



GREAT CANADIAN GAMING CORPORATION

ANNUAL INFORMATION FORM

**for the
FISCAL PERIOD ENDED DECEMBER 31, 2005**

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Unless otherwise indicated, all information in this AIF is presented as at and for the year ended December 31, 2005.

March 31, 2006

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DEFINITIONS AND INTERPRETATION

Definitions

In this Annual Information Form:

“ALC” means the Atlantic Lottery Corporation;

“AGCO” means the Alcohol and Gaming Commission of Ontario;

“AROC” means the Amended and Restated Casino Operating Contract;

“BCLC” means the British Columbia Lottery Corporation;

“BCOSA” means the Bingo Casino Operational Services Agreement;

“Bear Mountain” means Bear Mountain Community Gaming Centre;

“BOSA” means Bingo Operational Services Agreement;

“Boulevard” means the Boulevard Casino, in Coquitlam;

“CGI” means Canadian Gaming Institute Inc.;

“Company” or, “us”, “we” or “our” means Great Canadian Gaming Corporation;

“COPE” means the Canadian Office and Professional Employees Union;

“COSA” means the Casino Operational Services Agreement;

“CPMA” means the Canadian Pari-Mutuel Agency;

“DBRS” means the Dominion Bond Rating Service;

“EBITDA” means Earnings Before Interest, Taxes, Depreciation and Amortization and financing expenses (net of interest income), stock based compensation, restructuring costs, termination of legal proceedings, gain (loss) on investments and properties, accretive income, foreign exchange gain (loss) and non-controlling interests, and is derived from the consolidated statement of income, and is computed as revenues, less human resources, general and administration, operating supplies, occupancy costs, and marketing and promotion – See “Forward-Looking Statements” on page 4 of this Annual Information Form;

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

“FDC” means the Facility Development Commission (formerly known as the Facilities Development Improvement Fund);

“Flamboro Downs” means Flamboro Downs Limited;

“Fraser Downs” means Fraser Downs Racetrack and Casino operated by Orangeville;

“GAAP” means Canadian generally accepted accounting principles;

“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;

“GC Entertainment” means Great Canadian Entertainment Centres Ltd., a wholly-owned subsidiary of the Company;

“GPEB” means the Gaming Policy and Enforcement Branch, the regulatory division of the Ministry of Public Safety and Solicitor General of British Columbia;

“Georgian Downs” means Georgian Downs Limited;

“Hastings Racecourse” means the thoroughbred racetrack operated by HEI;

“HEI” means Hastings Entertainment Inc.;

“Jack O’Clubs” means Jack O’ Clubs Gaming Hall Ltd., a 67%-owned subsidiary of the Company;

“Magna” means Magna Entertainment Corp.;

“MEG” means Metropolitan Entertainment Group, a Nova Scotia general partnership;

“NSAGD” means the Nova Scotia Alcohol and Gaming Division;

“NSGC” means the Nova Scotia Gaming Corporation;

“OLGC” means the Ontario Lottery and Gaming Corporation;

“ORC” means the Ontario Racing Commission;

“Operational Services Agreements” means the COSAs, BOSAs, RCOSAs, AROC and Site Holder Agreements;

“Orangeville” means Orangeville Raceway Ltd.;

“PSAC” means the Public Service Alliance of Canada;

“RCOSA” means the Racing Casino Operational Services Agreement;

“River Rock” means the River Rock Casino Resort;

“Sandown” means Sandown Racecourse operated by Orangeville;

“Senior A Notes” and “Senior B Notes”, means the Senior A Notes and the Senior B Notes in the aggregate principal amount of \$300 million issued by the Company on September 29, 2004 and July 21, 2005, respectively (the ‘Senior A Notes’ and the ‘Senior B Notes’ are collectively referred to as the “Notes”);

“SEU” means the Service Employees Union;

“Site Holder Agreement” means Prescribed Lottery Scheme Site Holders Facilities Agreement;

“TSX” means the Toronto Stock Exchange;

“TSX-V” means the Toronto Stock Exchange Venture;

“Transac” means Transac Enterprises Corp.;

“UNITE HERE!” is a union organization, formerly known as the Hotel, Restaurant & Culinary Employees & Bartenders Union;

“Wall” means Wall Financial Corporation;

“WSGC” means the Washington State Gambling Commission.

Currency

All currency is expressed in Canadian dollars unless otherwise indicated.

Documents Incorporated by Reference

The following documents are incorporated by reference in and form part of this Annual Information Form: (1) the Company’s Management Discussion and Analysis (MD&A) for the year ended December 31, 2005; (2) the Company’s Consolidated Financial Statements and accompanying notes for the year ended December 31, 2005; and (3) the Material Change Reports filed on SEDAR. These documents have been filed with applicable securities regulators in Canada and may be accessed at www.sedar.com.

Forward-Looking Statements

Some of the statements contained or incorporated by reference in this Annual Information Form, including those relating to the Company’s strategies, proposed acquisitions, projects, plans, objectives and other statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include such words as “expects”, “will”, “anticipates”, “projects”, “intends”, “plans”, “believes”, “continues”, “estimates” or similar expressions, or the negative thereof, are forward-looking statements, within the meaning of securities laws. Forward-looking statements include, without limitation, the information concerning possible or assumed future results of operations of the Company set out in this Annual Information Form. These statements are not historical fact but instead represent only the Company’s expectations, estimates and projections regarding future events.

The forward-looking statements contained or incorporated by reference in this Annual Information Form are stated as of the date hereof and are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict. The Company’s future results may differ materially from those expressed in the forward-looking statements contained or incorporated by reference in this Annual Information Form due to, among other factors, the matters set out hereunder under “Risk Factors” and the factors detailed in the Company’s other filings with Canadian securities regulators, including the annual MD&A and annual and interim financial statements and the notes thereto which are available for review at www.sedar.com. The Company does not undertake any obligation to update or release any revisions to

these forward-looking statements to reflect events or circumstances after the date of this Annual Information Form or to reflect the occurrence of unanticipated events, except as required by law.

This Annual Information Form may also include EBITDA figures. EBITDA is derived from the consolidated statement of income, and is computed as revenues, less human resources, general and administration, operating supplies, occupancy costs, and marketing and promotion. This definition is not a recognized measure under Canadian GAAP, does not have a standardized meaning prescribed by GAAP, and should not be construed to be an alternative to net income determined in accordance with GAAP or as an indicator of performance or liquidity or cash flows. The Company's method of calculating this measure may differ from methods used by other entities, and accordingly, our measure may not be comparable to similarly titled measures used by other entities. The Company uses this earnings measure because it believes it provides useful information to both management and investors with respect to the operating and financial performance of the Company.

CORPORATE STRUCTURE

Name, Address and Incorporation

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 200 – 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 amended our Articles on July 23, 2004 to conform to the new legislation, and changed our share structure from 100 million common shares, to no maximum number.

Intercorporate Relationships

The chart shown on the next page sets out our material subsidiaries and affiliates.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Set out below are major events in the development of our business over the last three financial years.

2003:

- we opened three casinos in Washington State, at Lakewood, Everett and Kent;
- we acquired Bridgepoint Market in Richmond, British Columbia and began development of River Rock; and
- we acquired a 67% interest in Jack O'Clubs, which operates an 80-slot machine seasonal gaming facility in Wells, British Columbia.

2004:

- in January 2004, we purchased the remaining 10% interest in Pair O'Dice Investments, LLC, which operates Great American Casino in Everett, Washington;
- in April 2004, we acquired 100% of the issued shares of HEI, which operates a live thoroughbred racetrack, the Hastings Racecourse, in Vancouver, British Columbia. Concurrent with this acquisition, Wall agreed to acquire a 40% interest in HEI. On November 8, 2004, Wall agreed to terminate the agreement;
- in June 2004, we signed a new 10 year COSA, with a 10 year extension option, for the operation of the River Rock, and shortly thereafter, we opened our new gaming facility at that location. The River Rock facility has 1,000 slot machines, 94 gaming tables, a food court and a live show lounge. The second phase development of the River Rock included construction of a 222-room hotel, additional restaurants, lounges and bars, conference and meeting facilities, a spa and fitness centre, a 1,000 seat multi-use theatre, a marina and a covered 1,184 vehicle parkade. The second phase opened for operation in August and September, 2005. Concurrent with the opening of the River Rock, the Richmond and Vancouver Renaissance casino locations were closed;
- in July 2004, we acquired the remaining 50% of the issued and outstanding shares of Evergreen and the remaining interests in four Washington State limited liability companies which own the lands, buildings and fixed assets of the casinos operated by Evergreen;
- in July 2004, the Vancouver City Council approved an amendment of CD-1 By-Law No. 3656 permitting slot machines at Hastings Racecourse, subject to development permit approval and conclusion of an operating agreement with the City of Vancouver. The City of Vancouver owns the lands upon which Hastings Racecourse is located;
- in September 2004, the City of Coquitlam Municipal Council approved the expansion of our existing Boulevard facility in Coquitlam, British Columbia. We also received municipal and BCLC approval for the operation of up to 1,000 slot machines at this facility. On November 17, 2005, we completed our expansion of this facility. Boulevard features an 80,000 square foot casino, with a total of 950 slot and electronic gaming machines, 70 table games and a 1,654 vehicle multi-level parkade. The construction of a 1,100 seat multi-use theatre, and food and beverage facilities is expected to complete in the third quarter of 2006;

- in September 2004, we completed a private placement of an aggregate of \$150 million principal amount of senior secured notes, which bear interest at 5.74% per annum and mature September 29, 2014. In addition to and in conjunction with the issuance of the senior secured notes, we entered into a revolving \$100 million credit facility agreement; and
- in October 2004, through GC Entertainment, we acquired Vetter Management Service Ltd., for cash consideration of \$2 million, which operates Bear Mountain, a bingo hall in Dawson Creek, British Columbia, and obtained interim approval from BCLC to install slot machines. This community gaming facility offers 80 slot machines as well as traditional and electronic bingo.

2005:

- on January 4, 2005, we acquired land in Dawson Creek for \$1.9 million. We intend to build a larger replacement community gaming centre on the new property that may include a bingo hall, up to an additional 45 slot machines, entertainment facilities, food and beverage facilities and tele-theatre facilities;
- on March 18, 2005, we acquired all of the issued and outstanding common shares of Orangeville, which operates two standardbred racing facilities in British Columbia: Fraser Downs in Surrey and Sandown in North Saanich, for cash consideration of approximately \$40 million plus the assumption of debt of \$6.1 million. Development of a grandstand and food and beverage facility at Fraser Downs was completed in October 2005;
- on May 31, 2005, we completed the acquisition of 100% of the partnership interests in MEG, a Nova Scotia Partnership which owns the Casino Nova Scotia Halifax and the Casino Nova Scotia Sydney, for cash consideration of US\$73.7 million (approximately CAD\$93.1 million);
- on June 15, 2005, promissory notes due from Creation Casinos Inc. ("Creation") for \$6.8 million plus accrued interest of \$101,000 and guaranteed capital lease obligations of \$483,000, were converted into 74,000 Class A Series 1, non-voting preference shares, with a par value of \$100 per share and a non-cumulative dividend of \$3 per share commencing after December 31, 2005, for each fiscal year in which Creation realizes positive net income at least equivalent to 3% of the par value of preference shares outstanding at the end of such year. As a condition precedent of the conversion to preference shares, Creation was required to raise equity capital of approximately \$3 million, which it completed on May 24, 2005;
- on September 30, 2005, we completed the acquisition of all of the issued and outstanding shares of Georgian Downs Holdings Inc. and Georgian Downs for cash consideration of \$25.8 million plus the assumption of debt of \$22.3 million. Georgian Downs operates a standardbred racecourse and hosts an OLG slot machine facility in Innisfil, Ontario;
- on October 19, 2005, we acquired all of the issued and outstanding shares of Flamboro Downs for cash consideration of \$33.8 million plus the assumption of \$44.2 million in existing debt; and
- on October 4, 2005 and October 24, 2005, respectively, Vancouver City Council accepted HEI's offer of public benefits and the City of Vancouver's Development Permit Board approved HEI's development permit, subject to certain conditions and the conclusion of an operating agreement.

Significant Financing and Equity Transactions in 2005

Treasury Offering of Common Shares

On January 13, 2005, we completed an offering of 3.75 million common shares at \$16.60 per share for gross proceeds of \$62.25 million. The cost of the offering, net of future income taxes, reduced the gross proceeds by approximately \$2.2 million. The net proceeds were used for the acquisition of Orangeville, the acquisition of the remaining 50% interest in Weinlager & Amici Caffè (Coquitlam) Ltd. and Weinlager & Amici Caffè (Victoria) Ltd., and to reduce an operating line of credit used to fund the termination of the share purchase agreement with Wall. As part of this offering, two of our shareholders, including a principal shareholder of the Company, granted an option to the underwriters to purchase up to 1.25 million of our common shares. Upon closing, the option granted to the underwriters by the shareholders was fully exercised.

Increase in Credit Facility

On April 26, 2005, we entered into an agreement with a syndicate of our existing lenders to increase the limit of our revolving credit facility from \$100 million to \$200 million. For the period between July 21, 2005 (the date of issuance of the Senior B Notes), and September 30, 2005 (the date the Georgian Downs acquisition was completed), we agreed to limit the credit facility to \$150 million.

Share Subdivision

At the TSX market opening on June 9, 2005, the common shares of the Company subdivided on a five-for-two basis. As of the close of business on June 13, 2005, shareholders of record received three additional common shares for every two common shares held.

Debt Financings

On July 21, 2005, we completed the issuance of 5.50% \$150 million Senior B Notes. The Senior B Notes were issued for a 10 year term maturing July 21, 2015, and rank *pari passu* with the Company's 5.74% \$150 million Senior A Notes, and its \$200 million revolving credit facility.

Private Placement of Special Warrants

On August 3, 2005, we completed a private placement of 3,703,704 special warrants at a price of \$20.25 per special warrant for gross proceeds of \$75 million. The costs of the placement, net of future income taxes, total approximately \$2.3 million. Each special warrant was exercised at no additional cost, for one common share of the Company following the filing on August 31, 2005 of a short form prospectus which qualified the distribution of the common shares underlying the special warrants.

Significant Financing and Equity Transaction – Subsequent Event

Private Placement

On March 27, 2006, the Company received the necessary approvals, and on March 28, 2006 completed a private placement for a total of 6,206,361 units, each unit consisting of one common share and one common share purchase warrant, at the issue price of \$12.89 per unit. The units are priced at market price, without discount, based on the 5-day volume weighted average trading price up to March 24, 2006, for total gross proceeds of approximately \$80 million. Each warrant is exercisable at a price of \$12.89, for a period of two years, up to and including March 28, 2008.

One of the places in this private placement was Ross McLeod Financial Corporation, a private company, the beneficial owner of which is Ross J. McLeod, the Chairman and Chief Executive Officer of the Company. Ross McLeod Financial Corporation subscribed for 3,878,976 Units. - See "DIRECTORS AND OFFICERS – Shareholdings of Directors and Senior Officers".

Amendment to Debt Facilities

On March 27, 2006, the Company reached an agreement with the lenders of its syndicated bank credit facility and holders of its Notes (collectively, the "Debt Facilities") to amend certain terms of the Debt Facilities. The Company and the holders of its Debt Facilities have agreed to increase the Company's Net Debt to Adjusted EBITDA ratio (defined terms in the Debt Facility agreements) to be: 3.50 or less at March 31, 2006, 3.25 or less at June 30, 2006, 3.00 or less at September 30, 2006, 2.75 or less from December 31, 2006 to December 31, 2007, and 2.50 or less after January 1, 2008.

The Company has further agreed to:

- pay one-time amendment fees totalling \$1.25 million to the holders of the Debt Facilities;
- increase the coupon rate on the Notes by 0.375% per annum for a period beginning April 1, 2006 and ending on the later of December 31, 2006 or the second consecutive quarter the Company maintains a Net Debt to Adjusted EBITDA ratio of 2.50 or less;
- increase the coupon rate on the Notes by an additional 0.75% over the 0.375% described above should the Company be subject to a further downgrade prior to December 31, 2007 by DBRS, such increased coupon rate of interest to end when the Company maintains a Net Debt to Adjusted EBITDA ratio of 2.50 or less for two consecutive quarters;
- not make any third party acquisitions, unless subsequent to the acquisition, the Company would have been in compliance with the original Net Debt to Adjusted EBITDA ratio; and
- issue sufficient equity to close by May 31, 2006 to notionally reduce the Net Debt to Adjusted EBITDA ratio to 2.75 or less at March 31, 2006.

Acquisitions During 2005

Acquisition of Orangeville

On March 18, 2005, we completed the acquisition of all of the issued and outstanding shares of Orangeville, which operates two standardbred racing facilities in British Columbia: Fraser Downs in Surrey and Sandown in North Saanich, for cash consideration of \$40 million. The assets of Orangeville included an FDC receivable of approximately \$15 million from BCLC. Fraser Downs in Surrey offers live standardbred horse racing nine months of the year, 430 slot machines, and provides offtrack betting year round. Sandown in North Saanich operates approximately 20 live race days per year, and offers offtrack betting year round.

Acquisition of Metropolitan Entertainment Group

On May 31, 2005, we completed the acquisition of 100% of the partnership interests in MEG, the Company's Nova Scotia Partnership which operates the Casino Nova Scotia Halifax and the Casino Nova Scotia Sydney, for cash consideration of US\$73.7 million (approximately CAD\$93.1 million). Casino Nova Scotia Halifax and Casino Nova Scotia Sydney are operated pursuant to the terms of the AROC.

Casino Nova Scotia Halifax operates 24 hours a day and is located on the downtown waterfront area of Halifax. The facility has over 32,000 square feet of gaming space and includes 758 slot machines, 39 table games, two licensed restaurants, a lounge, and 9,000 square feet of convention space. Casino Nova Scotia Sydney is attached to a sports complex in Sydney. This facility has approximately 16,000 square feet of gaming space and includes 385 slot machines, 7 table games, a licensed restaurant, and a lounge.

Effective July 1, 2005, MEG, the Company and the NSGC executed the AROC, pursuant to which the management fee payable by NSGC to MEG for the provision of services for the operation of the Sydney and Halifax casinos was determined at 55.5% of the total facilities' revenue, after deduction of 5%, for a capital improvement program fund (net 52.725%) to the Company. This management fee is subject to review if certain changes to operations prescribed or directed by the NSGC adversely affect expenses or revenues of MEG.

The Company is entitled to the repayment from NSGC of MEG's initial investment in building the casinos. There are two receivables totalling \$44 million which accrue interest on the outstanding balance at 12% and prime plus 1% per annum, respectively. The Company is repaid in monthly installments of \$1.2 million to April 2007, \$900,000 from May 2007 to April 2009, and \$200,000 in May 2009.

The AROC has a 10 year term and can be renewed for a further 10 years at the option of MEG. MEG has also been granted a right of first opportunity to negotiate with the NSGC with respect to any proposal to develop and operate a new racetrack/casino facility in Nova Scotia. Under the terms of the AROC, MEG must pay \$1 million on an annual basis (adjusted for inflation) to NSGC as a contribution toward the prevention and treatment of problem gaming in Nova Scotia.

Acquisition of Georgian Downs

On September 30, 2005, we completed the acquisition of all of the issued and outstanding shares of Georgian Downs Holdings Inc. and Georgian Downs, for cash consideration of \$25.8 million plus the assumption of debt of \$22.3 million. Georgian Downs operates a standardbred racecourse and slot machine facility in Innisfil, Ontario, located 45 minutes from Toronto. The facility offers live standardbred racing two days a week throughout the year and simulcast wagering 364 days a year. The facility has 451 slot machines owned and operated by the OLG. The acquisition was originally completed by a bare trustee on July 2, 2005, pending regulatory approvals.

Acquisition of Flamboro Downs

On October 19, 2005, we acquired all of the issued and outstanding shares of Flamboro Downs, for cash consideration of \$33.8 million plus the assumption of existing debt of approximately \$44.2 million. The acquisition and transaction costs were financed through cash on hand and a draw down on the Company's available credit facility. Flamboro Downs, 45 miles from Toronto, is located on an approximately 230 acre site in Flamborough, Ontario. Flamboro Downs has year-round live standardbred racing five days a week, and daily simulcast on-track wagering at five tele-theatre locations. The facility has 752 slot machines owned and operated by the OLG.

Current Projects

Bear Mountain

We plan to redevelop the land acquired in Dawson Creek into a community gaming centre, including a bingo hall with gaming space to allow up to a total of 125 slot machines, restaurants, entertainment facilities and tele-theatre areas. This development is expected to cost approximately \$11 million,

exclusive of land acquisition costs. We plan to develop this project in one phase and to open it in late 2006. We intend to continue to operate the existing casino through 2006 as we move forward with the planning, design, permitting and construction process. The Bear Mountain BOSA expired on January 12, 2006 and was extended to May 13, 2006. We expect to negotiate a long-term BOSA for Bear Mountain with the BCLC.

Boulevard Casino, Coquitlam

In 2004, we announced that GC Casinos had commenced the planning and design work for substantial additions to the gaming and non-gaming amenities, including construction of additional slot machine capability, table games, poker tables, and a theatre at our existing Boulevard facility. The construction of the expansion is now complete except for completion of the theatre, which is scheduled for a third quarter 2006 opening. The total estimated cost of the construction is approximately \$111 million.

Hastings Racecourse

On October 24, 2005, HEI received approval from the City of Vancouver's Development Permit Board for its proposed development permit application at Hastings Racecourse. The proposed development will be designed to include approximately 600 slot machines, restaurants and other amenities. The development is subject to the normal development permit approval process, including the issuance of demolition and building permits, and negotiation of an operating agreement with the City of Vancouver. See "Risk Factors – Leasehold Arrangements – City of Vancouver". We expect that the total project cost will be approximately \$40 million.

The City of Vancouver's decision to approve an amendment to its By-Law permitting slot machines at Hastings Racecourse is being challenged in a judicial review. See "Risk Factors – Litigation - Hastings Park Conservancy".

The majority of HEI's employees are unionized members of UNITE HERE! or COPE. New collective agreements with both unions were recently ratified for three year terms.

Metropolitan Entertainment Group

The Company has submitted a Business Plan for MEG to the NSGC, which contains a capital budget of approximately \$22 million principally for the replacement of old slot machine technology and operational improvement to the gaming floor. The Business Plan was approved by the Nova Scotia Cabinet on December 15, 2005, and will be implemented in 2006.

River Rock Casino Resort

On September 9, 2005, we officially opened River Rock, which features 222 guest rooms and suites in the hotel, a spa and fitness centre, approximately 1,000 slot machines, 94 table games, nine restaurants, lounges and bars, meeting facilities and a state-of-the-art performance theatre. We incurred approximately \$205 million in construction costs for River Rock.

Investments

Creation Casinos Inc.

On February 27, 2006, Creation announced that it ceased operations of its only operating asset, a casino in Lithuania, pending the outcome of a previously announced arbitration proceeding. As a result, the Company has fully written down the carrying values of its investment in Creation's common shares of \$90,000, and preference shares of \$7.4 million. As a result, the carrying values of these assets are \$Nil as at December 31, 2005, and \$7.5 million is included in loss on investments and properties in the consolidated statement of income. Notwithstanding the full write-down recorded, the Company will pursue all commercially reasonable means to recover its investment in Creation.

BUSINESS OF THE COMPANY

We are a multi-jurisdictional gaming company that has been operating for over 15 years. Our gaming and horse racing facilities are located in British Columbia, Ontario, Nova Scotia and Washington State. We operate casinos, thoroughbred and standardbred racecourses, a community gaming centre, hotel, theatre, and various food and beverage facilities. In Washington State, we operate four casinos, each of which also operates licensed restaurants. We employ approximately 5,300 people in our various operations.

Our Company's operations have diversified into non-casino activities, including horse racing, food and beverage, hospitality and entertainment products. EBITDA margins on non-gaming products are lower than those derived from gaming operations, and are expected to improve with additional revenues from co-ordinating events between racetracks, increased cross-marketing, promotions and expansion of tele-theatres. In addition, we expect that the achievement of full scale operations at food and beverage, hotel and theatre facilities, will allow us to achieve full economies of scale.

Industry Overview and Business Description

British Columbia

Legislative and Contractual Overview

The ownership and operation of casino gaming facilities in British Columbia are subject to the British Columbia *Gaming Control Act* and the regulations promulgated thereunder (the "British Columbia Act"), and various local regulations. Our gaming operations are subject to the licensing and regulatory control of GPEB and the Liquor Control and Licensing Branch of the Ministry of Public Safety and Solicitor General of British Columbia (collectively the "British Columbia Gaming Authorities").

The laws, regulations and supervisory procedures of the British Columbia Gaming Authorities are based upon declarations of public policy which are concerned with, among other things:

- the integrity of gaming;
- the prevention of unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- the establishment and maintenance of responsible accounting practices and procedures;
- the maintenance of effective controls over the financial practices of registrants;

- providing reliable record keeping and requiring the filing of periodic reports with the British Columbia Gaming Authorities; and
- the prevention of cheating and fraudulent practices in gaming.

We are registered and licenced by the British Columbia Gaming Authorities and are required to meet a high level of regulatory compliance under the terms and conditions of our gaming registration.

The British Columbia Gaming Authorities may investigate any individual who has a material relationship to, or material involvement with us and our subsidiaries in order to determine whether such individual is suitable. Officers, directors and certain key employees must file applications with the British Columbia Gaming Authorities and may be required to be registered or found suitable by the British Columbia Gaming Authorities. The British Columbia Gaming Authorities may deny an application for registration for any cause which they deem reasonable. Changes in registration positions must be reported to the British Columbia Gaming Authorities and, in addition to their authority to deny an application for a finding of suitability or registration, the British Columbia Gaming Authorities have jurisdiction to disapprove a change in a corporate position.

Any beneficial holder of our voting securities, regardless of the number of shares owned, may be required to file an application, be investigated and have his/her suitability as a beneficial holder of our voting securities determined if the British Columbia Gaming Authorities have reason to believe that such ownership would otherwise be inconsistent with the declared policies of the province.

Changes in control of the Company through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby he/she obtains control, may not occur without the prior approval of the British Columbia Gaming Authorities and the BCLC.

The BCLC conducts gaming operations in the province and engages gaming service providers to operate the casinos on their behalf under certain standard terms and conditions of the Operational Services Agreements.

The BCLC maintains a physical presence at each of our British Columbia locations and supplies equipment to us for use in gaming activities. The revenue sharing model between BCLC and us is set out in the COSAs with our operating subsidiaries. See “Risk Factors – Operational Services Agreements”.

Casino Games

The casino 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 are matters within the discretion of the Government of British Columbia. Host municipalities can restrict the types of games in casinos through land use bylaws and zoning restrictions.

COSAs

Each of GC Casinos’ gaming facilities in British Columbia, as well as the Jack O’Clubs facility in Wells, BC, is operated pursuant to COSAs with the BCLC.

Under the COSAs, the BCLC supplies gaming equipment and supplies to enable GC Casinos and Jack O'Clubs to perform the operational services set out in the COSAs. The remuneration from the operational services provided is currently calculated as follows:

- (a) 25% of slot machine win; and
- (b) 40% of the win on most table games, less 1.0% of such win on account of, and to reimburse the BCLC for gaming equipment and gaming supplies supplied by the BCLC.

From the commencement of the River Rock COSA, GC Casinos also contributes an amount that will be used by BCLC for the purpose of funding marketing programs to promote casinos in British Columbia. The amount is equal to 0.75% of the win on all casino games and slot machines at River Rock up to March 31, 2006, and 1.5% of the win on all casino games and slot machines at River Rock, starting from April 1, 2006 to the last day of the term of the River Rock COSA, or if exercised, to the last day of the extension option. A marketing fund requirement identical to River Rock applies to Boulevard, effective November 17, 2005. Similarly, View Royal and Nanaimo are required to contribute to the marketing fund an amount of 0.5% as of July 1, 2005.

The slot machine operations at Fraser Downs are governed by the RCOSA. Under the Fraser Downs RCOSA, we will retain 20% of the win from slot machines. In addition, a further 10% of the win from slots will be added to increase purses and to support horse breeding programs. The RCOSA also requires us to expend an amount equal to or greater than 2% of the win at Fraser Downs towards marketing programs each year. We anticipate entering into a RCOSA with the BCLC for Hastings Racecourse and Sandown, and we anticipate these contracts to be settled along similar terms.

A facility development fee, equal to 3% of the win at casinos, 5% of the win on slot machines at racetracks, 3% of the win on slot machines, and 5% on bingo revenues net of prizes at community gaming centres, are deposited in the FDC, and is available for reimbursement of development expenditures and operating costs incurred under a business plan approved by the BCLC. In connection with the GC Casino COSAs and the GC Entertainment BOSA, we have provided letters of credit to the BCLC, for an aggregate of \$22.4 million to secure casino floats.

Each GC Casino COSA has a 10 year term ending on February 28, 2011, except for the COSA at River Rock, which ends June 23, 2014, and Coquitlam, which ends on November 16, 2015, with all the COSAs renewable for a further 10 years. The Jack O'Clubs COSA has a 10 year term, ending June 19, 2012, and is renewable for a further 10 years. There is no further right of renewal for any of the COSAs. The option to renew a COSA 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 the BCLC, and there having been no change to gaming policy that materially adversely impacts on the gaming model reflected in the COSA.

Community Gaming Centre

GC Entertainment operates Bear Mountain under an interim contract with approval from the BCLC, pursuant to which the BCLC supplies the equipment and supplies for GC Entertainment to operate Bear Mountain. We expect to execute a BOSA with the BCLC by the time the new facility opens in 2006. The remuneration under the new contract will be calculated as follows:

- (a) 25% of slot machine wins; plus

- (b) the aggregate of
- (i) 60% of bingo win on the first \$20,000 of the weekly bingo win,
 - (ii) 40% of the weekly bingo win in excess of \$20,000 up to and including \$80,000 of the weekly bingo win, and
 - (iii) 25% of the weekly bingo win in excess of \$80,000.

In addition, a new incremental FDC will be available to community gaming centres at 10%/8%/6% based on bingo revenue tiers. This FDC is in addition to the existing 5% bingo FDC, based on bingo revenue tiers of 60%/40%/25%, and 3% slot FDC, and applies only to the initial construction costs in Dawson Creek.

GC Entertainment is also required to spend in each fiscal year an amount equal to or greater than 1% of the slot machine win generated in a fiscal year on marketing programs in accordance with marketing plans submitted to and approved by the BCLC.

Horse Racing

We are subject to the Criminal Code of Canada (the “Criminal Code”), the British Columbia *Gaming Control Act* and the regulations promulgated thereunder, in our horse racing operations. We are also subject to the Pari-Mutuel Betting Supervision Regulations and the terms and conditions of licences, permits and registrations. Pari-mutuel betting and the conducting of live horse race meetings in British Columbia is regulated by GPEB and CPMA.

Through subsidiaries, we are registered by GPEB to conduct horse race meets at Fraser Downs, Sandown and Hastings Racecourse. The CPMA has issued a permit to each of Fraser Downs, Sandown and Hastings Racecourse to conduct pari-mutuel betting and separate licences to Fraser Downs, Sandown and Hastings Racecourse to conduct pari-mutuel betting at various betting theatres in the province. We have agreements with each betting theatre licenced to conduct pari-mutuel betting of races at our racetracks.

Revenues generated from horserace wagering, including those arising from tele-theatre betting, are split among the province, the track where the race occurs and the horse breeding and racing associations. The horse racing associations, including the Horseman’s Benevolent and Protective Association of B.C. and the B.C. Standardbred Association, work closely with us to maintain the integrity of horse racing in the province.

Nova Scotia

The ownership and operation of casino gaming facilities in Nova Scotia are subject to the Nova Scotia *Gaming Control Act* and the regulations promulgated thereunder (the “Nova Scotia Act”), and various local regulations. Our gaming operations are subject to the registration and regulatory control of NSAGD.

The laws, regulations and supervisory procedures of the NSAGD are based upon declarations of public policy which, as in British Columbia, are concerned with, among other things:

- the integrity of gaming;
- the prevention of unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;

- the establishment and maintenance of responsible accounting practices and procedures;
- the maintenance of effective controls over the financial practices of registrants;
- providing reliable record keeping and requiring the filing of periodic reports with the NSAGD; and
- the prevention of cheating and fraudulent practices in gaming.

Through MEG, we are registered by the NSAGD as a casino operator. Our registration is not transferable. We are required to periodically submit detailed financial and operating reports to the NSAGD and furnish any other information which the NSAGD may require.

The NSAGD may investigate any individual who has a material relationship to, or material involvement with us and our subsidiaries, in order to determine whether such individual is suitable, or should be registered as our business associate. Officers, directors and certain key employees must file applications with the NSAGD, and may be required to be licensed or found suitable by the NSAGD. The NSAGD may deny an application for licensing for any cause which they deem reasonable. Changes in registration positions must be reported to the NSAGD and, in addition to their authority, to deny an application for a finding of suitability, the NSAGD has jurisdiction to disapprove a change in a corporate position.

Any beneficial holder of our voting securities, regardless of the number of shares owned, may be required to file an application, be investigated and have his/her suitability as a beneficial holder of our voting securities determined if the NSAGD has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the province.

Changes in control of our Company through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby he/she obtains control, may not occur without the prior approval of the NSAGD. Entities seeking to acquire control of a registered corporation must satisfy the NSAGD prior to assuming control of such registered corporation. The NSAGD may also require controlling shareholders, officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction.

The NSGC, a crown corporation of the Province of Nova Scotia, is responsible for the conduct and management of gaming in the province. The Casino Nova Scotia Halifax and Casino Nova Scotia Sydney operate pursuant to the AROC. See “General Development of the Business – Acquisitions During 2005 – *Acquisition of Metropolitan Entertainment Group*”.

Ontario

The ownership and operation of casino gaming facilities in Ontario are subject to the Ontario *Gaming Control Act* and the regulations promulgated thereunder, and various local regulations. Our gaming operations are subject to the licensing and regulatory control of the AGCO.

The laws, regulations and supervisory procedures of the AGCO are based upon declarations of public policy which, as in British Columbia, are concerned with, among other things:

- the integrity of gaming;
- the prevention of unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity;
- the establishment and maintenance of responsible accounting practices and procedures;
- the maintenance of effective controls over the financial practices of licensees;

- providing reliable record keeping and requiring the filing of periodic reports with the AGCO; and
- the prevention of cheating and fraudulent practices in gaming.

We are required to be, and are, registered by the AGCO. We are registered as a gaming services provider for Flamboro Downs and Georgian Downs. A gaming registration is not transferable.

The AGCO may investigate any individual who has a material relationship to, or material involvement with, us and our subsidiaries in order to determine whether such individual is suitable. Officers, directors and certain key employees must file applications with the AGCO and may be required to be registered or found suitable by the AGCO. The AGCO may deny an application for registration for any cause which they deem reasonable. Changes in registration positions must be reported to the AGCO and, in addition to their authority to deny an application for a finding of suitability or registration, the AGCO has jurisdiction to disapprove a change in a corporate position.

Any beneficial holder of our voting securities, regardless of the number of shares owned, may be required to file an application, be investigated and have his suitability as a beneficial holder of our voting securities determined if the AGCO has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the province.

Changes in control of the Company through merger, consolidation, stock or asset acquisitions, management or consulting agreements, or any act or conduct by a person whereby he obtains control, may not occur without the prior approval of the AGCO, OLGC and ORC.

The OLGC, a crown corporation of the Province of Ontario, is responsible for the management and conduct of gaming in the province. Pursuant to Site Holder Agreements, Georgian Downs and Flamboro Downs lease a portion of their racetrack facilities to the OLGC to enable the OLGC to conduct, manage and operate its slot machines.

In Ontario, the Company, through wholly owned subsidiaries, owns and operates two racetracks and live racing facilities. Horse racing is subject to the *Racing Commission Act* and rules thereunder.

The *Racing Commission Act* is designed, among other things, to:

- ensure the integrity of horse racing in Ontario;
- support the viability of horse racing in Ontario;
- encourage the development of horse racing with pari-mutuel wagering;
- encourage the breeding and ownership of race horses in Ontario;
- regulate the business of racing horses and to provide the orderly conduct of racing; and
- provide a program for the regulation, ownership, possession, licensing, keeping, breeding and inoculation of horses.

Pari-mutuel betting and the conducting of live horse race meetings in Ontario are strictly regulated by the ORC. Through subsidiaries, we are licenced by the ORC to conduct live standardbred race meets at Flamboro Downs and Georgian Downs. The CPMA has issued a permit to each of Flamboro Downs and Georgian Downs to conduct pari-mutuel betting and separate licences to Flamboro Downs and Georgian Downs to conduct pari-mutuel betting at various betting theatres in the province. We have agreements with each betting theatre licenced to conduct pari-mutuel betting on our racetracks. The Ontario horsemen collect 10% of the net win from the OLGC's operation of slots at Flamboro Downs and Georgian Downs.

In Ontario, we have Site Holder Agreements with the OLGC in respect of Flamboro Downs and Georgian Downs, governing the terms under which we provide facilities to the OLGC, for the operation of the slot machines. Pursuant to the Site Holder Agreement, the OLGC pays the Company 20% of the weekly net win from each of Flamboro Downs and Georgian Downs, half of which is held for the Horseman's Associations (OHHA) for prize monies.

Also as set out under "RISK FACTORS – Competitive Conditions - Ontario" to this Annual Information Form, the gaming industry in Ontario is highly regulated and controlled, effectively creating a barrier to entry. Gaming in Ontario exists principally in three forms:

1. Commercial destination casinos, such as Casino Rama and Casino Windsor. The OLGC owns and maintains authority over these casinos, but their operations are subcontracted out to approved gaming suppliers;
2. Charity casinos, such as the Great Blue Heron Charity Casino and the Thousand Islands Charity Casino. The OLGC owns and operates these casinos; and
3. Racinos, such as Georgian Downs, Flamboro Downs and Woodbine Racetrack. Racinos are slot operations owned and operated by the OLGC, and exist within horse racing facilities owned by the private sector or non profit organizations. Site Holder Agreements with the racetrack owners govern the OLGC's ability to operate slots at these locations.

Operations in Canada

The following table summarizes the Company's casino operations and the current approved operational levels as at December 31, 2005:

Name	Location	Slot Machines	Table Games	Daily Operational Hours	Operating Agreements Expiry Date ⁽ⁱ⁾
British Columbia					
Boulevard (Coquitlam) ⁽⁴⁾	Coquitlam, BC	950	70	24	11/16/2015
Holiday Inn Broadway	Vancouver, BC	-	36	20	02/28/2011
Nanaimo	Nanaimo, BC	380	12	16	02/28/2011
River Rock ⁽⁵⁾	Richmond, BC	1,000	94	24	06/23/2014
View Royal	View Royal, BC	425	24	18	02/28/2011
Fraser Downs	Surrey, BC	430	-	17.5 – 24	03/31/2014
Bear Mountain ⁽²⁾	Dawson Creek, BC	80	-	14 – 16	05/13/2006
Jack O'Clubs (Seasonal) ⁽³⁾	Wells, BC	80	-	8	06/20/2012
Nova Scotia					
Casino Nova Scotia Halifax	Halifax, NS	758	39	24	07/01/2015
Casino Nova Scotia Sydney	Sydney, NS	385	7	16 – 24	07/01/2015
Ontario					
Georgian Downs ⁽⁶⁾	Innisfil, ON	451	-	18 – 24	11/26/2011
Flamboro Downs ⁽⁶⁾	Flamborough, ON	752	-	18 – 24	10/10/2010
		<u>5,691</u>	<u>282</u>		
Approved Additional Expansions:					
Hastings Racecourse ⁽⁷⁾	Vancouver, BC	600	-		
Sandown ⁽⁸⁾	North Saanich, BC	200	-		
Bear Mountain	Dawson Creek, BC	45	-		
		<u>6,536</u>	<u>282</u>		

- (1) With the exception of Bear Mountain, subject to renewal terms, at the option of the Company, for 10 years in British Columbia and Nova Scotia. Subject to renewal terms, at the option of the OLG, for five years in Ontario.
- (2) The Company is currently in negotiations with the BCLC for a new 10 year operating agreement for Bear Mountain, which is expected to be in effect on opening of the permanent facility.
- (3) Seasonal operations, open during summer months only. Currently closed.
- (4) Approved to operate up to 1,000 slot machines.
- (5) Subsequent to year-end, increased operating tables to 110 and decreased operating slots to 918.
- (6) Operates under Site Holder Agreements with the OLG for OLG to operate slots.
- (7) Implementation of slots dependent on the conclusion of operating agreement and construction timetable. See "Current Projects – Hastings Racecourse" and "Litigation – Hastings Park Conservancy".
- (8) Subject to normal development permit process and rezoning.

The following summarizes our horse racing operations and current operational levels as at December 31, 2005:

Name	Location	Number of Annual live race days	Simulcast betting
British Columbia			
Hastings Racecourse	Vancouver, BC	82	Yes
Fraser Downs	Surrey, BC	84	Yes
Sandown	North Saanich, BC	24	Yes
Ontario			
Georgian Downs	Innisfil, ON	117	Yes
Flamboro Downs	Flamborough, ON	258	Yes
		565	

Washington State

In Washington State, the WSGC is authorized under the *Revised Code of Washington, Gambling – 1973 Act*, Title 9, c. 9.46, to licence charitable and commercial interests to conduct gaming activity. Washington State gaming operations are subject to stringent scrutiny by the 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. Licences must be renewed annually. Any loans (other than financial institution loans) must be approved by the WSGC prior to completion. Under the *Washington Administration Code*, any person holding a 5% or greater interest in any entity engaged in the gaming industry, requires WSGC registration. 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. Since July 1, 2004 the bet limits on up to three of 15 tables per location have been increased to US\$200. Beginning February 17, 2006, bet limits of \$200 will be permitted on all tables. The facilities also have pull tab operations, amusement games and licensed lounges which serve alcohol. Gaming revenue for our U.S. casinos is net of county gaming taxes at various rates ranging from 10% to 11% for card and progressive jackpot games, 5% on pull tabs, 2% on amusement games and 1.6% to Washington State.

Through subsidiaries, we hold Service Supplier Licenses issued by the WSGC to operate our four commercial casinos. Each location operates the maximum 15 tables and provides food and beverage services.

We intend to improve the profitability of our Washington operations and are working to maximize operational efficiencies. We are currently the only foreign casino operator in Washington State. We believe that we are well-positioned to receive the maximum benefits from any positive future changes that affect the types of operations in which we are involved.

The following summarizes our gaming facilities and current operational levels as at December 31, 2005:

Name	Location	Table Games	Daily Operational Hours
Great American Casino Everett	Everett, WA	15	20
Great American Casino Kent	Kent, WA	15	20
Great American Casino Lakewood	Lakewood, WA	15	20
Great American Casino Tukwila	Tukwila, WA	15	20
		60	

RISK FACTORS

Competitive Conditions

British Columbia

Over the past year, there have been a number of changes in the gaming environment and competitive marketplace in British Columbia. The BCLC has encouraged the consolidation and development of modern facilities through various initiatives. We believe we have a market advantage through our superior products, facilities and physical locations. There are 18 casinos in the province, seven of which are located in the Lower Mainland (Greater Vancouver Regional District) and there are three racetracks, two of which are located in the Lower Mainland, and one that contains slot machines. Within the Lower Mainland, we own and operate three casinos and two racetracks.

Over the past year, the gaming environment and competitive gaming landscape in British Columbia has undergone significant change and expansion. Following the June 2004 opening of River Rock, our local competitors have opened two new facilities and expanded an existing one, adding 1,329 slots and 12 table games to the market. As a result, the number of slots and table games in the area increased by 162% and 10%, respectively.

We believe that the British Columbia, and particularly the Greater Vancouver area, population is underserved in gaming. The BCLC has estimated that the British Columbia casino gaming win will grow to \$1.23 billion by fiscal year ended March 31, 2009, from \$893 million for its fiscal year ended March 31, 2006. Expansions approved by the BCLC are expected to align the provincial win per capita to a level nearer the Canadian average.

When our Hastings Racecourse development is completed, we do not expect there to be a further expansion of gaming within the Greater Vancouver area until the second half of 2007. On Vancouver Island where we have two casinos and little or no competition, revenues have grown by 15% over the prior year.

We believe our investments in modern, best-in-class facilities have given us a competitive advantage and the ability to increase our revenue. We expect that River Rock and Boulevard will allow us to target the underserved tourism sector.

Ontario

In early 2005, the Ontario government announced that no new casinos would be approved and there would be an increased focus on responsible gaming and a commitment to ensuring the competitiveness of Ontario's gaming industry.

There are four commercial casinos, 16 racetracks with slot machines, and two racetracks without slot machines in Ontario. Our direct competitors are Casino Niagara, Niagara Fallsview Casino Resort, Casino Rama, Woodbine Racetrack and Mohawk Racetrack, which offer a combination of horse racing, slot machines and table gaming.

The gaming industry in Ontario is highly regulated and controlled, effectively creating a barrier to entry. Gaming in Ontario exists principally in three forms:

1. Commercial destination casinos, such as Casino Niagara, Niagara Fallsview Casino Resort, Casino Rama and Casino Windsor. The OLGC owns and maintains authority over these casinos, but their operations are subcontracted out to approved gaming suppliers;
2. Charity casinos, such as the Great Blue Heron Charity Casino and the Thousand Islands Charity Casino. The OLGC owns and operates these casinos; and
3. Racinos, such as Georgian Downs, Flamboro Downs and Woodbine Racetrack. Racinos have slot operations owned and operated by the OLGC, and exist within horse racing facilities owned by the private sector or non profit organizations. Site Holder Agreements with the racetrack owners govern the OLGC's ability to operate slots at these locations.

Nova Scotia

In Nova Scotia, we operate the only two full service casinos in the province, however there is competition from Video Lottery Terminals ("VLTs") which are permitted in licensed liquor establishments, curling clubs and on Indian territory. Table games are only permitted at Casino Nova Scotia Halifax and Casino Nova Scotia Sydney, and as such, there is little competition in that province for table games or full service casino experiences.

The government of Nova Scotia has announced a plan to reduce the accessibility to VLTs by removing 30% or approximately 1,000 VLTs from around the province, and by reducing the hours of VLT operation. The plan to remove the VLTs is focused on licensed liquor establishments. As of November, 2005, 800 VLTs had been removed. There is no indication that slots at our casinos will be affected.

Washington State

The competitive environment in Washington is also highly regulated but does not have the same significant barriers to entry for commercial casinos as in British Columbia, Ontario and Nova Scotia. Competition among commercial casinos is abundant and widely spread out among mostly single and several multi-location operators. Tribal casinos, with their ability to offer electronic gaming devices such as slots, have a significant advantage over commercial casino operators. Additionally, tribal casinos are not subject to the same taxation level as non-tribal casinos, which allows for a competitive advantage.

On-Line Gaming

On-line gaming/gambling on the Internet offer a variety of games such as on-line poker and blackjack, the two most popular on-line games, is a readily assessable activity in Canada. Worldwide Web-enabled technology allows individuals to gamble on-line, and make payments to foreign on-line gambling companies with credit cards and through other electronic payment methods. On-line gambling is unregulated in Canada and is conducted mostly by off-shore operators. Pursuant to the Criminal Code, on-line gambling can only be conducted in Canada by provincial governments. As far as we are aware, Canadian and provincial regulatory authorities have not initiated any action to restrict or prevent access by Canadians to on-line gambling sites. In the United States, the Department of Justice has made attempts to restrict credit card companies from processing payments to on-line gambling service providers and has prosecuted advertisers who accept advertising from on-line gambling services. We believe that on-line gaming has not materially impacted our operations but we are unable to assess the impact that on-line gaming might have to our future operations.

Employees

The Company employs approximately 5,300 employees in its gaming and entertainment operations in British Columbia, Ontario and Nova Scotia, Canada, and Washington State, United States of America..

The majority of HEI's employees are unionized members of UNITE HERE! or COPE. Collective agreements covering both unions expired in the first and third quarter of 2005 respectively. The Company and the unions concluded negotiations and have ratified new three year collective agreements.

Georgian Downs' employees were unionized by PSAC in November, 2004, prior to our acquisition. Employees covered by the certification include food and beverage, pari-mutuel workers and certain other hourly workers. Negotiations are currently underway for a first collective agreement.

Flamboro Downs' employees were unionized by SEU, prior to our acquisition. Employees covered by the certification include food and beverage, pari-mutuel workers and certain other hourly workers. Their collective agreement expires on December 31, 2006.

The following is a synopsis of the material risks associated with our business and our subsidiaries:

Indebtedness

Risks related to our indebtedness could adversely affect our operations. We had approximately \$442 million of long-term debt at December 31, 2005. Our indebtedness requires periodic payments of interest and principal as outlined in our Consolidated Financial Statements.

Long-term indebtedness could increase in connection with the capital expenditures we anticipate making as a result of our planned expansion, development and renovation projects. Our substantial level of indebtedness could have important consequences. For example, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, which would reduce the availability of our cash flow to fund working capital, capital expenditures, expansion efforts and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds. Failure to comply with these covenants could result in an event of default which, if not cured or waived, could have a significant adverse effect on us.

Changes to our business and the incurrence of additional indebtedness in the future could cause downgrading of our credit rating, which could have a material adverse effect on our business, financial condition and results of operations, as well as on our ability to raise additional indebtedness.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

We may need to refinance all or a portion of our indebtedness, at maturity, and cannot provide assurance that we will be able to refinance any of our indebtedness, including our bank credit facility and the Notes, on commercially reasonable terms, or at all. We could have to adopt one or more alternatives, such as

reducing or delaying planned expenses and capital expenditures, selling assets, restructuring debt, or obtaining additional equity or debt financing or joint venture partners.

Maintaining Covenants under Debt Facilities

The Trust Indenture between the Company and BNY Trust Company of Canada, relating to the Notes requires the Company to maintain certain financial covenants. The financial covenants were (capitalized terms are defined in the Trust Indenture):

- (a) a Net Debt to Adjusted EBITDA Ratio of not greater than 3.25:1.00 until December 31, 2005, and 2.75:1.00 from January 1, 2006 to December 31, 2006, and 2.50:1.00 thereafter, such ratio to be tested quarterly as at the end of each Fiscal Quarter on a rolling four Fiscal Quarters basis; and
- (b) an Interest Coverage Ratio of not less than 3.50:1.00, such ratio to be tested quarterly as at the end of each Fiscal Quarter on a rolling four Fiscal Quarters basis.

Similar requirements exist under the credit facility between the Company and its lenders.

On March 27, 2006, the Company and the holders of its Notes and lenders to the credit facility agreed to increase the Company's Net Debt to Adjusted EBITDA ratio (defined terms in the credit facility agreements) to be: 3.50 or less at March 31, 2006, 3.25 or less at June 30, 2006, 3.00 or less at September 30, 2006, 2.75 or less from December 31, 2006 to December 31, 2007, and 2.50 or less after January 1, 2008.

If the Company breaches these financial covenants, the Company could be required to redeem all outstanding Notes together with interest and contractual penalties, and repay amounts outstanding under the credit facility. The Trust Indenture, and amendments thereto, will be filed as material contracts at www.sedar.com and are listed under the heading "Material Contracts".

Litigation – Hastings Park Conservancy

On November 2, 2005, the Hastings Park Conservancy filed a petition in the Supreme Court of British Columbia seeking an Order to quash the City of Vancouver By-law amendment permitting slot machines at Hastings Racecourse. A Hearing is scheduled for April, 2006. The Company is not a party to this action and may, in the course of the litigation, seek intervener status. If the Hastings Park Conservancy is successful in its action to quash the By-law amendment we would be required to reapply for rezoning and complete the By-law amendment and rezoning process, including undergoing a public hearing process again. This would result in a significant delay in the development of Hastings Racecourse. Approval for another By-law amendment may not be possible and we may lose our ability to operate Hastings Racecourse profitably and our investment in HEI could be materially adversely affected. Management of the Company is of the view that this action will not be successful.

Operational Services Agreements

Our casino and community gaming centre operations are conducted pursuant to Operational Services Agreements with the BCLC, OLGC and the NSGC. Although the agreements are renewable after the expiry of the initial term, there is no guarantee that we will satisfy the conditions precedent for 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.

Under the Operational Services Agreements, the BCLC, the OLGC and the NSGC may suspend or terminate our right to provide services under the agreements for certain specified reasons. The Operational Services Agreements also state that we have no authority to operate in a manner inconsistent with the Criminal Code. If the current gaming framework established under provincial gaming legislation was challenged and found to be contrary to the Criminal Code, we would be in breach of our Operational Services Agreements. To date, no legal challenge to provincial gaming legislation has been launched; however, there is no assurance that a challenge will not be launched, or if launched, will not be successful.

Washington State Service Supplier Licenses

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

Bear Mountain

The BOSA for Bear Mountain expired on January 12, 2006, and was extended until May 13, 2006 to allow time for the negotiation of a new BOSA. The Company's ability to renew the BOSA after the initial term is subject to a number of conditions. While we expect that the BOSA for Bear Mountain will be renewed, there is no assurance that all of the conditions will be satisfied.

Flamboro Downs – Renewal of Site Holder Agreement

The Site Holder Agreement for Flamboro Downs became effective October 10, 2000, for an Initial Term of 5 years and with 2 – 5 year extensions. The Initial Term automatically renewed to the first extension of five years on October 10, 2005, and will automatically renew for a second extension of five years on October 10, 2010. The second extension is an auto renewal, unless notified by the OLGC 6-12 months in advance of end of the first extension. With notification, new terms can be negotiated for the remaining five years, or the OLGC can deliver final notice of intent not to renew.

Georgian Downs – Renewal of Site Holder Agreement

The Site Holder Agreement for Georgian Downs became effective November 26, 2001 for an Initial Term of five years, and with 2 - 5 year extensions. The Initial Term will automatically renew for a first extension of five years on November 26, 2006, and will automatically renew for a second extension of five years on November 26, 2011. The second extension is an auto renewal unless notified by the OLGC 6-12 months in advance of end of the first extension. With notification, new terms can be negotiated for the remaining five years, or the OLGC can deliver final notice of intent not to renew.

While we do not expect there will be any reason why the Site Holder Agreement will not be renewed, there is no assurance that the terms will be extended for the two renewal terms.

Potential Undisclosed Liabilities and Capital Expenditures Associated with Acquisitions

In connection with our recent acquisitions, there may be liabilities such as environmental liabilities that were not discovered, or we were unable to quantify in our due diligence. We may not be indemnified by the vendors of such acquired assets for some or all of these liabilities. In addition, there may be capital expenditure requirements that we failed to discover, or that we were unable to quantify in our due diligence, which amounts may be material. The discovery of any material liabilities or capital

expenditure requirements could have a material adverse effect on the Company's business, financial condition or future prospects.

Although the vendors in each of the acquisitions have agreed to indemnify the Company for certain losses, there is no assurance that the vendors will have sufficient funds available to satisfy the indemnities if called upon to do so.

Management of Expanding Operations

As a result of our recent acquisitions and expansions, significant demands have been and will be placed on our managerial, operational and financial personnel and systems. In particular, the demands on our operational and accounting information systems and controls and other accounting systems, have grown rapidly with our expanding operations. No assurance can be given that our systems, procedures and controls will be adequate to support the expansion of our operations resulting from the acquisitions. While we are taking significant actions to improve internal systems and controls, future operating results could be affected by the ability of our officers and key employees to manage changing business conditions and acquisitions, and to implement and improve operational and financial controls and reporting systems.

Non-realization of Cost Reductions and Synergies

Our acquisitions involve the integration of entities that previously operated independently. No assurance can be given that the combined operations resulting from the acquisitions will realize anticipated cost reductions and synergies, or that other benefits expected from the acquisitions will be realized.

Leasehold Arrangements – City of Vancouver

Our HEI lease with the City of Vancouver expired in 2004 and has not yet been renewed. HEI currently occupies the Hastings Racecourse as an overholding tenant while a new lease is being negotiated. The City of Vancouver has indicated the leasehold interest to be integral to the overall project development. There is no guarantee that we will secure a long-term lease on favourable terms, or at all.

Ability to Utilize or Add Slot Machines

Municipalities currently have the right 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 right could also have a negative impact on our possible expansions or acquisitions.

Government Restrictions

The conduct of gaming is within the authority of the provincial government, to the extent permitted by the Criminal Code. The British Columbia government has halted the expansion of gaming in the province. Relocation and improvement of existing facilities appear to be the only viable means of expansion. It is uncertain how long this policy will last and whether gaming in the province may be further reduced.

The government may also pass legislation or adopt policies that have the effect of restricting gaming, or the involvement of private casino operators therein. Possible restrictions 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.

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 possible expansions or acquisitions.

No Guarantee of Expansion

We are often presented with opportunities 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 take advantage of such opportunities. Such factors include the availability of financial resources, the capacity and ability of management and systems, 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 Canada and Washington State, while we have influence over the mix of table games and slot machines in our Canadian casinos, it is subject to BCLC, OLGC and NSGC approval. Regulation of the gaming industry could change at any time and could adversely impact our casino operations.

We are subject to a variety of regulations in the jurisdictions in which we operate. If additional gaming regulations are adopted in jurisdictions in which we operate, such regulation could impose restrictions or costs that could have a significant adverse effect on us, including adverse effects on our business, financial condition and results of operations. If it was determined that any of our operating subsidiaries violated any gaming legislation, the gaming registrations they hold could be limited, conditioned, suspended or revoked. In addition, we and the persons involved could be subject to substantial fines. Restrictions on our gaming registration in any jurisdiction could have a significant adverse effect on our business, financial condition and results of 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 in various properties 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 operations personnel. Our employees may voluntarily terminate their employment with us at any time. Competition for qualified employees in the industry is intense. 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.

Aboriginal Claims

Most of British Columbia is subject to unresolved claims of aboriginal rights or title. The governments of Canada and British Columbia are engaged in treaty negotiations with aboriginal groups throughout British Columbia. The negotiation process is administered by the British Columbia Treaty Commission. The negotiations have gone on for a number of years. We are not in a position to assess what treaties, if any, may be made or how they might affect our operations. The treaties may result in increased aboriginal involvement in management of lands on which we conduct operations.

Recent Supreme Court of Canada decisions determined that the provincial government has a legal duty to consult with, and where appropriate, seek to accommodate, any aboriginal group that has a prima facie aboriginal interest that may be affected by an authority authorized by the government. 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 aboriginal claims will not affect our operations.

Impact of Smoking Ban

Ontario, Nova Scotia and Washington State have recently introduced or proposed smoking bans in public venues which may adversely affect our operations and revenues in those jurisdictions and we do not know what impact, if any, a smoking ban may have on our operations.

Interest Rate Risk

Our exposure to changes in interest rates results from investing and borrowing activities undertaken to manage our liquidity and capital requirements. We have incurred indebtedness that bears interest at fixed and floating rates. There can be no assurance that we will not be materially adversely effected by interest rate changes in the future.

Reimbursement of FDC

We estimate that the reimbursements for FDC from the BCLC will be collected over a period of approximately 16 years. Including the renewal terms at our option, the operating agreements under which this FDC is recoverable expire at various dates between 2021 and 2025. Full reimbursement of the FDC receivable balance at year-end December 31, 2005 will depend on the renewal of these agreements over the estimated collection period. If the amount or timing of future reimbursements differs significantly from our estimates, the values of the FDC receivable and accretive income could differ from those recorded in the Consolidated Financial Statements.

DESCRIPTION OF CAPITAL STRUCTURE

General Description of Capital Structure

Common Shares

Each common share carries the right for the holder 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 liquidation, dissolution or winding up of the Company.

Constraints

Through the Operational Services Agreements, the BCLC and the NSGC restrict share ownership of its service providers. Any person or group of persons owning a significant interest in our shares must obtain BCLC and NSGC 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.

Certain constraints and conditions on ownership of common shares are imposed by the *Gaming Control Act* (Washington State), the *Gaming Control Act* (British Columbia), the *Gaming Control Act, 1992* (Ontario) and the *Gaming Control Act* (Nova Scotia) and by the COSAs, Site Holder Agreements and the AROC. In particular:

- any person holding 5% or greater interest in the Company must be registered with the WSGC and must provide the WSGC with full disclosure of personal and financial information;
- approval of the GPEB is required for the acquisition of a 5% or greater interest in the Company;
- prior consent of the BCLC and the NSGC is required for the acquisition of a Significant Interest in the Company and for the disposition of any portion of a Significant Interest;
- any person holding 5% or greater interest in the Company (on a diluted or undiluted basis) must be registered with the AGCO and the Company must provide the AGCO with full disclosure of personal and financial information for the same; and
- the Company must file a disclosure form with the Director of Registration (Nova Scotia) within 15 days of: a person acquiring a beneficial interest in the business of the operator of a casino; a person exercising control, either directly or indirectly, over the business of the operator of a casino; or a person providing financing, whether directly or indirectly, to the business of the operator of a casino.

The Articles of the Company contain specific provisions (the “Share Constraints”) restricting the ability of a shareholder to acquire or to dispose of common shares in a manner that would contravene the above constraints, and permitting the Company to implement stop transfers or to seek injunctive or other relief to ensure compliance with the above constraints. The Share Constraints are described in Appendix 1 to this Annual Information Form. In addition, the Company has agreed with the NSGC to amend the Articles of the Company to require the prior consent of the NSGC for the acquisition or disposition of a Significant Interest. The Company will propose that shareholders of the Company approve such amendment to the Articles of the Company at the Company’s next annual general meeting.

Restrictions

In connection with the COSAs signed on March 1, 2001, June 24, 2004 and November 17, 2005, between the BCLC and GC Casinos, and as a result of certain provisions of the *Gaming Control Act* (British Columbia) pertaining to share ownership, the Company amended its Articles of Incorporation to add certain restrictions on share ownership, together with certain notice and approval requirements for persons proposing to acquire or dispose of shares of the Company. The foregoing restrictions have been incorporated into the Company’s Articles under Sections 25 and 26, the text of which are reproduced in Appendix 1 attached to this Annual Information Form.

On March 19, 2004, our common shares were listed on the TSX under the symbol “GCD”. Prior to March 2004, our common shares were listed on the TSX-V. The Company does not have a maximum number of common shares that may be issued from its treasury.

MARKET FOR SECURITIES

Trading Price and Volume

The following table sets out certain trading information for the Company's common shares on the TSX for the most recently completed financial year ending December 31, 2005 (all post-split):

Year 2005 Month	High	Low	Close	Volume
January	\$18.40	\$17.20	\$17.70	9,869,750
February	\$18.28	\$17.30	\$17.82	9,708,250
March	\$19.50	\$17.82	\$19.26	9,426,000
April	\$22.40	\$19.26	\$20.80	11,995,250
May	\$22.11	\$17.80	\$19.84	15,512,000
June	\$21.55	\$18.90	\$19.60	7,922,850
July	\$21.00	\$19.52	\$20.43	3,251,400
August	\$20.50	\$16.00	\$17.53	7,092,800
September	\$19.38	\$17.11	\$17.75	9,404,300
October	\$18.05	\$13.30	\$13.90	9,186,700
November	\$16.86	\$13.50	\$15.87	11,761,100
December	\$16.47	\$15.12	\$16.38	5,294,400

CREDIT RATING

On March 27, 2006, the DBRS lowered the Company's BBB – Stable Trend rating to BBB (low) - Negative Trend. This rating type is considered “adequate credit quality”. “Protection of interest and principal is considered acceptable, but the entity is fairly susceptible to adverse changes in financial and economic conditions, or there may be other adverse conditions present which reduce the strength of the entity and its rated securities.” (*Source – dbrs.com/Rating Scales/Bond and Long-Term Debt*). See “Risk Factors - Maintaining Covenants under Debt Facilities”.

A security rating is not a recommendation to buy, sell or hold securities, and may be subject to revision or withdrawal at any time by the rating organization.

DIRECTORS AND OFFICERS

The names of the directors and officers of the Company as of December 31, 2005, their place of residence, and their respective principal occupations within the five preceding years are as follows:

Name and Place of Residence	Current Position with Company	Principal Occupation	Director Since
Directors			
ROSS J. McLEOD ⁽⁶⁾ British Columbia, Canada	Chairman of the Board and Chief Executive Officer	Chairman and Chief Executive Officer of Company since November 8, 2004; Executive Chairman, President and Chief Executive Officer of Company from November 10, 2003 to November 8, 2004; President and Chief Executive Officer, GC Casinos since November 10, 2003; prior thereto Chairman and Chief Executive Officer of Company	August 13, 1996
EARNEST C. BEAUDIN ^(1,2,3,4,5,6) Alberta, Canada	Lead Director	President, General Counsel and Chief Executive Officer of Decker Management Ltd. (owner and operator of extended care facilities) and Decker Construction Ltd. (commercial and residential real estate development and construction)	May 28, 2002
ELMER H. HINTZ ^(1,4,5) British Columbia, Canada	Director	Former Consultant to Company from 1997 to 2002	January 31, 1997
GREGORY J.D. McKINSTRY ^(1,2,7) British Columbia, Canada	Director	Executive Vice-President and Chief Financial Officer of Versacold Income Trust from 2002 – (Retired 2003; Senior Vice-President and Chief Financial Officer, North America of Fujitsu Consulting Inc., 2000 - 2002; Chief Financial Officer, Distribution Division, MacMillan Bloedel, 1998 – 2000	June 17, 2004
J. BRYAN McKNIGHT ^(1,2) British Columbia, Canada	Director	Retired 2003, prior thereto Partner, KPMG LLP	June 17, 2004
PETER G. MEREDITH ^(2,3) British Columbia, Canada	Director	Chief Financial Officer, Ivanhoe Mines Ltd. (mining company) since May 2004; Chief Financial Officer, Ivanhoe Capital Corporation (investment company) since 1996	June 9, 2000
R. RONALD SHEPPARD ^(3,4,5) Quebec, Canada	Director	President, R. Sheppard and Associates Ltd. (consulting)	May 28, 2002

Name and Place of Residence	Current Position with Company	Principal Occupation	Director Since
Directors			
ADRIAN R. THOMAS ⁽⁶⁾ British Columbia, Canada	Consultant, Director	President, Canadian Gaming Institute, since February 10, 1987; Advisory Consultant to Company since January 1, 2004; Chief Operating Officer of GC Casinos November 11, 2003 to December 31, 2003; Chief Operating Officer and President of GC Casinos August 6, 2000 to November 10, 2003; prior thereto Executive Vice-President of GC Casinos	March 10, 1997

Name and Place of Residence	Current Position with Company	Principal Occupation	Director Since
Officers			
ANTHONY R. MARTIN ⁽⁸⁾ British Columbia, Canada	President and Chief Operating Officer	President and Chief Operating Officer of Company since November 8, 2004; Chief Financial Officer of Company May 28, 2003 to November 8, 2004; prior thereto President, Datawest Solutions Inc. (banking technology company) from 2000 to 2003	Not Applicable
HOWARD S. HUM British Columbia, Canada	Chief Financial Officer	Chief Financial Officer of Company since June 15, 2005; Acting Chief Financial Officer of Company from November 8, 2004 to June 14, 2005; Controller of Company from August 16, 2004 to November 7, 2004; prior thereto Vice-President, Finance & Administration of Raute Wood Ltd. from 1995 to 2004	Not Applicable
ALLAN WATT British Columbia, Canada	Senior Vice-President, Planning & Development	Senior Vice-President, Planning & Development of Company since March 27, 2005; Vice-President, Planning & Development of Company April 27, 2003 to March 26, 2005; Director, Building Operations and Property Management of Company from October 1, 2002 to April 26, 2003; Director Building Operations of Company from March 4, 2001 to September 30, 2002	Not applicable

Name and Place of Residence	Current Position with Company	Principal Occupation	Director Since
Officers			
DALE PETERSON British Columbia, Canada	Senior Vice-President, Business Development	Senior Vice-President, Business Development of Company since March 27, 2005; Director, Financial Planning of Company from January 2, 2004 to March 26, 2005; Director and Vice-President Finance and Administration, Lake City Gaming Corporation from 1997 to 2002	Not applicable
BRIAN E. EGLI British Columbia, Canada	Senior Vice-President, Gaming Operations	Executive Vice-President of GC Casinos since September 2000	Not Applicable
JOANNA E. BRIERLEY British Columbia, Canada	Corporate Secretary	Secretary of Company since June 22, 2001	Not Applicable

- (1) Member of the Corporate Governance Committee.
- (2) Member of the Audit, Risk & Finance Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the Corporate Security Committee.
- (5) Member of the Corporate Compliance Committee.
- (6) Member of the Operations Advisory Committee.
- (7) Gregory J.D. McKinstry resigned as a director of the Company on January 23, 2006.
- (8) Anthony R. Martin resigned as President and Chief Operating Officer of the Company effective February 17, 2006. Ross J. McLeod has assumed the responsibilities of the position of Mr. Martin.

Directors are elected at the 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.

Shareholdings of Directors and Senior Officers

To the knowledge of the Company, based on information obtained from SEDI (the System for Electronic Disclosure by Insiders database), as at December 31, 2005, the directors and senior officers of the Company, as a group, beneficially owned or exercised control or direction, directly or indirectly, over an aggregate of 18,575,190 of the Company's common shares, representing approximately 23.38% of the Company's issued and outstanding common shares.

After completion of the private placement on March 28, 2006, and assuming full exercise of the warrants acquired by Ross McLeod Financial Corporation, the directors and senior officers of the Company would beneficially hold an aggregate of 26,328,155 of the Company's common shares, representing approximately 29.4%.

Committees of the Board

Audit, Risk & Finance Committee

The Audit, Risk & Finance Committee of the Company is currently comprised of the following three members: J. Bryan McKnight (Chair), Earnest C. Beaudin and Peter G. Meredith. At fiscal year-end 2004, the Audit, Risk & Finance Committee was comprised of: Peter G. Meredith (Chair), Earnest C. Beaudin, J. Bryan McKnight and Gregory J. D. McKinstry. The Board believes that the composition of the Audit, Risk & Finance Committee reflects a high level of financial literacy and expertise. Each member of the Audit, Risk & Finance Committee has been determined by the Board to be “independent” and “financially literate” as such terms are defined under securities law and under corporate governance listing standards. The responsibilities and duties of the Audit, Risk & Finance Committee are set out in the Committee’s charter, the text of which is set forth in Appendix 2 to this Annual Information Form. The Audit, Risk & Finance Committee’s policy with respect to the engagement of non-audit services is described in the attached Audit, Risk & Finance Committee Charter. Any non-audit services are documented by the Company’s management and presented for consideration and pre-approved by the Audit, Risk & Finance Committee at the next scheduled Audit, Risk & Finance Committee meeting.

The following table describes the education and experience of each Audit, Risk & Finance Committee member that is relevant to the performance of his responsibilities as an audit committee member.

Name of Audit Committee Member	Relevant Experience and Qualifications
J. Bryan McKnight (Chair)	<ul style="list-style-type: none"> • Fellow of the Institute of Chartered Accountants of British Columbia • Partner at KPMG LLP for 27 years, now retired
Peter G. Meredith	<ul style="list-style-type: none"> • 35 years’ experience as a Chartered Accountant and Certified Management Accountant • Partner at Deloitte & Touche LLP for 20 years • Chief Financial Officer, Ivanhoe Mines Ltd.
Earnest C. Beaudin	<ul style="list-style-type: none"> • Barrister and Solicitor (British Columbia) • founding Partner of the law firm Alexander, Holburn, Beaudin & Lang • President and Chief Executive Officer of Decker Management Ltd. (owner and operator of extended care facilities) and Decker Construction Ltd. (commercial and residential real estate development and construction)

Pre-Approval Policies and Procedures

The Audit, Risk & Finance Committee and the Board of Directors of the Company has adopted a policy for approval of external auditor services. The policy prohibits the external auditor from providing specified services to the Company and its subsidiaries.

The engagement of the external auditor for a range of services defined in the policy has been pre-approved by the Audit, Risk & Finance Committee. If an engagement of the external auditor is contemplated for a particular service that is neither prohibited nor covered under the range of pre-

approved services, such engagement must be pre-approved. The Audit, Risk & Finance Committee has delegated the authority to grant such pre-approval to the Chairman of the Audit, Risk & Finance Committee, with ratification at a subsequent meeting of the Committee.

Services provided by the external auditor are subject to an engagement letter. The policy mandates that the Audit, Risk & Finance Committee receive regular reports of all new-pre-approved engagements of the external auditor.

External Auditor Service Fees

Audit Fees

Audit fees were paid for professional service rendered by the auditors for the audit of the Company's financial statements or services provided in connection with statutory and regulatory filings or engagements and the review of the Company's interim financial statements. Deloitte & Touche LLP's fees for the Company's 2005 fiscal year were \$477,142 for audit services provided to the Company. For the Company's 2004 fiscal year, audit fees were \$286,505.

Audit-Related Fees

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual financial statements and are not reported under the audit fee item above. These services consisted of due diligence services, accounting consultations, prospectus services for the raising of equity capital regarding the issuance of Notes and special attest services as required by government entities. Deloitte & Touche LLP billed an aggregate of \$671,622 in the Company's 2005 fiscal year, and \$386,486 in the Company's 2004 fiscal year, for services provided to the Company not reported under "Audit Fees" above.

Tax-related Fees

Tax-related fees were paid for professional services relating to tax compliance, tax advice and tax planning. These services consisted of tax compliance including the review of original and amended tax returns, the preparation of tax returns, tax planning and advisory services relating to common forms of taxation including income tax, capital tax, and goods and service tax. Fees for professional services rendered for tax compliance and tax advice provided to the Company were \$78,840 for the Company's 2005 fiscal year and were \$152,685 for the Company's 2004 fiscal year.

All Other Fees

All other fees were paid for CEO/CFO certification project and IT consulting, other than the audit fees, audit-related fees and tax fees described above. Fees for services provided to the Company other than those described as "Audit Fees", "Audit-Related Fees" and "Tax Fees" above are \$25,761 for the Company's 2005 fiscal year and were \$159,404 in the Company's 2004 fiscal year. The services comprising such other fees in fiscal 2005 year were related primarily to the Company's CEO/CFO certification project.

Corporate Governance Committee

The Corporate Governance Committee is currently comprised of the following three members: Earnest C. Beaudin (Chair), Elmer H. Hintz and J. Bryan McKnight. At fiscal year-end 2004, the combined Corporate Governance and Compensation Committee was comprised of: Gregory J.D. McKinistry

(Chair), Elmer H. Hintz, J. Bryan McKnight, R. Ronald Sheppard and Adrian R. Thomas. This Committee is responsible for developing the Company's procedures regarding corporate governance, advising the Board with respect to the filling of vacancies on the Board and reviewing the composition and effectiveness of the Board. It is the Committee's responsibility to clearly articulate the Company's governance policy and its practice among the Company's Board and senior management.

Compensation Committee

The Compensation Committee is currently comprised of the following three members: Peter G. Meredith (Chair), Earnest C. Beaudin and R. Ronald Shepherd. At fiscal year-end 2004, the combined Corporate Governance and Compensation Committee was comprised of: Gregory J.D. McKinstry (Chair), Elmer H. Hintz, J. Bryan McKnight, R. Ronald Sheppard and Adrian R. Thomas. This Committee is comprised of independent and unrelated directors and is responsible for reviewing and making recommendations to the Board regarding the hiring and appointment, compensation, benefits and termination of officers, executives and other key employees of the Company, and for the development and supervision of the Company's approach to compensation for directors, officers and senior management, as well as bonuses and any increases in compensation to employees or staff that would have a material impact on the Company's expenses.

Corporate Security Committee

The Corporate Security Committee was constituted in 2005, and is currently comprised of the following three members: Elmer H. Hintz (Chair), Earnest C. Beaudin and R. Ronald Sheppard. It is this Committee's responsibility to ensure the Company's surveillance and security protocols and procedures are adequate, preventative, and maintained to meet or exceed industry standards across all locations; ensure the security and personal safety of the Company's Directors and Executive; and ensure, in its oversight of all corporate security protocols and procedures, that these programs have transparency and independence.

Corporate Compliance Committee

The Corporate Compliance Committee was constituted in 2005, and is currently comprised of five members, including the following three directors: R. Ronald Sheppard (Chair), Earnest C. Beaudin and Elmer H. Hintz. It is this Committee's responsibility to ensure that the Company achieves and retains compliance with increasingly complex and multi-jurisdictional gaming and racing regulatory requirements; review and adopt a Compliance Plan for the Company and operating subsidiaries to be prepared, implemented, and administered by the Company's Compliance Officer, which Compliance Plan shall: (i) ensure compliance with all regulatory requirements, internal policies and procedures applicable to the gaming operations of the Company in the jurisdictions where it carries on business; (ii) be designed to detect any violations of regulatory requirements, internal policies or procedures; and (iii) ensure violations of any regulatory requirements are reported in a timely manner, corrected and that a prevention strategy is adopted and implemented. It is also this Committee's responsibility to review and approve the proposed remuneration of the Compliance Officer and department staff.

Operations Advisory Committee

This Committee was constituted in 2005, and is currently comprised of the following three members: Ross J. McLeod (Chair), Earnest C. Beaudin and Adrian R. Thomas. It is this Committee's responsibility to oversee the management of operations, new projects and developments undertaken by the Company.

Corporate Cease Trade Orders or Bankruptcies

To the knowledge of the Company and based upon information provided to it by the Company's directors or senior officers, none of such directors or senior officers of the Company, or a shareholder holding a sufficient number of securities of the Company is or has been, within the last ten years, a director or senior officer of any company that, while such person was acting in that capacity: (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, (ii) was subject to an event that resulted, after that person ceased to be a director or senior officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

To the knowledge of the directors and senior officers of the Company, no director or senior officer of the Company, or a shareholder holding a sufficient number of securities of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities authority, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

To the knowledge of the directors and senior officers of the Company, no director or senior officer of the Company, or a shareholder holding a sufficient number of common shares of the Company to affect materially the control of the Company, or a personal holding company of any such person has, during the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

Conflicts of Interest

Other than as disclosed in this Annual Information Form, to the knowledge of the directors and senior officers of the Company, there are no existing or potential material conflicts of interest between the Company and a director or senior officer of the Company.

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.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

In the past three years, we did not have any transaction that has materially affected or will materially affect the Company or its subsidiaries, in which a director, senior officer, significant shareholder or any of their associates or affiliates had a material interest, except as follows:

- long-term debt of \$1,762,000 owed to a company controlled by Ross J. McLeod, one of our directors. This debt and interest thereon at 7.5% per annum was repaid in full during 2003;
- in December, 2004, the Company sold the majority of its common shares held in Creation, for cash consideration of \$2.25 million to certain individuals, including a party related to a director and shareholder of the Company, and a director of Creation, who is also part of the senior management of the Company. The transaction resulted in a gain of \$1.975 million. In 2005, outstanding debt of \$6.8 million was converted to 74,000 Class A Series 1, non-voting preference shares. Certain directors of the Company also own common shares in Creation;
- a Training Services Agreement dated effective January 1, 2006, as amended, with CGI, a British Columbia incorporated company controlled by Adrian R. Thomas, one of our directors, for the training of table games dealers for the Company in its locations throughout the Greater Vancouver Regional District;
- an Agreement with Transac, a British Columbia company, in which one of our officers is a director, for bank machine services; and
- a private placement that closed on March 28, 2006, in which Ross McLeod Financial Corporation, a private company, the beneficial owner of which is Ross J. McLeod, subscribed for 3,878,976 units. Each unit was issued for \$12.89 and consists of one common share and one warrant, each warrant exercisable for one common share of the Company at an exercise price of \$12.89, for a period of two years, up to and including March 28, 2008.

TRANSFER AGENT AND REGISTRAR

The registrar and transfer agent for the Company's common shares is Computershare Trust Company of Canada with transfer facilities in the cities of Vancouver and Toronto.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, which have been entered into by the Company or any of its subsidiaries or their predecessors within the most recently completed financial year, or were entered into before the most recently completed financial year and are still in effect, or which are proposed to be entered into:

- (a) a Hotel Operating Agreement dated June 25, 2004 between Mayfield Management Inc., and the Company, as assigned by Mayfield Management Inc. to Mayfield Consulting Canada Inc.

dated June 30, 2004, with respect to the provision of food and beverage services and management of the hotel at the Company's River Rock Casino Resort;

(b) a Deed of Trust dated September 29, 2004 between the Company and BNY Trust Company of Canada relating to the Senior A Notes. See "General Development of the Business – Significant Financing and Equity Transactions in 2005 – *Debt Financings*";

(c) a Credit Agreement dated September 29, 2004 among the Company, GC Casinos, GA Gaming, The Toronto-Dominion Bank and HSBC Bank relating to the Company's credit facility. See "General Development of the Business";

(d) a Share Purchase Agreement dated December 19, 2004 among the Company, Great Canadian (Ontario) Ltd. and various sellers relating to the acquisition by the Company of Georgian Downs. See "General Development of the Business - Three Year History – 2005";

(e) a Share Purchase Agreement dated December 19, 2004 with Orangeville Raceway for the acquisition of all of the issued and outstanding shares of Orangeville;

(f) a Second Amending Agreement dated May 6, 2005 among the Company, GC Casinos, GA Gaming, The Toronto-Dominion Bank, HSBC Bank Canada, Sun Life Assurance Company of Canada and Canadian Western Bank relating to the amendment of the credit agreement dated September 29, 2004. See "General Development of the Business – Significant Financing and Equity Transactions in 2005 – *Debt Financings*";

(g) a Partnership Acquisition Agreement dated May 16, 2005 between Park Place Entertainment Scotia Limited and 6364951 Canada Inc. relating to the acquisition of MEG. See "General Development of the Business – Acquisitions During 2005 – *Acquisition of Metropolitan Entertainment Group*";

(h) a Partnership Acquisition Agreement dated May 16, 2005 between East Port Properties Limited and 6364942 Canada Inc. relating to the acquisition of MEG. See "General Development of the Business – Acquisitions During 2005 – *Acquisition of Metropolitan Entertainment Group*";

(i) a Consulting Agreement effective June 1, 2005, between 1632842 Ontario Limited and Andrzej Roman Kepinski, for the provision of consultancy services by Mr. Kepinski to the Company and its subsidiaries in respect of Ontario operations. Mr. Kepinski is entitled to a fixed monthly management fee, and a notional interest based on net profit, performance and/or expansion of existing interests in Ontario, as well as any future interests;

(j) an Amended and Restated Casino Operating Contract dated July 1, 2005 among Nova Scotia Gaming Corporation, the Partners of MEG and the Company relating to the operation of the Company's Nova Scotia casinos. See "General Development of the Business – Acquisitions During 2005 - *Acquisition of Metropolitan Entertainment Group*";

(k) a Second Supplemental Indenture dated July 21, 2005 between the Company and BNY Trust Company of Canada relating to the issuance of Senior A Notes. See "General Development of the Business – Significant Financing and Equity Transactions in 2005 – *Debt Financings*";

(l) an Agreement Supplementing Intercreditor and Security Administration Agreement dated July 21, 2005 among the Company, GC Casinos, BNY Trust Company of Canada and The

Toronto-Dominion Bank. See “General Development of the Business – Acquisitions During 2005 – *Debt Financings*”;

(m) an Underwriting Agreement dated August 3, 2005 among the Company, Sprott Securities Inc., TD Securities Inc., GMP Securities Ltd., HSBC Securities (Canada) Inc., Versant Partners Inc., Pacific International Securities Inc. and Wellington West Capital Markets Inc. relating to the issuance of special warrants. See “General Development of the Business – Significant Financing and Equity Transactions in 2005 - *Private Placement of Special Warrants*”;

(n) a Special Warrant Indenture dated August 3, 2005 between the Company and Computershare Trust Company of Canada relating to the creation of special warrants. See “General Development of the Business – Significant Financing and Equity Transactions in 2005 - *Private Placement of Special Warrants*”; and

(o) a Share Purchase Agreement dated August 16, 2005 among the Company, Magna and 2076862 Ontario Inc. relating to the purchase of Flamboro Downs. See “General Development of the Business – Acquisitions During 2005 - *Acquisition of Flamboro Downs*”.

INTERESTS OF EXPERTS

Deloitte & Touche LLP is the independent auditor of the Company.

ADDITIONAL INFORMATION

Additional information relating to Great Canadian Gaming Corporation may be found on the Company’s website at www.greatcanadiancasinos.com or www.gcgaming.com, and on the website of SEDAR (the System for Electronic Document Analysis and Retrieval) at www.sedar.com.

Additional information including directors’ and officers’ remuneration and indebtedness, principal holders of securities and securities authorized under equity compensation plans are contained in the Company’s Information Circular for its most recent annual general meeting of shareholders.

Additional financial information is provided in the Company’s Consolidated Financial Statements and Management Discussion and Analysis for the year ended December 31 2005, which is available at www.sedar.com and in the Company’s 2005 Annual Report.

Copies of the information referred to in this section may be obtained by writing to the Corporate Secretary of the Company at:

Great Canadian Gaming Corporation
200 – 13775 Commerce Parkway
Richmond, British Columbia Canada V6V 2V4
Telephone: (604) 303-1000
Facsimile: (604) 279-8605

or via the Company’s website at www.greatcanadiancasinos.com or www.gcgaming.com

APPENDIX 1 – SHARE CONSTRAINT

TO GREAT CANADIAN GAMING CORPORATION ANNUAL INFORMATION FORM DATED MARCH 31, 2006

SHARE CONSTRAINTS

25.1 No person, group of persons acting in concert or group of persons who, in the opinion of the Company, acting reasonably, are acting in concert (the “**Subject Shareholder**”), 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, ten (10%) percent or more of the votes that may ordinarily be cast to elect directors of the Company at a meeting of the shareholders (referred to as a “**Significant Interest**”) unless the Subject Shareholder obtains prior written consent of the British Columbia Lottery Corporation, its successors, assigns or lawful representative (the “**Lottery Corporation**”) to hold such Significant Interest in the Company. Any Subject Shareholder 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 25 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 Significant Interest,

until such time as there has been compliance with this Article 25 and the consent of the Lottery Corporation as to ownership, control or agreement to acquire or dispose of the Significant Interest has been approved.

25.2 Any Subject Shareholder 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 Subject Shareholder’s Significant Interest,

if such disposition or acquisition would result in a change of control of the Company, unless the Subject Shareholder obtains the prior written consent of the Lottery Corporation to the intended disposition or acquisition of that portion of that Subject Shareholder’s Significant Interest. “**Change in Control**” for purpose of these Articles shall have the meaning so ascribed under securities legislation applicable in British Columbia from time to time.

25.3 In the event that a Subject Shareholder fails to comply with the provisions of this Article 25, the Company may:

- (a) place a stop transfer on any and all shares or securities legally or beneficially owned or controlled by the Subject Shareholder which, in the opinion of the Company, acting reasonably, believes is violating this Article 25;

(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 25 or for an order directing that the number of shares giving rise to the breach of this Article 25 be sold or otherwise disposed of in a manner that the court may deem appropriate; or

(c) make application to the British Columbia Securities Commission (or the successor governmental regulatory agency having jurisdiction over the securities of the Company) to effect a cease trading order or such similar restriction against such Subject Shareholder until such time as the Subject Shareholder complies with Article 25.

25.4 The provisions of this Article 25 shall not apply to the ownership, acquisition or disposition of shares of the Company as a result of:

(a) any transfer of shares of the Company occurring by operation of law including, *inter alia*, the transfer of voting shares of the Company to a surviving joint tenant, trustee in bankruptcy or committee of a shareholder;

(b) an acquisition by one or more underwriters or portfolio managers who hold shares of the Company for the purposes of distribution to the public or for the benefit of a third party provided that such third party is in compliance with these Articles;

(c) shares of the Company held by a person who provides centralized facilities for the clearing of trades in securities of the Company and is acting solely as an intermediary for the payment of funds or the delivery of securities.

25.5 In the event that the Company becomes aware that a Subject Shareholder has contravened the provisions of this Article 25, or, in the opinion of the Company, acting reasonably, may contravene or otherwise breach the provisions of this Article 25, the Company shall give the Subject Shareholder notice in writing (the “**Notice**”) setting out:

(a) the number of shares of the Company, if known by the Company, owned or controlled, either directly or indirectly, by the Subject Shareholder giving rise to the contravention or reasonably anticipated contravention of this Article 25 and the identity of those persons the Company reasonably believes the Subject Shareholder to be together acting in concert;

(b) that the Subject Shareholder is in breach or may become in breach of this Article 25;

(c) if the Subject Shareholder is in breach of this Article 25, that the Subject Shareholder forthwith rectify the breach of this Article 25;

(d) that the Subject Shareholder is subject or may become subject to the restrictions set out in §25.6 of this Article 25;

(e) that failing compliance with this Article 25, the Company may take action as contemplated by §25.3 without further notice to the Subject Shareholder.

25.6 Upon receipt of Notice from the Company, the Subject Shareholder shall within 10 days of the date of the Notice, dispose or otherwise transfer that number of shares of the Company giving rise to the contravention of this Article 25 or, alternatively, deposit in escrow with the Company that number of shares of the Company giving rise to the contravention of this Article 25 to be held by the Company until such time as the Subject Shareholder’s ownership of the Significant Interest is in compliance with

these Articles and the Lottery Corporation has consented in writing to same. In the event that the Lottery Corporation does not provide its written consent as aforesaid or refuses to provide its consent, the Company shall be at liberty to sell the shares held in escrow through the facilities of the TSX Venture Exchange or such other exchange, market or quotation system upon which that the Company's shares may be listed or quoted from time to time (the "**Exchange**"), and distribute the proceeds of such sale to the Subject Shareholder or, alternatively, the Company may elect to repurchase for cancellation the shares held in escrow with the Company at a price equal to the 10-day weighted average trading price of the Company's shares on the Exchange, and distribute the proceeds from such sale to the Subject Shareholder. Until such time as the Subject Shareholder has complied with these Articles, the Subject Shareholder shall, with respect to the rights normally attached to the shares of the Company, be restricted from:

- (a) exercising voting rights attached to shares owned or controlled by the Subject Shareholder;
- (b) receiving dividends or other distributions associated with the shares owned or controlled by the Subject Shareholder;

until such time as the Subject Shareholder has complied with the provisions of this Article 25.

25.7 At the request of the Company, any Subject Shareholder, directly or indirectly, owning shares of the Company or proposing to acquire or dispose of shares of the Company shall provide a Certificate of Compliance which shall either certify compliance with the share constraints contained in these Articles or certify that no breach of these Articles has or may occur and which shall be in a form prescribed by the Company from time to time (the "**Certificate of Compliance**").

25.8 The Certificate of Compliance shall be delivered forthwith upon request by the Company and in the event that a Subject Shareholder fails to provide the Certificate of Compliance within the time period prescribed by the Company in the Notice, the Company may, as it may reasonably deem appropriate, impose upon the Subject Shareholder any of the restrictions set out in §25.6.

25.9 Delivery of the Certificate of Compliance to the Company shall constitute satisfactory evidence of compliance with or breach of these Articles and the directors, officers, employees and agents of the Company shall be entitled to rely on the Certificate of Compliance and shall be exempted from liability for any action taken or not taken in reliance upon such Certificate of Compliance.

25.10 The Company shall have no obligation to effect any transaction with respect to the issuance, transfer of shares or otherwise dealing with shares of the Subject Shareholder until a Certificate of Compliance is received and the Company is reasonably satisfied that no breach of these Articles exists or will occur.

APPENDIX 2 – AUDIT, RISK & FINANCE COMMITTEE CHARTER
TO GREAT CANADIAN GAMING CORPORATION ANNUAL INFORMATION FORM
DATED MARCH 31 , 2006

Great Canadian Gaming Corporation

AUDIT, RISK & FINANCE COMMITTEE CHARTER

I PURPOSE

The purpose of the Audit, Risk & Finance Committee (the “Committee”) is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing and reporting on the financial information which will be provided to Shareholders and others, the system of corporate internal controls which management and the Board have established, and the audit process; identifying the principal risks of the Corporation and its subsidiaries and ensuring the implementation of appropriate systems to monitor those risks; reviewing accounting principles, capital budgeting and major transactions (acquisitions, divestitures and funding); and reviewing compliance with applicable legal and regulatory requirements.

II COMPOSITION AND TERM OF OFFICE

- A. Members of the Committee are generally appointed by the Board of Directors for a one (1) year term at the first meeting of the Directors of the Corporation following the Annual General Meeting. It is comprised of not less than three (3) independent Directors who are financially literate¹ and at least one member shall have an accounting designation or related financial expertise².
- B. The Chair of the Committee shall be appointed by the Board of Directors.
- C. The CFO will act as the management liaison for the Committee.
- D. The Committee will meet not less than four (4) times per year.
- E. The quorum for the Committee is a majority of members.

III FINANCIAL REPORTING

- A. Review and recommend to the Board the annual financial reports (AIF, MIC, N.I. 52-110F1, financial statements, MD&A, reports to shareholders and press releases) for approval.

¹ **Financial literacy** means the ability to read and understand a balance sheet, an income statement and a cash flow statement.

² **Accounting or related financial expertise** means the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian Generally Accepted Accounting Principles.

- B. Review and recommend to the Board the quarterly financial statements (financial statements, MD&A, reports to shareholders and press releases) for approval.
- C. Be satisfied that for all other public disclosures or information that is extracted or derived from the financial statements, that management has procedures in place to review such information, and periodically assess the adequacy of such procedures.
- D. Review and approve any other press releases that relate to material financial disclosures.
- E. Review and recommend any changes to accounting policies to the Board.
- F. Review with the auditors any areas of judgment or where estimates have been made, including effects of alternatives under generally accepted accounting principles.

IV OTHER REVIEW PROCEDURES

- A. Review with management the opportunities and risks inherent in the business and the effectiveness of the controls thereon, including risk mitigation and management strategies.
- B. Oversee management reporting on and review of adequacy of internal controls (while it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Audit, Risk & Finance Committee to ensure that management has done so).
- C. Gain reasonable assurance that the Corporation complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure.
- D. Oversee the Related Party Transactions Policy.
- E. Confirm or review the Corporation's disclosure policy.
- F. Review material transactions (acquisitions, divestitures and funding).
- G. Review policies and compliance with same that require significant actual or potential liabilities, contingent or otherwise to be reported to the committee in a timely fashion.
- H. Approve annually the reasonableness of the expenses of the Executive Chairman, President and CFO.

V EXTERNAL AUDITORS

- A. The external auditor reports directly to the Committee with unrestricted access and will meet at least quarterly with the Committee. Matters discussed will include the annual audit, quarterly reviews, the quality of the Corporation's accounting policies and principles, and the adequacy and effectiveness of the Corporation's internal control and management information systems. In-camera sessions with the external auditors will be held quarterly or as determined by the Committee.
- B. Provide approval and recommend to the Board the engagement of the external auditors, their remuneration, or their discharge.

- C. Provide oversight to the audit engagement by way of a direct reporting relationship with the external auditor and ensure their independence.
- D. Review external audit plans for the year.
- E. Review with the external auditors any difficulties which arose during the course of their engagement and the ongoing relationship with management.
- F. Pre-approve all audit and non-audit services to be provided by the external auditor (which may be delegated to one or more members of the Committee for ratification at the next scheduled Audit, Risk & Finance Committee meeting).
- G. Review and approve any hiring of partners/employees of the external auditors.

VI INTERNAL AUDIT

- A. The Director, Internal Audit, has an independent reporting line to the Committee with unrestricted access and will meet at least quarterly with the Committee. Matters discussed will include the annual audit plan, internal audit reports, the quality of the Corporation's accounting policies and principles, and the adequacy and effectiveness of the Corporation's internal control and management information systems. In-camera sessions with the Director, Internal Audit, will be held quarterly or as determined by the Committee.
- B. The Committee will approve the appointment of the Director, Internal Audit.
- C. Provide oversight to and approve the internal audit mandate.
- D. Review internal audit plans for the year.
- E. Review any difficulties which arise during the course of the internal audit and the ongoing relationship with management and other departments.

VII OTHER

- A. Establish procedures for receipt, retention and treatment of complaints and concerns regarding accounting matters, internal accounting controls and auditing matters or related questionable practices, including anonymous submissions by employees. Refer to Whistle Blower Policy.
- B. Ensure for each meeting that minutes are recorded, drafted and circulated on a timely basis to committee members.
- C. Confirm or amend the Committee's charter annually, for review by external auditors and legal counsel and approval by the Board.
- D. Prior to renewals, review Director & Officer Liability insurance and other corporate insurance coverage.

VIII COMMITTEE TIMETABLE

The Board Forward Agenda provides a planning guide for the Committee's activities.