losses where the assets do not constitute a business. It is effective for annual periods beginning on or after January 1, 2016.
- *IFRS 10, IFRS 12, Disclosure of Interests in Other Entities, and IAS 28* – amended to address issues that have arisen in the context of applying the consolidation exception for investment entities. It is effective for annual periods beginning on or after January 1, 2016.
- *IAS 1, Presentation of Financial Statements* – amended to clarify IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financials reports. It is effective for annual periods beginning on or after January 1, 2016.
- *IFRS 5, Non-current Assets Held for Sale and Discontinued Operations* – amended to add specific guidance for cases in which an entity reclassifies an asset from held for sale to held for distribution to its owners, or vice versa, and cases in which held-for-distribution accounting is discontinued. It is effective for annual periods beginning on or after July 1, 2016.
- *IFRS 7, Financial Instruments – Disclosure* - amended to clarify whether a servicing contract constitutes continuing involvement in a transferred asset and to clarify offsetting disclosure requirements in condensed interim financial statements. It is effective for annual periods beginning on or after July 1, 2016.
- *IAS 19, Employee Benefits* – amended to clarify that the high quality bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. It is effective for annual periods beginning on or after July 1, 2016.
- *IAS 34, Interim Financial Reporting* – amended to clarify the meaning of "elsewhere in the interim report" and require a cross-reference. It is effective for annual periods beginning on or after July 1, 2016.
- *IFRS 15, Revenue from Contracts with Customers* – provides a single, principles based five-step model to be applied to all contracts with customers, including revenue recognition, variable consideration, costs of obtaining and fulfilling contracts, and disclosure thereof. It is effective for annual periods beginning on or after January 1, 2017.
- *IFRS 9, Financial Instruments* – replaces IAS 39. IFRS 9 introduces limited amendments to classification and measurement for financial assets, a new expected loss impairment model, and a new hedge accounting model. The effective date will be annual periods beginning on or after January 1, 2018.

Financial Instruments

The Company's financial instruments include cash, accounts receivable, trade and other payables, and current and long term debt. At June 30, 2015, the Company had cash in the amount of $3,734,828. The Company also had ordinary course accounts receivable in the sum of $277,971. Trade and other payables totaled $2,793,822. Debt at June 30, 2015 consisted of $2,802,132 owed to related parties (current portion $16,423) and $4,988,338 in arm's-length debt (current portion $412,351) for a total of $7,790,470.

Disclosure of Outstanding Share Data

The Company has unlimited authorized and had previously issued 135,966,865 voting common shares. The Company has since retired 908,000 to treasury shares. In November 2014, 11,250,000 common shares were returned to the Company, reducing total issued shares. This leaves the Company with 124,716,865 voting common shares issued and 123,808,865 outstanding.

Proposed Transactions

The lease of the Chips and Palace Casino land and buildings in Lakewood, WA includes a purchase option the Company plans to take advantage of in 2016. This transaction will improve the equity position of the Company over time, as well as secure the location and improve income from future operations.

Other

The Company has no off-balance sheet arrangements. Other than as set forth in the foregoing, the Company has no proposed asset or business acquisition or disposition that the Company's Board of Directors has decided to proceed with, or that the Company's senior management has decided to proceed with in the belief that confirmation by the Board is probable.

Due to changes in the healthcare laws in the United States, the Company has made available health insurance to all employees working 30 hours per week or more beginning in 2015. Executive officers of the company are working closely with the management company during 2015 to minimize the impact of the new law. The Company estimates the additional cost of the healthcare law to the Company is expected to be approximately $200,000 in 2015.