

**ANNUAL INFORMATION FORM**

**OF**



**GREAT CANADIAN GAMING CORPORATION**

**for the  
FISCAL PERIOD ENDED DECEMBER 31, 2003**

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**Containing Information as at May 11, 2004.**

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## DEFINITIONS AND INTERPRETATION

### Definitions

In this Annual Information Form,

“BCLC” means British Columbia Lottery Corporation;

“Bingo” means Great Canadian Bingo Ltd.;

“Company” or “we” means Great Canadian Gaming Corporation;

“COSA Agreement” means casino operational services agreement;

“Creation” means Creation Casinos Inc.;

“Evergreen” means Evergreen Entertainment Corporation, a 50%-owned subsidiary of GA Gaming;

“FDIF” means Facility Development Improvement Fund”;

“GA Gaming” means Great American Gaming Corporation, a wholly-owned subsidiary of the Company;

“GC Casinos” means Great Canadian Casinos Inc., a wholly-owned subsidiary of the Company;

“GCP Algona” means Grand Central Properties Algona, LLC, a 50%-owned subsidiary of GA Gaming;

“GCP Everett” means Grand Central Properties, Everett, LLC, an 80%-owned subsidiary of GA Gaming;

“GCP Tacoma” means Grand Central Properties, Tacoma, LLC, an 80%-owned subsidiary of GA Gaming;

“GCP Tukwila” means Grand Central Properties, Tukwila, LLC, a 50%-owned subsidiary of GA Gaming;

“GPEB” means Gaming Policy and Enforcement Branch;

“HEI” means Hastings Entertainment Inc.;

“Hotel” means Wells Hotel Ltd.;

“O’Aces” means O’Aces LLC, an 80%-owned subsidiary of GA Gaming;

“Pair O’Dice” means Pair O’Dice Investments LLC, a wholly-owned subsidiary of GA Gaming;

“TSX” means the Toronto Stock Exchange;

“Wall” means Wall Financial Corporation;

“Weinlager Coquitlam” means Weinlager & Amici Caffè (Coquitlam) Ltd.;

“Weinlager Victoria” means Weinlager & Amici Caffè (Victoria) Ltd.; and

“WSGC” means The Washington State Gambling Commission.

## **Currency**

All currency is expressed in Canadian dollars unless otherwise indicated.

## **Special Note Regarding Forward-Looking Information**

This Annual Information Form contains forward-looking statements which reflect management’s expectations regarding the Company’s future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as “anticipate”, “believe”, “expects”, “intend” and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s current beliefs and are based on information currently available to the Company’s management. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this annual information form are based upon what management believes to be reasonable assumptions, the Company cannot assure prospective purchasers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of the annual information form and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

## **THE COMPANY**

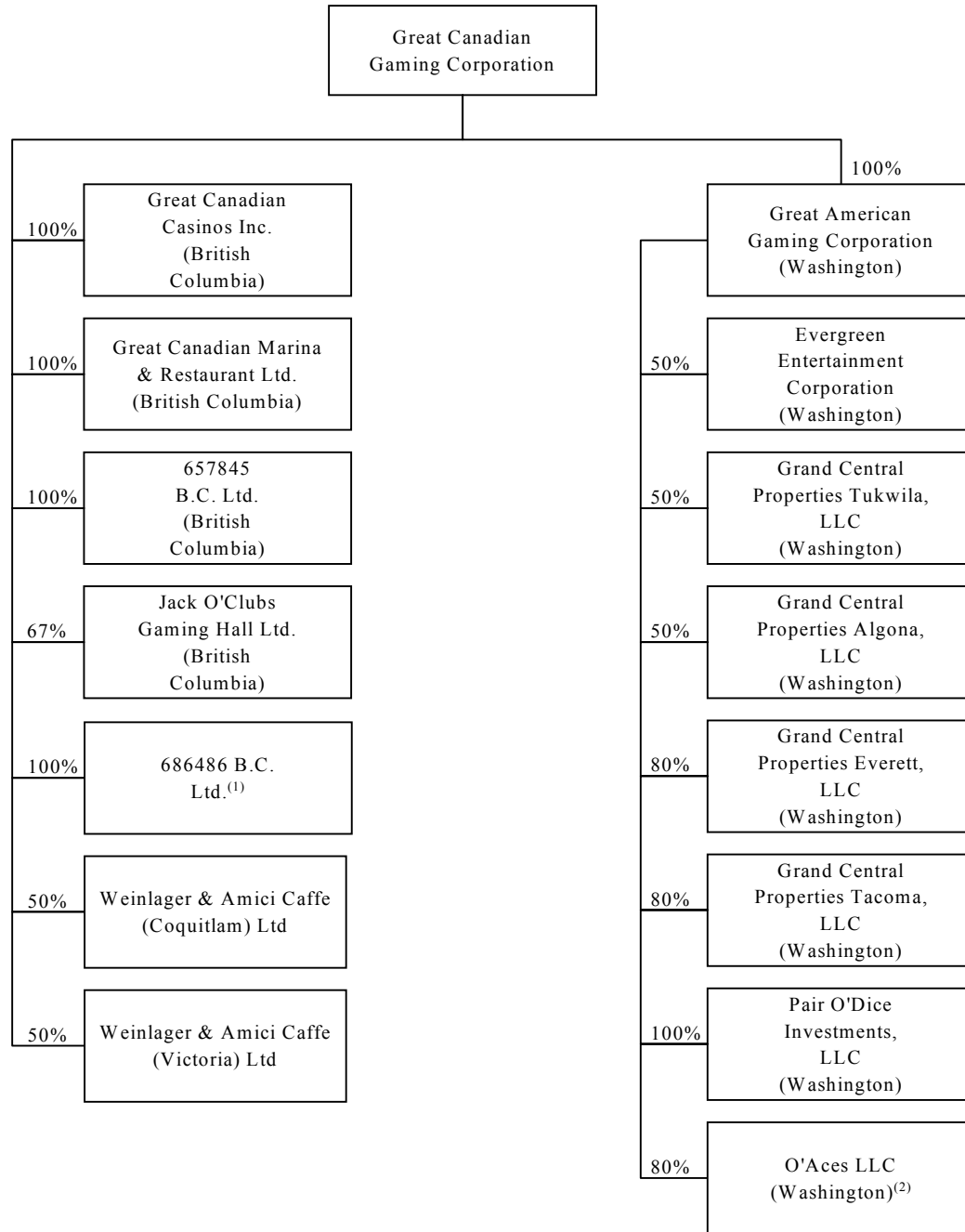
The Company was incorporated under its original name, Jetta Resources Ltd., on June 13, 1990 under the *Company Act* (British Columbia). We changed our name to “Jettra Resources Ltd.” on September 27, 1991 and to “Great Canadian Gaming Corporation” on March 12, 1997.

Our head office is at #350, 13775 Commerce Parkway, Richmond, British Columbia, V6V 2V4. Our registered and records office is at 1500 - 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

As a result of the implementation of the new *Business Corporations Act* in British Columbia, we will be reviewing and expect to amend our Articles, subject to shareholder approval, to conform to the new legislation. We do not expect that such amendments will materially affect the share constraints (see Appendix 2) which exist to ensure the Company is in compliance with various gaming regulations. See “Business of the Company”.

## Intercorporate Relationships

The following chart sets out our material subsidiaries and affiliates.



- (1) Indirectly owns Hastings Racecourse; ownership will drop to 60% after Wall investment (see “Description of our Operations - British Columbia Gaming Operations - Recent Developments - Hastings Racecourse”.)
- (2) We have recently agreed to acquire the remaining 20% (see “Description of our Operations - Washington State Gaming Operations - Recent Developments - O’Aces”.)

## **BUSINESS OF THE COMPANY**

The Company is a multi-jurisdictional gaming operator engaged in the development and management of gaming and other entertainment facilities in British Columbia, Canada and Washington State, United States. As at March 31, 2004 we and our subsidiaries employed approximately 2,200 people in our various operations. In addition, Hastings Entertainment Inc., an indirect subsidiary that operates Hastings Racecourse, employs approximately 375 people.

Through our subsidiaries, Great Canadian Casinos Inc. (“GC Casinos”) and Jack O’Clubs Gaming Hall Ltd. we hold Casino Operational Services Agreements (“COSA Agreements”) with the British Columbia Lottery Corporation (“BCLC”) to operate eight gaming facilities. We currently operate seven gaming facilities (with 1,335 slot machines and 161 table games), representing 36% of the gaming units in British Columbia, three licensed restaurants and a marina moorage facility in British Columbia.

Through our wholly-owned subsidiary Great American Gaming Corporation (“GA Gaming”) and joint venture partners, we have Service Supplier Licenses to operate four casinos in Washington State, of which three opened in 2003: Grand Central Casino, Tacoma, Great American Casino, Everett and Great American Casino, Kent.

### **Industry Overview - Canada**

Games of chance, where players wager to win money or rewards based on an uncertain or random outcome, are commonly referred to as “gaming”. Lotteries, horse racing and charitable gaming are currently available in all provinces and territories of Canada. Casino style gaming and slot machines are permitted in all provinces with the exception of New Brunswick, Prince Edward Island and Newfoundland.

Gaming has existed in a variety of forms for thousands of years and has been permissible in limited forms in Canada since 1892. The Canadian gaming industry is restricted by the Criminal Code of Canada which, at the time of Confederation in 1867 was based on the then prevailing laws of the United Kingdom. At that time, gaming in any form was prohibited in the United Kingdom and accordingly, an absolute prohibition against gaming existed under the Criminal Code. In 1892 the Criminal Code was amended to permit limited gaming activities such as small charitable raffles and lotteries to aid benevolent societies seeking to generate revenues for “worthy” causes. In 1910 further amendments to the Criminal Code allowed games of chance where profits were to be used for charitable or religious purposes. These amendments broadened the scope of permitted gaming activities.

The first major milestone in legalized gaming in Canada occurred in 1969 when the provincial governments acquired the right to utilize lotteries to fund worthwhile activities. The federal government then began reducing its involvement in gaming regulations and, at the insistence of provincial and territorial governments, allowed provincial governments, or their agents, to conduct and manage “lottery schemes” including most types of traditional casino gaming and lotteries. Under these amendments and the subsequent provincial enactments, private entities were also permitted to assist in gaming activities as agents or service providers for provincial governments. Initially provincial and territorial governments primarily conducted lotteries, which became extremely successful and resulted in significant revenues. As a result of this success, provincial governments sought further amendments to the Criminal Code in order to expand the type of permitted gaming activities. As a result of these initiatives, the first traditional casino in Canada opened in Edmonton, Alberta in 1975.

In 1985 amendments to the Criminal Code resulted in significant expansion of gaming activities in Canada. Those amendments permitted provincial and territorial governments to administer computer and

video gaming devices (video lottery terminals and slot machines). The relevant Criminal Code provisions are set out in Appendix 1.

Casino gaming in British Columbia is governed by statutory regulations that are designed to maintain the integrity of the games played and to ensure that industry participants are of good character. In British Columbia casino style gaming is conducted by BCLC which in turn engages service providers to operate the casinos on its behalf. Through BCLC, the provincial government retains the majority of the casino “win” (loosely defined as being revenues from customers less customer payouts for winnings) which is utilized to support charitable organizations and government initiatives, including local healthcare, education and the local community.

BCLC maintains a physical presence at each of our casinos and supplies equipment to us for use in gaming activities. Under this system we are responsible for the operation of casino premises, labour, marketing and administrative functions, and all other necessary expenditures and equipment necessary for gaming activities to take place. A portion of the casino “win” is paid to BCLC as a commission. We pay BCLC 60% of the gross table win and 75% of the gross slot machine win. The revenue sharing model between BCLC and the Company is codified in COSA Agreements between BCLC and GC Casinos, our operating subsidiary. See “Description of our Operations – British Columbia Gaming Operations – COSA Agreements” and “Risk Factors - Casino Operating Agreements”.

The BCLC also restricts share ownership of its service providers, through the COSA Agreement. Any person or group of persons owning a significant interest in our shares must obtain BCLC consent to the acquisition or disposition of that interest. A “significant interest” is defined as an interest equal to or greater than 10% of our common shares. See Appendix 2 for the current share constraints contained in our Articles in recognition of these restrictions.

In addition to restrictions imposed by the Criminal Code and the regulations relating to BCLC, our operations are subject to municipal zoning and land use by-laws.

The Gaming Policy and Enforcement Branch (“GPEB”), is the control branch of the British Columbia Attorney General’s office that is responsible for auditing the operation of all casinos within British Columbia and screening participants within the gaming industry. All companies engaged in the gaming industry and their directors, officers and associates must be registered with the GPEB. Our employees, directors and officers undergo routine registration and review by GPEB. GPEB also is the principal regulatory agency enforcing the provisions of the Gaming Control Act (BC). Under the Gaming Control Act share ownership is subject to prior GPEB approval. The threshold share ownership which triggers the notice and approval requirements is 5%.

Information published in the April 22, 2003 edition of Statistics Canada’s “The Daily” reveals that in Canada during 2002 gaming revenues reached \$11.3 billion, and that casinos accounted for 34% of all non-charity net gaming revenues in Canada. Gaming and casino revenues have consistently increased during the past 10 years. The rationale for the increase is the growing social acceptability of gaming as a form of entertainment, the increasing diversification of gaming forms and complementary activities offered by gaming service providers. The British Columbia provincial government has stated it wants to double gaming revenues, while maintaining a policy of limited expansion. As a result, we believe gaming revenues in British Columbia will continue to increase as new and more favourable regulations assist casinos in British Columbia to increase revenues.

## **Industry Overview - Washington State**

The Washington State Gambling Commission (“WSGC”) is authorized under the Gambling Act (Washington) to license charitable and commercial interests to conduct gaming activity.

Washington gaming operations are subject to stringent scrutiny by WSGC. Applications for licensing must provide full disclosure of personal and financial information for owners, directors, senior staff and holders of 5% or greater interest in the applicant business. Licenses must be renewed annually. Any loans (other than financial institution loans) must be approved by the WSGC prior to completion.

Under the Gaming Control Act (Washington), any person holding a 5% or greater interest in any entity engaged in the gaming industry requires WSGC registration.

Gaming facilities in Washington fall into the three categories: charitable, commercial and tribal. The regulations relating to each category are significantly different, but WSGC oversees all categories. Tribal casinos operate electronic scratch ticket machines that are similar to slot machines in appearance but are not “random number generated” devices. Tribal casinos are also permitted to conduct games authorized for commercial or charitable gambling, but require authorization through a contract for any other games and/or higher bet limits. Commercial casinos (non-tribal) are not currently permitted to operate slot machines or video lottery terminals.

In Washington State we operate commercial gambling sites called House Banked Card Rooms. These are mini-casinos limited to 15 tables with maximum bet limits of US\$100. Effective July 1, 2004 the bet limits on up to three of 15 tables per location can be increased to US\$200. Games such as Caribbean Stud Poker, Let It ride and Paigow are permitted and the facilities have player/house supported progressive jackpots. The facilities include Pull Tab operations, amusement games and licensed lounges to serve alcohol. Gaming revenues for our U.S. casinos is net of county gaming taxes at various rates ranging from 10% to 14% for card and progressive jackpot games, 5% on pull tabs and 2% on amusement games.

We are committed to improving the profitability of our Washington operations and are working to maximize operational efficiencies. As well, we belong to the Recreational Gaming Association, which is lobbying the State Government on behalf of charitable and commercial interests. One of the objectives of the association is supporting State Initiative 892, which is aimed at providing industry-wide access to electronic gambling devices like those operated at tribal casinos.

We are currently the only foreign casino operator in Washington State. We believe that we are well-poised to receive the maximum benefits from any positive future changes that affect the types of operations in which we are involved.

## **DESCRIPTION OF OUR OPERATIONS**

### **Our Three-Year History**

#### ***British Columbia***

We have been operating permanent casinos in British Columbia since 1986 when we opened our Vancouver South gaming facility. The balance of our current gaming facilities were opened between 1987 and 2002. In early 2001 BCLC made changes to the operating framework for gaming facilities and we entered into our current COSA Agreements with BCLC, which are described under “British Columbia Gaming Operations – COSA Agreements”.

In 2003, we acquired Bridgepoint Market and began developing gaming facilities which are scheduled to open in June, 2004 (see “British Columbia Gaming Operations – Recent Developments – River Rock Casino Resort”), and acquired a 67% interest in Jack O’Clubs Gaming Hall Ltd. which operates the gaming facility in Wells, British Columbia (see “British Columbia Gaming Operations – Recent Developments – Jack O’Clubs”).

In April 2004 we acquired Hastings Entertainment Inc., which operates Hastings Racecourse in Vancouver, British Columbia (see “British Columbia Gaming Operations – Recent Developments – Hastings Racecourse”). In addition we are currently awaiting approval to commence expansion of our Coquitlam gaming facility.

### ***Washington State***

We have been operating casinos in Washington State since 2000 when we indirectly purchased our interest in Evergreen Entertainment Inc. In 2002 we opened the Grand Central Casino in Tukwila, Washington. In 2003 we opened three additional casinos, in Tacoma, Everett and Kent, Washington. See “Washington State Gaming Operations”.

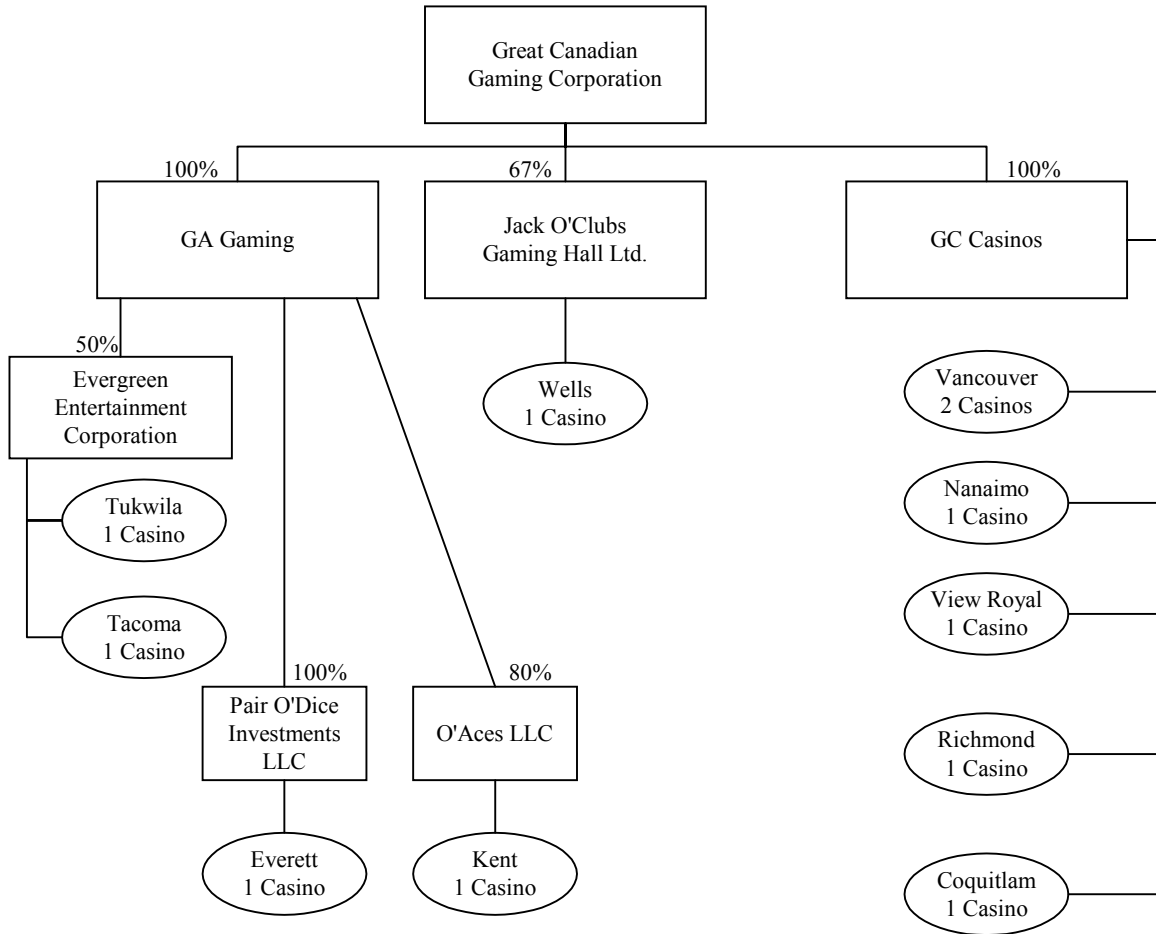
### ***Other***

In addition to our gaming facilities, we own an interest in various food and beverage operations and a hotel property in British Columbia. See “Our Other Operations”.

Our Common Shares were initially listed on the TSX Venture Exchange and recently our listing has been moved to the Toronto Stock Exchange.

### **Our Gaming Operations**

We operate our casinos in British Columbia and Washington State through subsidiaries, as set out below. Of the total 19 casinos in British Columbia, we currently operate seven, of which one is seasonal.



### British Columbia Gaming Operations

The games currently permitted in British Columbia fall into two categories: table games (the majority of which employ playing cards) and slot machines. Games permitted and the number of tables and slot machines per casino is a matter within the discretion of the Government of British Columbia. Table games currently permitted are Blackjack, Red Dog, Multi-Action Blackjack, Poker, Caribbean Stud Poker, Let It Ride, Mini-Baccarat, Fortune Pai Gow Poker, Electronic Sic Bo, Roulette, Progressive Blackjack, Three Card Poker and Rapid Roulette.

Current gaming regulations in British Columbia limit the number of slot machines per casino to 300 except where market conditions favour additional machines. Host municipalities can restrict the types of games in casinos through land use by laws and zoning.

GC Casinos operates six land-based community casinos (four of which have slot machines) in British Columbia and holds one COSA Agreement pending development and regulatory approval. The Company also owns 67% of the shares of Jack O'Clubs Gaming Hall Ltd., a gaming service provider operating in Wells, British Columbia.

### ***COSA Agreements***

Each of GC Casinos' gaming facilities, as well as the Jack O'Clubs facility in Wells, is operated pursuant to COSA Agreements with BCLC.

Under the COSA Agreements, BCLC supplies gaming equipment and supplies to enable GC Casinos to perform the operational services set out in the COSA Agreements. GC Casinos' remuneration for operational services is currently calculated as follows:

- (a) 25% of slot machine wins; and
- (b) 40% of the wins on all casino games, other than slot machines, less 1.0% of such wins on account of, and to reimburse BCLC for, gaming equipment and gaming supplies supplied by BCLC.

If BCLC is the lessee of a casino facility (rather than the operator itself as in our case), the deductions from the wins in (b) above would also include the facility expense incurred by BCLC. Because GC Casinos either owns or is the direct lessee of its facility sites, GC Casinos does not incur this deduction.

In addition, a facility development fee, equal to 3% of the win on all casino games and slot machines, is deposited in the Facility Development Improvement Fund ("FDIF") and is available for reimbursement of development expenditures incurred under a business plan previously approved by BCLC, as discussed under "Recent Developments - River Rock Casino Resort".

In connection with the GC Casino COSA Agreements, we have provided six performance bonds to BCLC for an aggregate of \$8,080,000. The performance bonds are secured by a \$4,040,000 letter of credit. We also provided a letter of credit to BCLC to increase the casino floats by \$500,000.

Each GC Casino COSA Agreement has a ten-year term, ending on February 28, 2011, and is renewable for a further ten years. The Jack O'Clubs Gaming Hall Ltd. COSA Agreement has a ten-year term, ending June 19, 2012, and is renewable for a further 10 years. There is no right of renewal after the renewal term of any of the COSA Agreements.

The operator's option to renew the COSA Agreement after the initial term is conditional upon the Agreement being in good standing, appropriate notice of renewal being given, a business plan for the renewal term being submitted to, and approved by, BCLC, and there having been no change to Government gaming policy that materially adversely impacts on the gaming model reflected in the COSA Agreement.

### ***Recent Developments***

#### **1. River Rock Casino Resort (formerly Bridgepoint Market)**

On April 15, 2003, we acquired the leasehold interest and improvements (including the adjacent water lot) formerly called Bridgepoint Market, in Richmond, British Columbia. The consideration consisted of

- (a) \$3,300,000 in cash,
- (b) a \$5,500,000 convertible debenture, bearing interest at 3.5% per annum, convertible into Common Shares at exercise prices between \$7.25 and \$8.75,

- (c) 75,000 warrants entitling the holder to purchase 75,000 Common Shares at \$7.25 each on or before the second anniversary of issue of the warrant, and
- (d) a finder's fee of 40,000 Common Shares.

On October 17, 2003 the vendor converted the principal of, and interest accrued on, the debenture into 763,033 Common Shares (at a conversion price of \$7.25 per share).

We are currently developing a "city resort facility" at the site and will relocate our Richmond and Vancouver (downtown) gaming licenses to this site. Our plans for the River Rock Casino Resort include a full service gaming facility, five restaurants, a marina, a 222-suite hotel, a 950-seat multipurpose show theatre, a spa and a retail corridor.

The first phase of River Rock Casino Resort, the gaming facility, is scheduled to open on June 25, 2004. The City of Richmond has adopted a by-law allowing for the rezoning of Bridgepoint Market property to allow for the operation of slot machines. We expect the casino will offer up to 950 slot machines and approximately 78 table games (including poker), as well as a wide array of dining and beverage facilities. As a result of recent changes to liquor licensing regulations, we expect to apply for a liquor license for the facility in the near future.

The second phase of River Rock Casino Resort will include the 225-suite hotel, the 1,000 seat show theatre, the retail corridor, spa and restaurants. This phase is scheduled to complete during the winter of 2004/2005.

When completed River Rock Casino Resort will create approximately 1,000 new permanent jobs in Richmond.

Total costs for River Rock Casino Resort are expected to be \$156 million, of which \$68 million has been expended up to March 31, 2004. We have provided letters of credit to the City of Richmond in connection with road improvements, landscaping and development permits. The letters of credit were initially in the total amount of \$6,642,000. However, as the work has been completed, the amounts of the letters of credit have been reduced and, at March 31, 2004, totalled \$3,728,000.

In addition to using working capital as a source of development funds for the project, we have arranged financing for the project with two Canadian Banks:

#### \$22,000,000 Term Credit Facility

GC Casinos has arranged a \$22,000,000 Term Facility Credit Agreement for which the Company is the guarantor. At May 11, 2004 we have drawn an aggregate of \$22 million on this facility. Of that amount \$6.9 million was used to repay our mortgage on the View Royal facility and the balance of \$15.1 million was used for the River Rock Casino development. All amounts drawn are due September 30, 2004 and bear interest at prime plus 0.825% basis points per annum. The facility is secured by the COSA Agreement for View Royal.

#### \$93,000,000 Construction Loan

The Company and GC Casinos have arranged a \$93,000,000 Construction Loan, for which the Company is the guarantor. The purpose of this loan is to provide funds to develop and construct the River Rock Casino Resort and provide a line of credit facility. The loan bears interest at a rate per annum equal to the Canadian prime rate in effect plus the prime rate margin. Principal

repayment of \$7.2 million per quarter commences on the earlier of February 28, 2005 or 90 days after project completion date. The loan matures November 30, 2006 and is secured by the land, building, parkade, equipment and all other property connected to the River Rock Casino Resort.

A portion of the development costs for River Rock Casino Resort may be reimbursed to us under the FDIF. FDIF was established by the British Columbia Government to reimburse casino service providers for costs of qualified improvements or enhancements at gaming facilities. The reimbursement funds come from 3% of total table game and slot machine wins at the operator's gaming facilities in British Columbia. We expect reimbursement of a substantial portion of the construction costs for the River Rock Casino. The Company intends to apply for FDIF approval upon substantial completion of River Rock Casino Resort in June 2004.

The River Rock Casino Resort project is currently on schedule and on budget, however there is no assurance that delays or cost overruns will not occur. If we require additional funds to complete the project, we may undertake private placements or public offerings of debt or equity.

Other material contracts relating to the development of River Rock Casino Resort are set out below:

<b>Date</b>	<b>Contractor</b>	<b>Subject</b>	<b>Price</b>
October 21, 2003	Con-Force Structures Limited	supply and installation of the parkade's pre-cast concrete components	\$9,095,000
November 28, 2003	Colter Developments Joint Ventures	construction manager	monthly fee of \$10,000
December 17, 2003	Celtic Drywall Ltd.	supply and installation of drywall	\$3,344,289
July 22, 2003	Griffiths Pile Driving Inc.	installation of drive end bearing piles	\$3,699,525
January 21, 2004	Advanced Audio Concepts	supply and installation of CCTV system and access control	\$6,854,000
January 21, 2004	Gala Theatrical Equipment Inc.	design and the fully functioning supply of the transformation system in the Richmond Casino Theatre	\$4,446,064

In connection with the development project, the Musqueam Indian Band issued a petition against the City of Richmond on March 22, 2004, asserting that the City did not give sufficient prior notice to the community before issuing the development permit. We are not named as a party to the proceeding and do not anticipate that the proceeding will interrupt or delay construction. However, out of an abundance of caution we are contemplating being added as a party to the action in order to ensure that our position is heard.

One remedy sought by the Band is cessation of development until the Band is satisfied that proper process has been followed. Although we do not consider that the Band's position has merit, there is no assurance that it will not be successful in its petition. If the Band is successful, the project could be delayed while

the City of Richmond complies with any orders of the Supreme Court of British Columbia. See “Risk Factors”.

## **2. Jack O’Clubs**

On July 28, 2003, we completed the purchase of 67% of the shares of Jack O’Clubs Gaming Hall Ltd. for approximately \$1.8 million. Jack O’Clubs Gaming Hall Ltd. holds a COSA Agreement with BCLC for a destination casino facility (“Jack O’Clubs”) in Wells, British Columbia. Jack O’Clubs operates seasonally with 80 slot machines, four gaming tables and a 90-seat licensed performance lounge, featuring 1930’s style live entertainment.

## **3. Expansion of Coquitlam Facility**

We are awaiting approval from the City of Coquitlam for the expansion of our Coquitlam property, which is expected to be completed in the spring of 2005. The open house for the public to review the construction plan was held on March 16, 2004. The expansion will include a multi-level parking facility, show lounge, additional space for food and beverage operations and an expansion of the existing gaming facilities to accommodate up to 1,000 slot machines. Addition of slot machines requires approval of both BCLC and the City of Coquitlam.

## **4. Hastings Racecourse**

On April 8 2004, through a wholly-owned subsidiary (686486 BC Ltd.) we completed the acquisition of all shares of Hastings Entertainment Inc. (“HEI”) from Woodbine Entertainment Group. The purchase price was based on an enterprise value of \$20.1 million and was comprised of \$8.9 million for the outstanding shares of HEI and \$4 million as working capital to reduce existing debt with the balance being an assumption of existing liabilities.

HEI operates Hastings Racecourse, a thoroughbred racetrack in Vancouver. Hastings Racecourse features live thoroughbred racing, simulcast of national and international horseracing, as well as dining and beverage operations. HEI has the exclusive right to operate up to seven tele-theatres (off-track wagering facilities) in the British Columbia lower mainland.

In connection with our acquisition of HEI, Wall Financial Corporation (“Wall”) has agreed to acquire a 40% interest in 686486 BC Ltd. This investment is subject to the approval of GPEB, which could take up to six months to obtain. In contemplation that the GPEB approval will be obtained, Wall has advanced \$5,140,000 as a loan, to be repaid out of subscription funds for Wall’s 40% interest in 686486 BC Ltd. once GPEB approval is obtained. A shareholders’ agreement is currently in place under which Wall is able to exercise significant influence over HEI.

If regulatory approval is not obtained for Wall’s investment in 686486 BC Ltd., all funds advanced by Wall will be refunded.

We purchased Hastings Racecourse with a two-fold purpose: to demonstrate our commitment to gaming, in various forms, in British Columbia and to demonstrate our belief that horse racing, with the correct measure of gaming expertise and sound management, is an economically viable entertainment industry. Hastings Racecourse has hosted live horse racing since 1889. The volume of horse race wagers has decreased significantly from a decade ago, largely due to the introduction of competing gaming products. We are confident that with the introduction of teletheatre betting, and increased marketing, Hastings Racecourse can succeed in both fostering the racing industry and producing solid earnings for us. Much

of the groundwork had been put in place by Woodbine Entertainment Group and our management believes we are in a unique position to build upon that foundation.

Management is of the view that installing slot machines at Hastings Racecourse would enhance the profitability of the enterprise, and assist in the development of the horseracing industry in British Columbia.

In the City of Vancouver casinos fall into two separate classes for zoning purposes. Class 1 covers casinos with only table games; Class 2 covers casinos with both table games and slot machines.

Until 2003, all Class 2 casinos were prohibited within Vancouver City boundaries. In late 2003 the City Council approved the amendment of its zoning by-laws to allow slot machines within city boundaries under certain conditions and with reference to certain projects, such as Hastings Racecourse.

The amendment of the zoning for any particular site is considered on a case-by-case basis by City Council. The previous owners of Hastings Racecourse submitted an application to the City of Vancouver for re-zoning of the site to CD-1 Comprehensive Development District. On July 31, 2003 the City Council requested staff to initiate a public consultation process (called a “visioning” process), which is currently underway. City staff will present a report on the vision and concept plan to City Council on May 20, 2004. City Council has postponed its consideration of the report on the amendment to the zoning until June 8, 2004. There is no assurance that re-zoning will be permitted. See “Risk Factors”.

Until Council’s decision with respect to the re-zoning application for Hastings Racecourse is delivered, we will not be able to formulate any concrete plans for re-development of the site or anticipate financial requirements.

## 5. Victoria

We have commenced discussions with various parties, including the City of Victoria, for the possible development of a casino facility in Victoria. To date no arrangements have been finalized.

## 6. Private Placements

Between July 2003 and January 2004 we raised an aggregate of \$39,340,000 through private placements of common shares and share purchase warrants. The proceeds raised were allocated to working capital and costs related to development of River Rock Casino Resort. Details of the placements are as follows:

Date	Units Placed	Unit Price	Warrant	
			Exercise Price	Term
July 11/03	450,000 <sup>(1)</sup>	\$9	\$10	Two years
July 31/03	1,240,000 <sup>(2)</sup>	\$11	\$12	One year
Dec. 23/03	1,000,000 <sup>(2)</sup>	\$20	\$23	One year
Jan. 23/04	100,000 <sup>(3)</sup>	\$16.50	\$16.70	18 months

(1) One common share and one warrant.

(2) One common share and one-half warrant.

(3) One common share and one warrant; placee was Adrian Thomas (see “Material Contracts - Executive Advisory Agreement”).

### ***Gaming Facilities***

Details of our gaming facilities in British Columbia, as at March 31, 2004, are set out below.

#### Coquitlam

Location: 2080 United Boulevard, Coquitlam, British Columbia  
Title: Freehold  
Gaming Facility: 450 slot machines  
32 table games (no restriction on maximum number of table games)  
Staff Onsite: 422  
Amenities: Concession  
Restaurant  
ATM  
Opened: October 2001

#### View Royal

Location: 1708 Island Highway, Victoria, British Columbia  
Title: Freehold  
Gaming Facility: 425 slot machines  
24 table games (no restriction on maximum number of table games)  
Staff Onsite: 243  
Amenities: Concession  
Restaurant  
ATM  
Opened: December 2001

#### Richmond

Location: 8440 Bridgeport Road (at No. 3 Road), Richmond, British Columbia  
Title: Leasehold  
Gaming Facility: 33 table games (no restriction on maximum number of table games)  
Staff Onsite: 243  
Amenities: Concession  
ATM  
Opened: June 1987

#### Vancouver (Downtown)

Location: 1133 West Hastings Street, Vancouver, British Columbia  
Title: Leasehold  
Gaming Facility: 20 table games (no restriction on maximum number of table games)  
Staff Onsite: 65  
Amenities: Concession  
ATM  
Opened: June 1993

Vancouver (South)

Location: 709 West Broadway Avenue, Vancouver, British Columbia (Holiday Inn, Vancouver)  
Title: Leasehold  
Gaming Facility: 36 table games (no restriction on maximum number of table games)  
Staff Onsite: 259  
Amenities: Concession  
ATM  
Opened: February 1986

Nanaimo

Location: 620 Terminal Avenue, Nanaimo, British Columbia  
Title: Freehold – owned by Great Canadian Gaming Corporation  
Gaming Facility: 380 slot machines  
12 table games (no restriction on maximum number of table games)  
Staff Onsite: 150  
Amenities: Concession  
ATM  
Opened: July 1998

Wells

Location: 12383 Barkerville Highway, Wells, British Columbia  
Title: Freehold - owned by Jack O'Clubs Gaming Hall Ltd.  
Gaming Facility: 80 slot machines  
4 table games (no restriction on maximum number of table games)  
Staff Onsite: Approximately 25 (seasonal June to September)  
Opened: June 2002

**Washington State Gaming Operations**

We operate four casinos in Washington State. GA Gaming has been issued Service Supplier Licences by the Washington State Gambling Commission, which licenses expire annually. Established practice in Washington is that Service Supplier Licenses are normally renewed automatically by the Washington State Gambling Commission. Our Service Supplier Licenses expire at various times during the year. To date we have not experienced any difficulty in obtaining renewals, however there is no assurance that renewals for any particular license will be granted.

*Recent Developments*

**1. Grand Central Casino, Tacoma**

Through GA Gaming, we completed the construction of the Grand Central Casino in Tacoma, Washington, a gaming facility that opened on August 14, 2003. The facility offers 15 table games, a restaurant, lounge and nightclub and has the capacity to accommodate electronic gaming devices.

## 2. Pair O'Dice

On January 20, 2003 through Pair O'Dice Investments LLC, a 90% subsidiary of GA Gaming, we acquired all of the business assets of Big Al's Casino LLC, which operated Big Al's Casino (now called the Great American Casino, Everett) in Everett, Washington. The consideration for the acquisition was \$5,871,000 (US\$4,000,000) and the issue of 75,000 share purchase warrants. Each warrant is convertible into one common share of the Company at an exercise price of \$8.75 up to two years from issuance. To date none of the warrants have been exercised. On January 29, 2003, GA Gaming acquired the land, building and leaseholds where the casino is located, for consideration of \$2,826,000 (US\$1,925,000). We recently purchased the remaining 10% of Pair O'Dice Investments LLC for US\$150,000.

Great American Casino, Everett is an established gaming facility which opened on November, 1998. The facility features 15 table games, a nightclub with live entertainment, a 50-seat restaurant and banquet facilities for 100 people.

## 3. O'Aces

GA Gaming recently acquired an 80% interest in O'Aces LLC ("O'Aces") from Casino Ventures Northwest, a Washington limited liability company. O'Aces has developed a 5,000 square-foot facility in Kent, Washington featuring a 15 table game casino, restaurant and bar. Development costs, including tenant improvements, were about USD\$1.8million. This facility was opened on November 13, 2003.

In May 2004, GA Gaming entered into a letter of intent to acquire the remaining 20% interest in O'Aces. The consideration will be \$1 plus 20% of the net income from O'Aces site for 2004, 2005 and 2006, to a maximum of US\$500,000.

### *Gaming Facilities*

Details of our Washington State gaming facilities are set out below:

#### Tukwila

Name of Casino: **Grand Central Casino, Tukwila**  
Location: 14040, Interurban Avenue South, Tukwila, Washington, USA  
Title: Freehold  
Gaming Facility: 15 table games plus pull tabs, and capacity for electronic gaming devices  
Staff Onsite: Approximately 220  
Amenities: Restaurant  
Bar  
Gift shop  
Banquet Facilities  
ATM  
Opened: July 26, 2002

#### Tacoma

Name of Casino: **Grand Central Casino, Tacoma**  
Location: 10117 South Tacoma Way, Lakewood, Washington, USA  
Title: Freehold  
Gaming Facility: 15 table games, plus pull tabs and pool tables, and capacity for electronic gaming devices

Staff Onsite: Approximately 240  
Amenities: Restaurant  
Bar  
Gift shop  
Banquet Facilities  
Show Lounge  
ATM  
Opened: August 14, 2003

Everett

Name of Casino: **Great American Casino, Everett**  
Location: 12715 Fourth Avenue West, Everett, Snohomish County, Washington, USA  
Title: Freehold  
Gaming Facility: 15 table games plus pull tabs  
Staff Onsite: Approximately 130  
Amenities: Restaurant  
pool tables  
nightclub  
ATM  
Opened: November 1998  
Purchased: January 2003

Kent

Name of Casino: **Great American Casino, Kent**  
Location: 20500 108th Avenue SE, Kent, Washington 98031  
Title: Leasehold  
Gaming Facility: 15 table games  
Staff Onsite: Approximately 100  
Amenities: Restaurant  
Bar  
Opened: November 13, 2003

**Our Other Operations**

***Food and Beverage***

We own a 50% interest in each of Weinlager & Amici Caffè (Coquitlam) Ltd. (“Weinlager Coquitlam”) and Weinlager & Amici Caffè (Victoria) Ltd. (“Weinlager Victoria”). Weinlager Coquitlam operates the concession at our Coquitlam Casino as well as a full menu restaurant adjacent to our Coquitlam Casino pursuant to a lease agreement with GC Casinos. Weinlager Victoria operates the concession at our View Royal Casino and a full menu restaurant located adjacent to our View Royal Casino pursuant to a lease agreement with GC Casinos. Both Weinlager Coquitlam and Weinlager Victoria have management agreements with Tiara Food & Beverage Concepts Ltd. The Company has no interest in Tiara Food & Beverage Concepts Ltd.

During fiscal 2003, the Company, through Great Canadian Marina & Restaurant Ltd., purchased all of the assets and undertaking of Bridgepoint Restaurants Ltd., which operated the marina and restaurant at the Bridgepoint Market property.

### ***Hotel***

On August 5, 2003, we acquired a 49% interest in the Wells Hotel Ltd. ("Hotel") for \$750,000. The Hotel will use those funds for renovations, operating capital and an expanded marketing program. We also hold a first mortgage of approximately \$245,000 at 8% on the Hotel. Our \$750,000 investment in the Hotel was approved under the *Small Business Venture Capital Act* which entitles us to a 30% provincial tax credit for \$225,000.

### ***Proposed Alberta Acquisition***

On September 22, 2003 we obtained an option to purchase a 50% interest (for approximately \$8.9 million) in the Nisku Inn and adjoining property in Alberta. The option is contingent upon Inter-Alberta Holdings Ltd. (the property holder) being successful in its application to the Alberta Gaming and Liquor Commission for a licensed casino facility. The Company will keep its application in abeyance until the success or failure of the application is determined.

### ***Land Holdings***

Through GCP Everett and GCP Algona, we own an interest in properties in Everett and Algona, Washington State. Our interest in the properties, which are currently for sale, is valued at approximately US\$3,900,000.

## **DESCRIPTION OF CAPITAL**

### **Authorized and Issued Capital**

The Company is authorized to issue 100,000,000 common shares without par value. Each Common Share carries the right to attend and vote at all general meetings of shareholders, to receive dividends if, as and when declared by the directors, and to participate on any dissolution or winding up of the Company.

Certain constraints on ownership of Common Shares are imposed by existing legislation and by our COSA Agreements with BCLC. In particular, notice of acquisition of more than 5% of our Common Shares must be given to the regulatory authorities in Washington State, and consent of BCLC is required for acquisition of more than 10% of our Common Shares. The applicable restrictions have been incorporated into our articles, and are set out in Appendix 2.

## **DIVIDENDS**

The Company has not paid any dividends since incorporation. Payment of dividends in the future is dependent upon the earnings and financial condition of the Company and other factors which the Directors may deem appropriate at the time. However, the Company is not limited in any way in its ability to pay dividends on its Common Shares.

## **MARKET FOR SECURITIES**

Our Common Shares are listed and posted for trading on the TSX under the symbol "GCD".

The following table sets out the high and low sale prices and the volume of trading of the shares on the TSX for the months indicated:

<u>Period</u>	<u>High</u>	<u>Low</u>	<u>Volume</u>
<b>2004</b>			
May 1 – 11	\$29.05	\$27.60	503,700
April	\$31.25	\$26.50	2,448,100
March	\$29.20	\$22.50	5,081,800
February	\$25.70	\$20.25	1,848,300
January	\$20.51	\$19.68	1,190,300
<b>2003</b>			
December	\$20.50	\$16.10	1,148,200
November	\$16.90	\$13.00	410,100
October	\$15.75	\$12.81	526,000
September	\$13.24	\$12.51	77,700
August	\$13.25	\$12.50	82,100
July	\$13.46	\$10.81	214,800
June	\$11.30	\$10.00	249,800
May	\$10.29	\$9.40	511,900
April	\$9.75	\$9.25	138,400
March	\$9.99	\$8.35	310,300
February	\$8.60	\$8.20	211,900
January	\$8.50	\$8.12	324,700

## GOVERNANCE

### Directors and Officers

The following chart shows the name, province of residence and position with the Company of each director and officer of the Company as at December 31, 2003:

<b>Name and Residence</b>	<b>Position with Company</b>	<b>Principal Occupation During Preceding Five Years</b>	<b>Date Appointed Director and Classification</b>
<b>ROSS J. McLEOD</b> <sup>1</sup> British Columbia	Executive Chairman, President and Chief Executive Officer since November 10, 2003, Executive Chairman since May 28, 2003, Director	Executive Chairman, President and CEO, Company and President and CEO, GC Casinos since November 10, 2003, prior thereto Executive Chairman, and Chairman CEO of the Company	August 13, 1999; non-independent
<b>MICHAEL C. SCHOLZ</b> <sup>3</sup> British Columbia	Vice Chairman and Legal Counsel since June 29, 2001, Director	Legal Counsel, Company, since June 29, 2001, President and Legal Counsel, Company June 29, 2001 to November 10, 2003, prior to June 29, 2001 Partner of Alexander Holburn Beaudin & Lang (law firm)	March 31, 2000; non-independent

<b>Name and Residence</b>	<b>Position with Company</b>	<b>Principal Occupation During Preceding Five Years</b>	<b>Date Appointed Director and Classification</b>
<b>ADRIAN R. THOMAS</b> <sup>1</sup> British Columbia	Director	Advisory Consultant to Company; Chief Operating Officer and President of GC Casinos from August 11, 2000 until November 10, 2003, prior thereto Executive Vice-President of GC Casinos	March 10, 1997; non-independent
<b>ELMER H. HINTZ</b> <sup>1</sup> British Columbia	Director	Consultant to Company	January 31, 1997; independent
<b>EARNEST C. BEAUDIN</b> <sup>1,2</sup> Alberta	Director	President, CEO and General Counsel of Decker Management Ltd. (healthcare facilities)	May 28, 2002; independent
<b>R. RONALD SHEPPARD</b> Quebec	Director	President, R. Sheppard and Associates Ltd. (consulting)	May 28, 2002; independent
<b>PETER G. MEREDITH</b> <sup>1,2</sup> British Columbia	Director	Chief Financial Officer, Ivanhoe Capital Corporation (investment company)	June 9, 2000; independent
<b>WILLIAM P. WORK</b> <sup>1,2,5</sup> British Columbia	Director	Retired lawyer	August 15, 2001; independent
<b>ANTHONY R. MARTIN</b> British Columbia	Chief Financial Officer since May 28, 2003	President, Datawest Solutions Inc. (banking technology company)	Not Applicable
<b>GRACE SOO</b> <sup>4</sup> British Columbia	Controller and Treasurer since January 31, 1997	Controller and Treasurer of the Company	Not Applicable
<b>JOANNA E. BRIERLEY</b> British Columbia	Secretary since June 22, 2001	Executive Assistant to Chairman, Corporate Secretary of Company	Not Applicable

- (1) Member of Corporate Governance and Compensation Committee.
- (2) Member of the Audit and Risk Committee.
- (3) The Company is currently engaged in discussions with Mr. Scholz relating to his positions with the Company. Mr. Scholz will not stand for re-election as a director at the upcoming annual general meeting.
- (4) Effective April 5, 2004, Ms. Soo assumed a new role as Vice-President, Internal Audit and Business Risk Management of the Company.
- (5) Mr. Work will not stand for re-election as a director at the upcoming annual general meeting.

Directors are elected at annual general meetings of shareholders for one-year terms, expiring at the next annual general meeting. Directors may be re-elected on expiry of their current term of office.

As at May 11, 2004, the directors and senior officers of the Company, as a group, beneficially own, directly or indirectly, 8,472,530 common shares, representing approximately 33% of the Company's outstanding common shares.

### ***Biographies***

#### **Ross J. McLeod**

Mr. McLeod has been President of the Company and President of GC Casinos since November 10, 2003. He has 29 years of experience in the hospitality industry and served as a Divisional Director of Operations for the Pacific National Exhibition. Mr. McLeod is an expert in community charity gaming and a major contributor to British Columbia's current regulatory framework for casino gaming. In 1999, Mr. McLeod was recognized by his peers for his industry leadership and awarded the *Outstanding Contribution to the Canadian Gaming Industry Award*. Mr. McLeod was a director of Transac Enterprises Ltd. (formerly Logix Enterprises Inc.), a company listed on the TSX-V from May 2002 until October 2003. Mr. McLeod was a director of CSCC Casino Software Corporation from April 1995 to March 1997.

#### **Michael C. Scholz**

Michael Scholz has been a member of the Law Society of British Columbia since 1978. He was a partner in the Vancouver law firm of Alexander Holburn Beaudin & Lang until 2001. Mr. Scholz has occupied numerous executive and director positions with a number of corporations publicly listed in Canada. Mr. Scholz oversees the operations of the Company and its legal affairs. Mr. Scholz was the former Chairman of the Board and is now a director of Avcorp Industries Inc., a TSX listed company. Mr. Scholz has been a director of ASC Industries Ltd., a TSX-V listed company.

#### **Adrian R. Thomas**

Mr. Thomas has been the Chief Operating Officer of GC Casinos since August 11, 2000 and is an advisory consultant to both the Company and GC Casinos. He is the founder and President of the provincially approved and registered Canadian Gaming Institute. Mr. Thomas became Executive Vice President of Casinos in 1998 and President in 2000. Mr. Thomas is a graduate of the University of Nevada's Executive Development Program. In April 2002, Mr. Thomas was awarded the *Outstanding Contribution to the Canadian Gaming Industry Award*. Mr. Thomas was a director of CSCC Casino Software Corporation, a TSX-V listed company, from April 1995 to April 1996.

#### **Elmer H. Hintz**

Mr. Hintz is a consultant to the Company on regulatory matters. He is a 25-year veteran of the Royal Canadian Mounted Police with direct experience in commercial crime and security services. Mr. Hintz was Director, Investigations and Inspections with British Columbia's Public Gaming Branch for over 12 years. Mr. Hintz was hired as Director of Security for 3490394 Canada Ltd. (formerly: Great Canadian Casino Company Ltd.) on January 1, 1994, however he no longer serves in that capacity. He was directly accountable to the Board of Directors for all matters related to corporate security including setting and maintaining standards and giving overall direction to the more than 50 staff engaged in surveillance and security. Responsibilities extended to maintaining effective working relations with provincial law enforcement agencies and regulators in other jurisdictions.

### **Earnest C. Beaudin**

Mr. Beaudin is a member of the Law Society of British Columbia. He was one of the founding partners of the Vancouver based law firm of Alexander Holburn Beaudin & Lang. Mr. Beaudin left his private law practice in 1986 to become the President, Chief Executive Officer and General Counsel of Decker Management Ltd. Decker Management Ltd.'s primary focus is healthcare facilities while Decker Construction Ltd. is principally involved in residential development and construction. Mr. Beaudin continues to hold the position of President and CEO of both divisions.

### **R. Ronald Sheppard**

Mr. Sheppard has been actively involved in gaming for over 35 years. He served as the R.C.M.P. National Gaming Specialist for Canada. He was also Director of Canada's first Gaming Control regulatory agency where he developed systems for the licensing, audit and enforcement of gaming activities. Mr. Sheppard was responsible for opening Canada's first commercial casino, and later for planning and opening other major Canadian and Greek casino properties. In 1998, Mr. Sheppard won the "Display of Excellence" award for commercial casino operations in Canada. For the past 11 years, Mr. Sheppard has been a member of the Advisory Board of the Institute for the study of Gambling and Commercial Gaming at the University of Nevada. Mr. Sheppard has been a director of Creation Casinos Inc., formerly a TSX-V listed company, (now listed on the Canadian Trading and Quotation System Inc.) since May 7, 2003. Mr. Sheppard was a director of LasVegasFromHome.com Entertainment Inc., a TSX-V, OTC Bulletin Board and Berlin Stock Exchange listed company, from April 2001 to July 2002 and a director of International Hospitality Inc., a TSX-V listed company, from March 1997 to September 2000.

### **Peter G. Meredith**

Mr. Meredith is a chartered accountant and has been a director of Pacific Minerals Inc. since June 2002 and the Chief Financial Officer of Vancouver based Ivanhoe Capital Corporation since June 1999. Mr. Meredith spent thirty years with the accounting firm of Deloitte and Touche LLP serving as both a senior partner and Board member. Mr. Meredith has extensive experience in regulatory compliance and corporate finance. Mr. Meredith was a director of Rainmaker Income Fund, a TSX listed fund, from March 1997 to December 2002, Chief Financial Officer of Ivanhoe Mines Ltd. from June 1999 to November 2001, a director and Chief Financial Officer of DiamondWorks Ltd., a TSX listed company, from June 1996 to November 1999, Chief Financial Officer of Ivanhoe Energy Inc., a TSX-V and NASDAQ listed company, from June 1999 to January 2000 and a director of Ivanhoe Energy Inc. from September 1996 to June 1999.

### **William P. Work**

Mr. Work holds both a Bachelor of Commerce and Bachelor of Law degree from the University of British Columbia. Mr. Work was called to the bar in 1982 and practiced at the Vancouver firm of Alexander Holburn Beaudin & Lang from the period of 1982 until 1999. Mr. Work was the corporate solicitor for Casinos until his retirement in 1999. Mr. Work is a director of Landstar Properties Inc., a TSX-V listed company since March 2002.

### **Anthony R. Martin**

Mr. Martin is a chartered accountant and has more than 20 years' experience in the financial services industry. Mr. Martin was in private practice for two years (1982 to 1984) with Thorne Ridell Poissant Richard in Montreal, and for six years (1986 to 1992) as a partner with Mizgala, Sauve, Martin & Price in Montreal. He was assistant manager of accounting of the Mercantile Bank in 1984 and played a key role

in its merger in 1986. From 1992 to 2003 Mr. Martin held several senior positions with CUE Datawest Ltd., a banking technology company, including chief financial officer (1992), chief operating officer (1996) and president and chief executive officer (2000).

### **Grace Soo**

Ms. Soo is a Certified General Accountant. Ms. Soo obtained the Canadian Securities certificate in 1994. Prior to joining the Company, she spent seven years as an Auditor and Senior Accountant with the Bank of Montreal and the Canadian Western Bank. Ms. Soo oversees the integrity and effective operation and management of the Company's accounting, payroll, financing, financial management and reporting systems. Effective April 5, 2004, Ms. Soo assumed a new role as Vice-President, Internal Audit and Business Risk Management of the Company.

### **Joanna E. Brierley**

Ms. Brierley joined Great Canadian Casinos Inc. in February of 1997 and currently acts as corporate secretary for the Company. Ms. Brierley also serves as the executive assistant to both the Chairman and President of GCG. Prior to joining the Company, Ms. Brierley held the position of Executive Assistant to Senior Executives in both publicly traded and privately owned corporations.

### **Committees of the Board of Directors**

The Board of Directors of the Company has appointed three committees of the Board: Audit and Risk Committee; Corporate Governance and Compensation Committee; and the Budget and Finance Committee. Each committee is comprised of a majority of Directors who are both unrelated Directors and outside Directors as defined in the guidelines of the Toronto Stock Exchange.

Between 2001 and 2003 the Company also had an advisory board that assisted the Board of Directors from time to time. The advisory board is no longer active and will be wound up after the annual general meeting this year.

#### ***Audit and Risk Committee***

The Audit and Risk Committee of the Company is comprised of Earnest C. Beaudin, Peter G. Meredith and William P. Work. This Committee is responsible for reviewing, and making recommendations as to approval of, our annual financial statements, as well as the approval of interim financial statements before publication. Material issues related to the audit of the Company's internal control and management information systems are discussed with the Audit and Risk Committee as they arise. The Audit and Risk Committee has direct access to the Company's external auditor.

#### ***Corporate Governance and Compensation Committee***

The Corporate Governance and Compensation Committee is responsible for reviewing and making recommendations to the Board of Directors regarding remuneration of directors senior management of the Company, and has the authority to grant stock options to directors, officers and employees. This Committee is also responsible for developing and recommending to the Board the Company's approach to corporate governance, and reviews with management all rules and policies applicable to governance of the Company to ensure that the Company remains in full compliance. Current members of this Committee are Ross J. McLeod, William P. Work, Earnest C. Beaudin, Adrian R. Thomas and Peter G. Meredith.

### ***Budget and Finance Committee***

The Budget and Finance Committee will oversee budget related matters with management. The Directors are in the process of determining the directors to be the members of this committee which is expected to commence functioning after the annual general meeting this year.

### **COMPETITION**

The gaming industry in British Columbia is highly regulated and the amount of direct competition within the industry is limited. In particular, in 2001, British Columbia adopted a policy prohibiting the expansion of gaming. There are competing casinos in Burnaby and New Westminster, within easy driving distance of our facilities and which compete with our operations in Vancouver and Coquitlam. Those casinos have slot machines while our Vancouver and Richmond casinos do not, and, as a result, we have seen a migration of our Vancouver and Richmond clientele to the Burnaby and New Westminster casinos. We believe that a significant percentage of this migrating clientele would return if we were able to install slot machines in our Richmond casino. We expect our new Richmond casino will open with as many as 950 slot machines which will reduce the impact of competition from other casinos. See “Description of Our Operations – British Columbia Gaming Operations – Recent Developments – River Rock Casino Resort”.

In Washington State new entrants to the market have included aboriginal casinos and other gaming operators. It is difficult to assess the effect of new entrants in these sectors on our operations.

An additional barrier to entry into the industry (and therefore a limit to competition), is the significant capital resources and expertise required to build a casino in British Columbia. As a result of the provincial government’s mandate to increase gaming revenue twofold, while at the same time not increasing gaming locations, management of the Company believes that an increase in revenue from gaming operations will come only from an improvement to and expansion of existing casino facilities. Accordingly new or proposed casino facilities will require significant investment.

Another source of competition is online gaming over the Internet. Online casinos offer a variety of games including slot machines, roulette, poker and blackjack. Web-enabled technologies allow for individuals to play using a variety of credit or debit cards.

### **RISK FACTORS**

The following is a synopsis of the material risk associated with our business and our subsidiaries.

#### ***Casino Operating Agreements***

Our British Columbia casino operations are conducted pursuant to COSA Agreements with BCLC. Although the agreements are renewable after the expiry of the initial term, there is no guarantee that we will satisfy the conditions precedent to renewal. Additionally, there is no right of renewal after the first renewal term and there is no assurance we will be able to enter into new agreements following the expiry of the renewal term.

The COSA Agreements provide that BCLC may suspend or terminate our right to provide services under the agreement for certain specified reasons. The COSA Agreements also provide that we have no authority to take any action inconsistent with the Criminal Code. If the current gaming framework established under the Gaming Control Act were challenged and found to be contrary to Criminal Code,

we would be in breach of our COSA agreements. To date, no legal challenge to the Gaming Control Act has been launched, however there is no assurance that a challenge will not be launched, or if launched will not be successful.

Our Washington State casino operations are conducted pursuant to Service Suppliers Licenses, which must be renewed annually. Although established practice is that renewals are granted automatically, there can be no assurance that this practice will continue.

### ***Ability to Utilize or Add Slot Machines***

British Columbia municipalities currently have the power to prohibit slot machines within their boundaries. As a result, any casino which operates slot machines, or proposes to do so, runs the risk that the host municipality could at some point pass a by-law prohibiting their operation. In such event, the affected casino could face legal challenges from the municipality and could potentially lose revenues. This municipal power could also have a negative impact on our expansion and acquisition strategy, as host municipalities which prohibit slot machines would be eliminated as possible target locations. Our ability to place slot machines at the Hastings Racecourse facility will depend upon the City of Vancouver amending the zoning for the site. Our ability to increase the number of slot machines at our Coquitlam facility will depend on approval from the City of Coquitlam. There is no assurance such rezoning or approval will be granted.

### ***Government of the Day***

The conduct of gaming in British Columbia and the other provinces of Canada is within the authority of the provincial government, to the extent permitted by the Criminal Code. The existing government in British Columbia stopped gaming expansion in the province. By prohibiting entirely new casino developments, relocation and improvement of existing facilities is now the only viable means of expansion. It is uncertain how long this policy direction will last and whether it will be expanded to further reduce and eventually shut down gaming in the province.

The possibility also exists that the government could pass legislation or adopt policy that has the effect of curtailing gaming, or the involvement of private casino operators therein, thereby making it less profitable. Possible curtailments could include the hours of operation, betting limits, the number of tables or slot machines permitted the location of the casinos, and the amount payable to operators for providing casino operational services.

### ***Competition***

The current policy of the British Columbia government is that no new casino licenses will be issued and that no existing casinos may relocate or expand to capacity, except those few permitted by the policy. The current British Columbia government policy means that we cannot respond to competition from other casino operations through relocation or expansion unless permitted under existing provincial framework. The increase and popularity of online gaming may also adversely affect our casino operations.

### ***Negative Connotations Linked to the Gaming Industry***

Historically, gambling has been considered in western society to be an undesirable activity. In Canada, for example, gambling in most forms was a criminal offence prior to 1969, with the exception of horse racing. Casino management companies still face this stigma in many areas of day-to-day operation. The negative connotations toward gambling could have a negative impact on our profitability. Negative public perception of gaming within any demographic area lessens the likelihood that a new casino can be

established there or that an existing casino will be financially viable, which could impact upon our expansion and acquisition strategy.

### ***No Guarantee of Expansion***

While it is our objective to expand operations by acquiring other existing casinos or establishing new casinos in British Columbia or elsewhere, there are a number of factors which could limit our ability to do so. Such factors include the availability of financial resources, the availability of acquisition targets and the need for government approval. As a result, there can be no assurance that we will be able to expand operations. If we were unable to expand, our profitability would be limited to that generated from existing operations.

### ***High Level of Regulation***

Due to the high level of government regulation within the casino industry in British Columbia and Washington State, we have no control over the mix of table games and slot machines in our casinos. Regulation of the gaming industry could change at any time and could adversely impact our casino operations.

### ***Future Capital Needs***

We may need to raise funds through public or private financing in order to achieve our objectives as they exist from time to time. There can be no assurance that additional financing will be available on terms favourable to us, or at all. If adequate funds are not available or are not available on acceptable terms, we may be unable to continue our proposed expansion to take advantage of market opportunities, to respond to competitive pressures or continue to be viable. Such inability could have a material adverse effect on our business, financial condition and results of operations.

### ***Dependence on Key Personnel***

Our success will depend upon the continued services of our senior management team and our technical, marketing and sales personnel. Our employees may voluntarily terminate their employment with us at any time. Competition for qualified employees in the industry is intense. Although the senior executives have employment agreements with us, the loss of the services of key personnel could have a materially adverse effect upon our business, financial condition and results of operations. We currently do not maintain any key personnel insurance.

### ***Need to Manage Growth and Expansion***

The rapid growth of our business and our products and services has placed, and is expected to continue to place, significant demands on our managerial, operational and accounting resources. Demands on our operational and accounting information systems and controls, including accounts receivable and payable tracking and other accounting systems, have grown rapidly with our expanding operations. We have taken significant actions to upgrade and improve internal systems and controls but additional actions may be required as we grow.

### ***Operations in Foreign Jurisdictions***

We may conduct operations outside of Canada and the United States. Any such foreign operations will be subject to the risks normally associated with operations in foreign countries. These risks may include, among others, labour disputes, invalidation of governmental orders and permits, corruption, uncertain

political and economic environments, arbitrary changes in laws and policies, foreign taxation, delays in obtaining or inability to obtain necessary governmental permits, limitations on foreign ownership and limitation in repatriation of earnings. These risks may limit or disrupt our foreign operations, restrict the movements of funds or result in the deprivation of contract rights or the taking of property by way of nationalization or expropriation without fair compensation.

### ***First Nations Claims***

The governments of Canada and British Columbia are engaged in negotiations to consider First Nations claims in British Columbia. The negotiation process is administered by the British Columbia Treaty Commission. The negotiations are expected to last a number of years and we are not in a position to assess what settlements, if any, may be made or how they might affect our operations. The claims may result in increased First Nations involvement in management of public lands on which we conduct operations.

Recent British Columbia court decisions determined that the provincial government has an affirmative duty to consult with, and where reasonable, to accommodate any First Nations group that has a good prima facie aboriginal claim that may be affected by the government's dealing with a public right. It is unclear if this duty to consult would extend to leases of land for gaming facilities or to permits issued by municipal governments. This uncertainty presents a risk to those relying on the validity of a grant of public rights and there can be no assurance that First Nations claims will not affect our operations. See "Description of our Operations – British Columbia Gaming Operations – Recent Developments – River Rock Casino Resort".

### ***Legal Proceedings***

We are subject to claims and litigation from time to time and where the claim is successful, any judgment awarded against us or against a third party relating to our facilities or operations could have a materially adverse effect on our profitability and viability. See "Legal Proceedings – Allegiance Capital Corporation and – Musqueam Band and Richmond".

## **LEGAL PROCEEDINGS**

We are subject to claims and litigation arising in the ordinary course of business. Management believes the amount of ultimate liability with respect to these actions will not materially affect our financial position, results of operations or cash flow.

Legal proceedings which we believe to be outside of the normal course of business are detailed below.

### ***Allegiance Capital Corporation***

The Company, GC Casinos, Ross McLeod, and Michael Scholz are defendants in a suit brought by Allegiance Capital Corporation ("Allegiance") in the State of Texas relating to the Company's investment in China Sea Cruises Inc. The suit was initiated in Texas State court and has subsequently been removed to Texas Federal Court. Allegiance alleges the following causes of action: fraudulent inducement to contract, stock transaction fraud, conversion, breach of fiduciary duty, conspiracy to commit these violations of law, violations of the Racketeering Influenced and Corrupt Organization Act ("RICO Act"), securities fraud, and alter ego claims. Allegiance seeks the following damages: US\$3,100,000 for the loss of its original investment in a ship that is the subject of this action, US\$28,000,000 for the loss of future profits from the business of the ship, threefold damages, punitive damages, attorney's fees, and interest.

The Company believes this action to be frivolous and vexatious. The Company, through a subsidiary, was a minority shareholder in this venture and suffered a significant loss as a result of this endeavour. At no time did the Company control the operation of the vessel which is the subject matter of this litigation and vehemently denies the allegation of the plaintiff. The Company has employed the law firm of Vial, Hamilton, Koch & Knox, L.L.P. in its defence of this lawsuit and is vigorously pursuing all defences, including making application to remove the case from the jurisdiction of the State of Texas.

### ***Musqueam Band and Richmond***

See “River Rock Casino Resort” for a discussion of a petition filed by the Musqueam Band against the City of Richmond with respect to our development of River Rock Casino Resort.

## **TRANSFER AGENT AND REGISTRAR**

The Company’s registrar and transfer agent is Computershare Trust Company of Canada at its offices in Vancouver and Toronto.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

In the past three years we have not had any transaction, that has materially affected or will materially affect the Company or its subsidiaries, in which a director, officer, significant shareholder or any of their associates or affiliates had a material interest, except for long-term debt of \$1,762,000 owned to a company controlled by Ross McLeod, one of our directors. This debt, and interest thereon at 7.5% per annum was repaid in full during 2003. During the 2003 fiscal year the Company loaned certain funds to directors or companies controlled by directors. None of the loans was of a material amount. Details about the loans are set out in note 13 to the annual financial statements of the Company and in the Management’s Discussion and Analysis related to those financial statements.

## **MATERIAL CONTRACTS**

In addition to the agreements discussed under “Description of our Operations – British Columbia Gaming Operations – COSA Agreements”, “Description of our Operations – British Columbia Gaming Operations – Recent Developments – River Rock Casino Resort and – Hastings Racecourse” and “Description of our Operations – Washington State Gaming Operations – Service Supplier Licenses”, we and certain of our subsidiaries have entered into the following material contracts since January 1, 2002:

### **Executive Advisory Agreement**

GC Casinos, Adrian Thomas and the Company entered into an Advisory Agreement effective January 1, 2004 which superseded and replaced Mr. Thomas’ previous employment contract. Under this Agreement, Mr. Thomas was appointed Advisory Consultant of the Company and GC Casinos effective January 1, 2004 at an annual fee of \$220,000 payable in equal monthly instalments. Such appointment will terminate on December 31, 2007. In addition to the annual fee, Mr. Thomas was granted stock options to purchase 85,000 shares of the Company at a price of \$16.84 until December 5, 2008. He also purchased 100,000 units of the Company at a price of \$16.50 per unit on January 16, 2004. Each unit consisted of one common share and one share purchase warrant to purchase one additional share of the Company at a price of \$16.70 until July 16, 2005.

## Employment Contract

The Company entered into an Employment Contract dated May 21, 2003 with Anthony Martin for his engagement as Chief Financial Officer of the Company for an annual base salary of \$200,000. Mr. Martin is also eligible to receive a bonus of up to 100% of his base salary based on the meeting of the annual corporate and the individual objectives established by the Company. Mr. Martin was also granted 75,000 options on June 16, 2003 at an exercise price of \$10.00.

## Guarantee of Debt

The Company has guaranteed or entered into debt service agreements relating to the following debt on behalf of joint ventures and investments in affiliates:

Debtor	Amount	Description
Weinlager Victoria	\$175,000	operating line of credit
Evergreen	\$534,000 (U.S.)	equipment lease
GCP Tukwila	\$2,000,000 (U.S.)	five-year term note
GCPTacoma	\$3,850,000 (U.S.) \$550,000 (U.S.)	five-year term loan
GCP Algona	\$750,000 (U.S.)	loan
GCP Everett	\$950,000 (U.S.)	term promissory note
Pair O'Dice	\$2,000,000 (U.S.)	promissory note

We have also entered into a subordination agreement in connection with a GCP Tukwila promissory note for US\$700,000.

## Share Purchase Agreements

On May 7, 2003, pursuant to a share purchase agreement, the Company acquired 1,544,178 shares of Creation Casinos Inc. ("Creation") for \$75,000. During the year we acquired additional shares and warrants of Creation, so that at December 31, 2003 we owned approximately 38% of the issued shares of Creation. We have agreed to provide casino-related consulting services to Creation for a fee equal to cost plus 10%. One of our directors is a director of Creation.

On June 20, 2003 we entered into a share purchase agreement with Great Canadian Bingo Ltd. ("Bingo") and Creation for the sale of all the Company's shares of Bingo (being 100% of the issued shares) to Creation. This sale was completed on November 26, 2003. Bingo owns all the issued and outstanding shares of UAB Great Canadian Europa, a Lithuanian private corporation which has developed a casino in Vilnius, Lithuania. Consideration for the sale was the assumption and payout by Creation of all outstanding shareholder loans owed by Bingo to the Company which, on the date of the Share Purchase Agreement (including accrued interest) totalled \$4,493,351. Approximately \$2.1 million was remitted to the Company at closing towards payout of the shareholder loans. The Company has agreed to carry the balance as a loan bearing interest at 8% per annum. This balance and accruing interest is anticipated to be repaid by Creation to the Company from cash flow from operations of UAB Great Canadian Europa.

### **ADDITIONAL INFORMATION**

Additional information relating to our Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and shares authorized for issuance under compensation plans is contained our Management Proxy Circular for the annual general meeting of shareholders to be held on June 17, 2004. Additional financial information is provided in our audited consolidated financial statements, and related management's discussion and analysis, as at and for the year ended December 31, 2003.

**DATED** at Vancouver, British Columbia this 11th day of May, 2004.

## APPENDIX 1

The principal Canadian legislation governing gaming is the Criminal Code. The Criminal Code provides for a general prohibition against a wide range of activities associated with gaming and, accordingly, it is otherwise illegal in Canada to engage in any way in gaming unless such gaming activity falls within one or the exemptions in Part VII of the Criminal Code. Subsections 207(1)(a), (b), (c) and (g) of the Criminal Code state in part as follows:

“207(1) Notwithstanding any of the provisions of this Part relating to gaming and betting, *it is lawful*

(a) for the government of a province either alone or in conjunction with the government of another province to conduct and manage a lottery scheme in that province, or in that and the other province, in accordance with any law enacted by the legislature of that province;

(b) for a charitable or religious organization, pursuant to a licence issued by the Lieutenant Governor in Council of a province or by such other person or authority in the province as may be specified by the Lieutenant Governor in Council thereof, to conduct and manage a lottery scheme in that province if the proceeds from the lottery scheme are used for a charitable or religious object or purpose;

(c) for the board of a fair or of an exhibition, or an operator of a concession leased by that board, to conduct and manage a lottery scheme in a province where the Lieutenant Governor in Council of the province or such other person or authority in the province as may be specified by the Lieutenant Governor in Council thereof has

(i) designated that fair or exhibition as a fair or exhibition where a lottery scheme may be conducted and managed, and

(ii) issued a licence for the conduct and management of a lottery scheme to that board or operator;

(g) for any person, for the purpose of a lottery scheme that is lawful in a province under any of paragraphs (a) to (f), to do anything in the province, in accordance with the applicable law or licence, that is required for the conduct, management or operation of the lottery scheme or for the person to participate in the scheme;”

For the purposes of subsections 207(1)(a) and (b) the definition of a “lottery scheme” includes both traditional casino table games and the operation of slot machines. It is therefore lawful for a province or government to engage in casino or other forms of gaming.

## APPENDIX 2

### “PART 7(A) – SHARE CONSTRAINT

7(A).1 No person, or group of persons acting in concert, shall acquire, agree to acquire, hold, beneficially own or control, either directly or indirectly, voting shares in the capital of the company to which are attached, in the aggregate, more than ten (10%) percent of the votes that may ordinarily be cast to elect directors of the company at a meeting of the members (referred to as a “Significant Interest”) unless the person obtains prior written consent of the BCLC, its successors, assigns or lawful representative (the “Lottery Corporation”) to hold such Significant Interest in the company.

Any person, or group of persons acting in concert, holding or agreeing to acquire a Significant Interest, whether owned or controlled, or to be owned or controlled either directly or indirectly, without complying with the provisions of this article shall not:

- (a) acquire, in any manner whatsoever, any shares in the capital of the company;
- (b) dispose, in any manner whatsoever, any portion of the Significant Interest; or
- (c) acquire, in any manner whatsoever, any further shares of the company or otherwise increase the member’s Significant Interest;

until such time as there has been compliance with this article and the consent of the Lottery Corporation as to ownership, control or agreement to acquire the Significant Interest has been approved.

7(A).2 Any person, or group of persons acting in concert having ownership or control of a Significant Interest, either directly or indirectly, shall not:

- (a) dispose, in any manner whatsoever, any portion of the Significant Interest; or
- (b) acquire, in any manner whatsoever, any additional shares of the company which would increase that person’s Significant Interest;

if such disposition of acquisition would result in a change of control of the company, unless the person or member obtains the prior written consent of the Lottery Corporation to the intended disposition or acquisition of that portion of that person’s Significant Interest.

7(A).3 In the event that a person, or group of persons acting in concert, fails to comply with the provisions of Article 7(A), the company may:

- (a) Place a stop transfer on any and all shares of the person or group of persons it reasonably believes is violating this article 7(A);
- (b) Apply to the Supreme Court of British Columbia, or such other court of competent jurisdiction seeking an injunction to prevent a breach or continuing breach of this article; or
- (c) Make application to the British Columbia Securities Commission, its successors, assigns or such other governmental regulatory agency having jurisdiction over the affairs of the company, to effect a cease trading order or such similar restriction against such person or member until such time as the person or member complies with Articles 7(A).”

“PART 7(B) – ADVANCE NOTICE AND APPROVAL

7(B).1 No person or group of persons acting in concert, shall, directly or indirectly, acquire or dispose of, in one transaction or series of transactions:

- (A) 5% or more of the outstanding voting shares of the company, or
- (B) securities of any kind issued by the company where the value of those securities is equal to or greater than 5% of the aggregate paid up capital of the company on the date the securities are issued.

without first providing notice in writing to the company of the intention to acquire or dispose of the shares or other securities of the company, and receiving prior approval by the applicable regulatory authority to the proposed acquisition or disposition.

7(B).2 The notice required to be given pursuant to article 7(B).1 shall be given to the company and the company shall use its best efforts to seek the required approval of the applicable regulatory authority to the proposed acquisition or disposition.

7(B).3 In the event that a person or group of persons acting in concert, fails to comply with the notice and approval requirement contained in article 7(B).1, the company may:

- (a) place a stop transfer on any and all shares or securities legally or beneficially owned or controlled by the person or group of persons acting in concert, which in the opinion of the company, acting reasonably, believes is violating this Part 7(B);
- (b) apply to the Supreme Court of British Columbia, or such other court of competent jurisdiction seeking an injunction to prevent a breach or continuing breach of this Part 7(B);
- (c) make application to the British Columbia Securities Commission, its successors, assigns or such other regulatory agency having jurisdiction over the affairs of the company, to effect a cease trade order or such similar restriction against such person or member until such time as the person or member complied with this Part 7(B); or
- (d) take such reasonable action as may be required by the company as against any person or member or group of persons or members acting in concert in order to ensure compliance with the requirements of this Part 7(B).”