



GREAT CANADIAN GAMING CORPORATION

ANNUAL INFORMATION FORM

for the
FISCAL PERIOD ENDED DECEMBER 31, 2007

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DEFINITIONS AND INTERPRETATION

Definitions

In this Annual Information Form (“AIF”):

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

“AROC” means the Amended and Restated Casino Operating Contract among Great Canadian Gaming Corporation, Nova Scotia Gaming Corporation, 6364942 Canada Inc. and 6364951 Canada Inc.;

“BCLC” means British Columbia Lottery Corporation;

“BCSA” means British Columbia Standardbred Association;

“Boulevard” means the Boulevard Casino in Coquitlam, British Columbia, operated by GC Casinos;

“CAGR” means Compound Annual Growth Rate;

“Casino on Broadway” means the casino at the Holiday Inn on Broadway, Vancouver, British Columbia, formerly operated by GC Casinos;

“Casino Nova Scotia Halifax” means Casino Nova Scotia in Halifax, Nova Scotia, operated by MEG;

“Casino Nova Scotia Sydney” means Casino Nova Scotia in Sydney, Nova Scotia, operated by MEG;

“CGC” means Community Gaming Centre;

“CGCOSA” means Community Gaming Centre Operational Services Agreement;

“CGI” means Canadian Gaming Institute Inc.;

“Chances” means Chances Gaming Entertainment in Dawson Creek, British Columbia, operated by GC Entertainment;

“CNQ” means Canadian Trading and Quotation System;

“Company”, “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 debt rating agency Dominion Bond Rating Service;

“EBITDA” as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, stock based compensation, restructuring costs, goodwill impairment, foreign exchange loss and non-controlling interests, and is derived from the consolidated statements of earnings (loss) as revenues less human resources expenses and property, marketing and administration expenses – See “Forward-Looking Statements” on page 4 of this AIF;

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

“FDC” means the Facility Development Commission;

“FDL” means Flamboro Downs Limited, an indirect wholly owned subsidiary of the Company;

“Flamboro Downs” means the standardbred racetrack in Flamborough, Ontario, operated by FDL;

“Fraser Downs” means Fraser Downs standardbred racetrack and casino in Surrey, British Columbia, operated by Orangeville;

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

“GAAP” means Canadian generally accepted accounting principles;

“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;

“GDL” means Georgian Downs Limited, an indirect 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 the standardbred racetrack in Innisfil, Ontario, operated by GDL;

“Hastings Racecourse” means the thoroughbred racetrack in Vancouver, British Columbia, operated by HEI;

“HBPA” means the Horsemen’s Benevolent and Protective Association of British Columbia;

“HEI” means Hastings Entertainment Inc., an indirect wholly owned subsidiary of the Company;

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

“LIBOR” means London inter-bank offered rate;

“MD&A” means Management’s Discussion and Analysis;

“MEG” means Metropolitan Entertainment Group, a Nova Scotia general partnership, an indirect wholly owned subsidiary of the Company;

“Moody’s” means the debt rating agency Moody’s Investors Service;

“NSAGD” means the Alcohol and Gaming Division of the Nova Scotia Department of Environment and Labour;

“NASDAQ” means National Association of Securities Dealers Automated Quotation;

“NSGC” means Nova Scotia Gaming Corporation;

“NYSE” means New York Stock Exchange;

“OHHA” means the Ontario Harness Horse Association;

“OLG” means Ontario Lottery and Gaming Corporation;

“ORC” means the Ontario Racing Commission;

“Operational Services Agreements” means collectively, the CGCOSA, COSAs, AROC and Site Holder Agreements;

“Orangeville” means Orangeville Raceway Limited, a wholly owned subsidiary of the Company;

“PSAC” means the Public Service Alliance of Canada;

“Racebook” means an off-track betting facility or teletheatre for pari-mutuel horse racing;

“River Rock” means the River Rock Casino Resort in Richmond, British Columbia, operated by GC Casinos;

“Sandown” means the standardbred racetrack in North Saanich, British Columbia, operated by Orangeville;

“Senior A Notes” and “Senior B Notes”, means the Series A Senior Secured Notes and the Series B Senior Secured Notes in the aggregate principal amount of \$300 million issued by the Company on September 29, 2004 and July 21, 2005, respectively;

“SEIU” means the Service Employees International Union;

“Senior Secured Revolving Credit Facility” means the \$200 million revolving loan forming part of a debt financing completed on February 14, 2007;

“Senior Secured Term Loan B” means the US\$170 million term loan forming part of a debt financing completed on February 14, 2007;

“Senior Subordinated Notes” means the US\$170 million unsecured senior subordinated notes forming part of a debt financing completed on February 14, 2007;

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

“Supplemental Agreement” means the Capital Supplement Agreement, Slot Machine Supplement Agreement and the Term Supplemental Agreement entered into between the Company, GDL and the OLG;

“Standard & Poor’s” means the debt rating agency Standard & Poor’s;

“TBC” means TBC Teletheatre B.C.;

“TSX” means the Toronto Stock Exchange;

“TSX-V” means the TSX Venture Exchange;

“Transac” means Transac Enterprises Corp. (now “Evergreen Gaming Corporation”);

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

“US\$” means the lawful currency of the United States of America;

“VLT” means video lottery terminal;

“Win” means the amount wagered on gaming activities, less the payout or prizes to winning customers; and

“WSGC” means the Washington State Gambling Commission.

Currency and Presentation

All currency is expressed in Canadian dollars unless otherwise indicated.

All information in this AIF is presented as at and for the year ended December 31, 2007, unless otherwise indicated.

Forward-Looking Statements

This AIF contains forward-looking statements which reflect management’s current expectations regarding the Company’s objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities. These forward-looking statements are not guarantees, but only predictions. Although the Company believes that these statements are based on information and assumptions which are current, reasonable and complete, these statements are necessarily subject to a number of factors that could cause actual results to vary significantly from current expectations.

Such differences may be caused by factors which include, but are not limited to, limited terms of operational service agreements with gaming regulators, pending and proposed legislative or regulatory developments, competition from established competitors and new entrants in the gaming business, dependence on key personnel, no assurance that systems, procedures and controls will be adequate to support expanding operations, potential undisclosed liabilities and capital expenditures associated with acquisitions, negative connotations linked to the gaming industry, First Nations claims with respect to public lands on which we conduct our operations, impact of legal proceedings, impact of smoking bans, ongoing requirements to comply with financial covenants associated with credit facilities and long-term debt, interest and exchange rate fluctuations, non-realization of cost reductions and synergies, acceptance

and demand for new products and services, fluctuations in operating results and general economic conditions.

The Company cautions that this list of factors is not exhaustive. These factors and other risks and uncertainties are discussed in the Company's continuous disclosure documents filed with the Canadian securities regulatory authorities from time to time, including in the "Risk Factors" section of this AIF, and as identified in the Company's disclosure record on www.sedar.com.

The forward-looking statements contained herein are made as of the date of this AIF and are expressly qualified in their entirety by this cautionary statement. Readers should not place undue reliance on the forward-looking statements, which reflect management's plans, estimates, projections and views only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

Non-GAAP Measures

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

EBITDA as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, stock-based compensation, restructuring costs, goodwill impairment, foreign exchange loss, and non-controlling interests. EBITDA is derived from the consolidated statements of earnings (loss), and can be computed as revenues less human resource expenses and property, marketing and administration expenses. We believe EBITDA is a useful measure because it provides information to management and investors with respect to the operating and financial performance of the Company.

Gross revenues means revenues on the consolidated statements of earnings (loss) plus the portion of the gaming win and other revenues retained by the BCLC and the NSGC, gaming taxes paid to Washington State; accruals for payouts of progressive games, payments to horse racing pools, and promotional allowances. Gross revenues include slot commissions in Ontario, which represent 10% of the win from slot machines operated by the OLG.

Facility Development Commission

The Facility Development Commission ("FDC") is a compensation component of the COSAs with the BCLC. FDC is earned (payable by the BCLC to the Company) as a fixed percentage of gross gaming win, subject to the Company incurring sufficient Approved Amounts (a defined term in the COSAs and generally consists of approved capital or operating expenditures related to the development or improvement of gaming properties), and is paid weekly to the Company. Approved Amounts are reduced by the FDC receipts.

FDC is recorded as part of revenues on the consolidated statements of earnings (loss) when earned, limited to the extent that sufficient Approved Amounts have previously been approved by the BCLC. Currently, these FDC percentages range from 3% to 5% of the gross win from gaming activities.

In 2006, the BCLC announced it would provide for an additional accelerated FDC amount equal to 2% of the gross win from the redeveloped casino property on projects approved by the BCLC after July 1, 2006. The accelerated FDC is payable weekly beginning on the later of April 1, 2007 or the opening of the redeveloped property. The accelerated FDC is a one-time initiative that is limited to the initial redevelopment of a property and continues to be received until the approved eligible costs of the redevelopment are recovered.

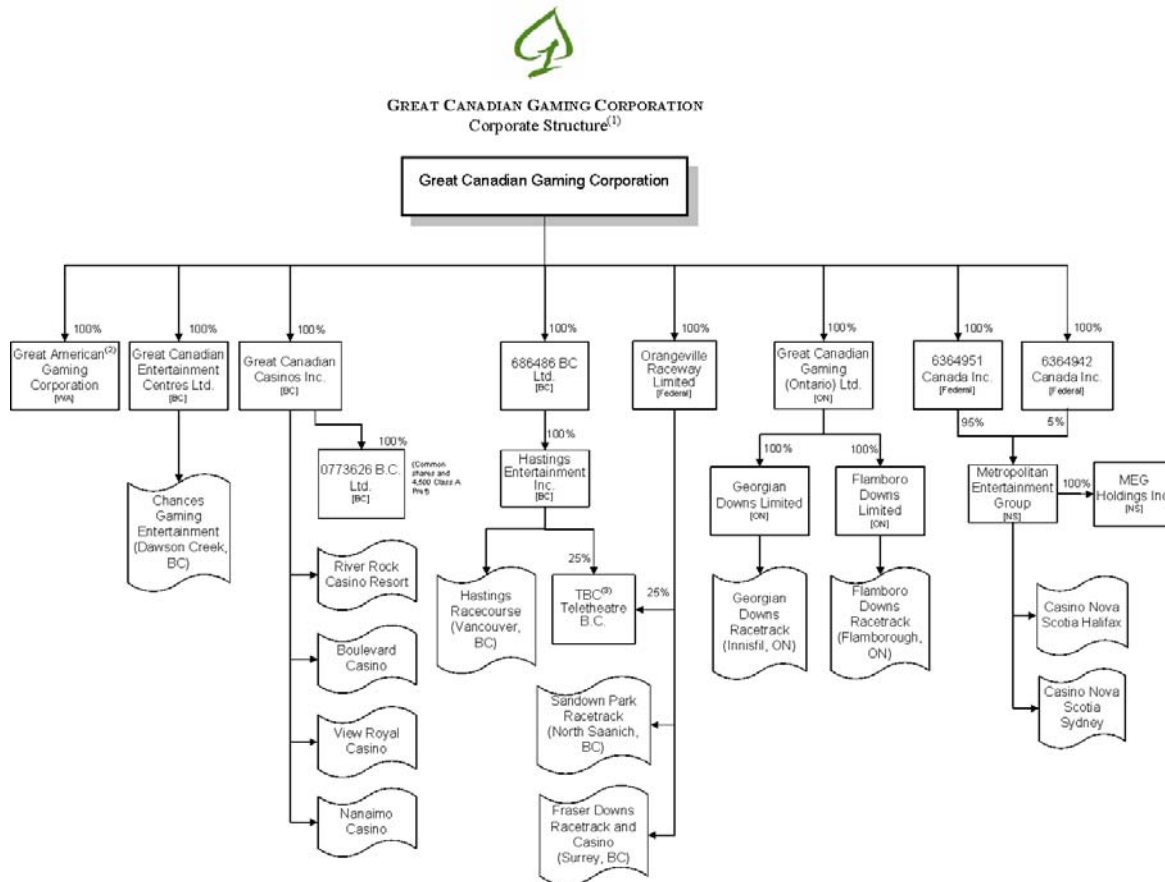
CORPORATE STRUCTURE

Name, Address and Incorporation

The Company, a Toronto Stock Exchange listed 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 “Great Canadian Gaming Corporation” on March 12, 1997. Our head office is located at 200 – 13775 Commerce Parkway, Richmond, British Columbia, V6V 2V4. Our registered and records office is located at 1500 - 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

Intercorporate Relationships

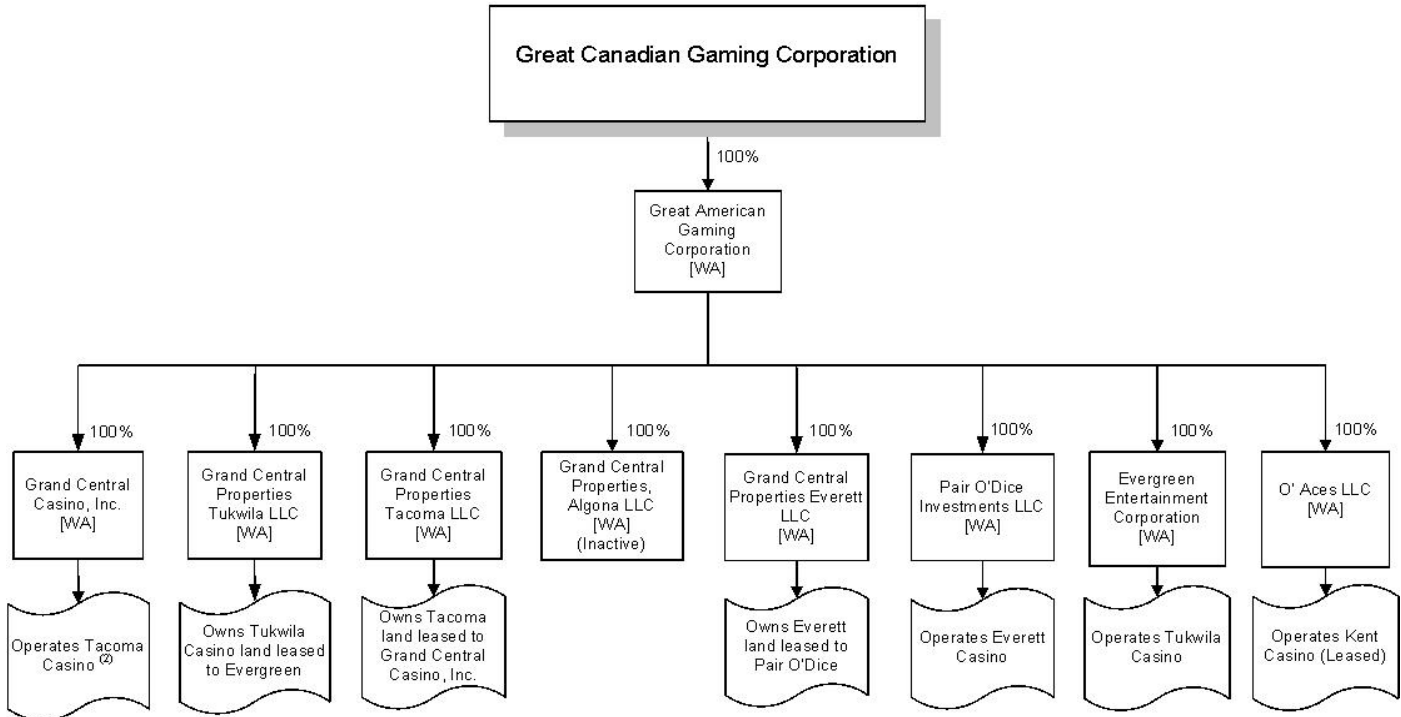
The following two charts set out our material subsidiaries and operations.



Notes:
 [] = Jurisdiction of Incorporation
 (1) As at December 31, 2007
 (2) Please see p 7 for further breakdown of US interests
 (3) The remaining 50% is held by Two Horseman's Associations, the BCSA and the HBPA



GREAT CANADIAN GAMING CORPORATION
Corporate Structure
US Interests⁽¹⁾



Notes:

[] = Jurisdiction of Incorporation

(1) As at December 31, 2007

(2) Tacoma Casino is also known as Lakewood Casino

Effective January 1, 2007, we completed the reorganization of the corporate structure for certain of our operations. Described below are the details of the reorganization:

- Great Canadian Entertainment Centres Ltd. and 0542603 B.C. Ltd. amalgamated under the provisions of the BC *Business Corporations Act* (the "BCA") to form "**Great Canadian Entertainment Centres Ltd.**";
- Great Canadian Casinos Inc. amalgamated with 0634094 B.C. Ltd. and 0633677 B.C. Ltd. under the provisions of the BCA to form "**Great Canadian Casinos Inc.**";
- Great Canadian Gaming (Ontario) Ltd. amalgamated with Georgian Downs Holdings Inc. and Georgian Downs Limited under the provisions of the Ontario *Business Corporations Act* (the "OBCA") to form "**Georgian Downs Limited**";
- 2076862 Ontario Inc. amalgamated with Flamboro Downs Holdings Limited under the provisions of the OBCA to form "**Flamboro Downs Limited**";
- 2114969 Ontario Inc. changed its name to "**Great Canadian Gaming (Ontario) Ltd.**"; and

- Great Canadian Gaming Corporation transferred all the shares held in Georgian Downs Limited (the amalgamated corporation described above) and Flamboro Downs Limited (the amalgamated corporation described above) to Great Canadian Gaming (Ontario) Ltd. (Formerly: 2114969 Ontario Inc.) in exchange for shares in Great Canadian Gaming (Ontario) Ltd.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

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

2005:

- on January 4, 2005, we acquired land in Dawson Creek for \$1.9 million to build a community gaming centre;
- on January 15, 2005, we completed an offering of 3,750,000 Common Shares at a price of \$16.60 per Common Share for gross proceeds of \$62,250,000;
- 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 Casino Nova Scotia Halifax and Casino Nova Scotia Sydney, for cash consideration of US\$73.7 million (approximately \$93.1 million based on the then prevailing rate of exchange);
- on July 21, 2005, we completed a private placement of an aggregate of \$150 million principal amount of Senior B Notes which had an interest rate of 5.50% per annum and were to mature July 21, 2015. In addition to the issue of the Senior B Notes, we entered into a revolving \$200 million credit facility agreement;
- on September 30, 2005, we completed the acquisition of all of the issued and outstanding shares of Georgian Downs Holdings Inc. and GDL for cash consideration of \$25.8 million plus the assumption of debt of \$22.3 million. GDL operates a standardbred racecourse and hosts an OLG slot machine facility in Innisfil, Ontario, one hour north of Toronto, Ontario;
- on October 4, 2005 and October 24, 2005, respectively, Vancouver City Council accepted HEI's proposed public benefits and the City of Vancouver's Development Permit Board approved HEI's development permit, for the redevelopment of Hastings Racecourse;
- on October 19, 2005, we acquired all of the issued and outstanding shares of FDL for cash consideration of \$33.8 million plus the assumption of \$44.2 million in existing debt. FDL operates a standardbred racecourse and hosts an OLG slot machine facility in Flamborough, Ontario, one hour east of Toronto, Ontario and 20 minutes north of Hamilton, Ontario; and

- on November 17, 2005, we opened the Boulevard expansion, which more than tripled the area of the gaming floor, and added a 1,654 car multi-level parkade.

2006:

- on March 28, 2006 we closed a 6,206,361 unit private placement at \$12.89 per unit for gross proceeds of \$80 million and concurrently amended certain terms of the Series A and Series B Note covenants;
- on June 1, 2006, we relaunched the renovated Casino Nova Scotia Halifax with improvements to the gaming floor, slot machines and surveillance technology;
- on June 30, 2006, we entered into a new 10 year CGCOSA, with a 10 year extension option, for the operation of Chances in Dawson Creek, British Columbia, and on July 5, 2006, Chances officially opened;
- on August 18, 2006 the B.C. Supreme Court dismissed the petition filed by the Hastings Park Conservancy seeking an order to quash a City of Vancouver by-law amendment permitting slot machines at Hastings Racecourse. An appeal was filed on September 15, 2006, which was heard by the B.C. Court of Appeal from January 29 - 31, 2008. Judgement was reserved;
- on September 15, 2006, we opened the 1,100 seat Red Robinson Show Theatre at our Boulevard Casino in Coquitlam, British Columbia;
- on September 29, 2006, we closed a financing transaction of \$450 million in short term credit facilities (the "Bridge Credit Facility"), the proceeds of which were used to redeem our Senior A Notes due 2014 and our Senior B Notes due 2015 and repay our revolving credit facility;
- on October 24, 2006, we completed the acquisition of 70.35 acres of land adjacent to our Georgian Downs property for approximately \$29 million;
- on October 31, 2006, we entered into an agreement with Mayfield Management Inc. and Mayfield Consulting Canada Inc. (collectively "Mayfield") to buy out the services and terminate certain management agreements with Mayfield in connection with our properties' hotel and food and beverage operations;
- on November 14, 2006 we entered into a letter of intent with the Greater Vancouver Transportation Authority and Canada Line Rapid Transit Inc. to construct a new parkade having a minimum of 1,200 stalls adjacent to River Rock in Richmond, British Columbia. Construction of the new parkade commenced in July 2007; and
- on November 22, 2006, we relaunched Casino Nova Scotia Sydney after renovations to that facility following its acquisition in May, 2005.

2007:

- on February 14, 2007, we replaced our Bridge Credit Facility with long-term credit facilities totaling approximately \$600 million. These facilities comprised:
 - a \$200 million secured revolving credit facility (undrawn at close)
 - a \$200 million equivalent secured Term Loan B
 - \$200 million equivalent in Senior Subordinated Notes
- We also completed a \$400 million swap facility (syndicated thereafter) comprising:
 - a \$200 million Term Loan B currency and interest rate swap at 6.1%
 - \$200 million in Senior Subordinated Notes currency swap at an interest rate of 6.6%
- on June 7, 2007, Standard & Poor's raised the rating on both our secured revolving credit facility and Term Loan B from BB to BBB-;
- on July 3, 2007, we repaid a Promissory Note of \$41.7 million related to the purchase of Flamboro Downs;
- on July 10, 2007, we entered into Supplemental Agreements with the OLG. These Agreements allowed for the expansion of Georgian Downs, increasing that property's slot capacity to 1,000 slot machines and an extension of the Siteholder Agreement to November 2021 with a further extension at the OLG's discretion to November 2026;
- on July 15, 2007, we commenced construction on the Canada Line Parking Garage adjacent to River Rock in Richmond, British Columbia;
- on July 19, 2007, we announced our intention to commence a normal course issuer bid for up to 6.4 million of our Common Shares;
- on September 27, 2007, we announced our intention to redevelop the View Royal Casino in View Royal, British Columbia. Planned improvements include an expansion of hospitality and entertainment offerings, increased parking capacity, the addition of a poker room and racebook. The expansion adds a total of 37,000 square feet (24,000 additional square feet of gaming floor space). To facilitate this expansion, we entered into an agreement to acquire approximately 1.5 acres of commercial property immediately adjacent to the casino;
- on October 2, 2007, we announced an agreement with the BCLC. Under this agreement:
 - we received approval to proceed, in two phases, with the introduction of slot machines at Hastings Racecourse. The first phase would use existing floor space and allow for the placement of 150 slot machines, while the second phase would both add new amenities and allow for the placement of an additional 450 slot machines;
 - we received approval to improve the gaming operations at Fraser Downs by adding 90 slot machines and 12 live table games. We also received an increase in our service fees at this property, bringing its compensation to a level consistent with that of other British Columbia casinos;
 - we agreed to cease operations at the Great Canadian Casino on Broadway during the fourth quarter of 2007;

- on November 10, 2007, we commenced slot operations in our temporary facility at Hastings Racecourse;
- on November 18, 2007, we ceased operations at the Great Canadian Casino on Broadway;
- on November 22, 2007, we commenced the enhanced gaming operations at Fraser Downs;
- on November 27, 2007, we agreed to acquire the assets of the Ridge Meadows Bingo Association. This acquisition subsequently closed on January 31, 2008 for a purchase price of \$1.0 million on closing and potential consideration of up to \$1.3 million over 10 years; and
- on December 15, 2007, we commenced the second phase of development at Hastings Racecourse.

2008:

- on February 20, 2008 we announced the expansion of amenities at our River Rock facility, including the intended construction of a new five storey 191 room hotel, 360 additional parking spaces, a skybridge connecting the hotel to the casino and over 21,000 square feet of commercial space.

BUSINESS OF THE COMPANY

Overview

Great Canadian Gaming Corporation is a multi-jurisdictional gaming and entertainment operator in Canada with operations in British Columbia, Ontario, Nova Scotia, and Washington State, United States of America. We operate ten casinos, a thoroughbred racetrack that offers slot machines, four standardbred racetracks (two offer slot machines and one offers both slot machines and table games), a community gaming centre, a hotel & conference centre, two show theatres and various associated food and beverage and entertainment facilities. In Canada we operate our casinos in managed markets with high barriers to entry and under long-term agreements as partners with provincial lottery corporations. Under our operating agreements in BC and Nova Scotia we are reimbursed for the majority of our capital projects. As of December 31, 2007, the Company had approximately 5,500 employees.

We have a long history in the gaming and entertainment industry beginning in 1982 when we operated temporary two and three-day casinos for charitable events and special occasions in various locations throughout British Columbia. In 1989, we opened our first permanent casino in Vancouver, British Columbia. Since then, we have grown by opening new locations in British Columbia and by acquiring facilities in the Provinces of Ontario and Nova Scotia, and the State of Washington. The majority of this growth has occurred since April 2004. Our Chairman & CEO, and founding partner, Ross J. McLeod, has over 30 years of experience in the hospitality industry and approximately 25 years of direct experience in the gaming industry.

British Columbia

We were founded in, and a significant portion of our operations are located in, British Columbia, Canada. We are the largest gaming operator in British Columbia and have approximately 49% of the market share (as measured as a percentage of the BCLC's twelve month gaming revenue ended March 31, 2007). In British Columbia, we operate four casinos, one thoroughbred racing facility (with slot machines), and two standardbred racing facilities (one with both tables and slot machines), a community gaming centre, two multi-purpose show theatres, several licensed restaurants, a hotel and a marina operation. We also have interests in 19 Racebooks. We operate casinos primarily catering to regional customers and offer multiple entertainment venues for different customer demographics. According to the latest annual report of the BCLC, as at March 31, 2007, our facilities housed 43% of the slot machines and 54% of the gaming tables in British Columbia. Our British Columbia properties generated \$287.8 million revenue for the year ended December 31, 2007, representing 73% of our total revenues for that period.

Set out below is a brief description of our gaming facilities and related operations in British Columbia.

River Rock. Located in Richmond, British Columbia, the River Rock Casino Resort currently comprises a 70,000-square foot casino (which includes separate High Limit and Poker rooms), a 222-room hotel and a 950-seat multi-purpose show theatre. The facility is centrally located in the vicinity of the Vancouver International Airport, South Vancouver and Richmond, and is adjacent to a stop on the Canada Line, an automated rail-based rapid transit service expected to commence operations November 2009 that will connect Vancouver with central Richmond and the Vancouver International Airport. The facility opened in phases, with the casino opening in June 2004, the hotel in August 2005 and the show theatre in September 2005. As at December 31, 2007, the casino housed 921 slot machines and 121 gaming tables. This facility also features a variety of food and beverage options, a Racebook, pool/spa and conference facilities, and is licensed to serve liquor throughout the casino. Parking is currently provided in a 1,200-stall, multi-level parking garage. The casino operates 24 hours per day.

On November 14, 2006, we entered into a letter of intent with the Greater Vancouver Transportation Authority and Canada Line Rapid Transit Inc. to construct a new 1,200-stall parking garage adjacent to the River Rock. On February 10, 2008, we announced an expansion of amenities at River Rock including the intended construction of a new 5 storey hotel, skybridge, additional parking and commercial space. See "Recent and Proposed Development Initiatives".

Boulevard Casino. Located in Coquitlam, British Columbia, the Boulevard Casino is comprised of an 85,000 square foot casino (which includes separate High Limit and Poker rooms) and a 1,100 seat multi-purpose show theatre. The Boulevard Casino is situated near a major east/west highway running through Metro Vancouver. Originally opened in 2001, this facility underwent a significant expansion that was completed in November 2005 with a theatre completed in September 2006. As at December 31, 2007, the casino housed 930 slot machines and 75 gaming tables. This facility also features a variety of food and beverage options and a Racebook. Parking is provided in a 1,600 stall, multi-level parking garage. The casino operates 24 hours per day.

Casino on Broadway. As part of an interim agreement with BCLC dated October 2, 2007, we closed this casino effective November 18, 2007. See "Recent and Proposed Development Initiatives".

View Royal. Located in View Royal, British Columbia, a suburb of Victoria, the View Royal Casino comprises a 32,000 square foot casino and was originally opened in December 2001. As at December 31, 2007, the casino housed 437 slot machines and 19 gaming tables. This facility has a restaurant, deli and

offers surface parking spaces. The casino operates 18 hours per day. On September 17, 2007, we announced plans to redevelop this casino. See “Recent and Proposed Development Initiatives”.

Nanaimo. Located in Nanaimo, British Columbia, the Nanaimo Casino comprises a 24,000 square foot casino that is connected to a shopping centre. The facility originally opened in July 1998 and is located in downtown Nanaimo near a new convention centre that is currently under construction. As at December 31, 2007, the casino housed 380 slot machines and 8 gaming tables. Food and beverage service is provided through a restaurant located within the facility. Surface parking is available at the facility. The casino operates 16 hours per day.

Chances Gaming Centre. Located in Dawson Creek, British Columbia, Chances Gaming Centre is a 16,000 square foot CGC. Unlike casinos, CGC’s are typically located in British Columbia’s smaller communities and offer both bingo and slot machine operations. As at December 31, 2007, the centre housed 150 slot machines and conventional and electronic bingo operations. This facility also features a variety of licensed food and beverage options and a Racebook. Surface parking is available at the facility. The centre operates 14 hours per day on week days and 16 hours per day on weekends.

Fraser Downs Racetrack and Casino. Located in Surrey, British Columbia, and approximately 64 kilometers from downtown Vancouver, Fraser Downs Racetrack and Casino offers live standardbred racing ten months of the year (approximately 105 live race days in 2007) on a 5/8 mile track. The facility has an 80,000 square foot grandstand facility, which includes a 25,000 square foot casino, and is located on a 55 acre site. As at December 31, 2007, the facility housed 503 slot machines and 12 tables. The racetrack facility also features on-site stabling, a variety of licensed food and beverage options and an on-site Racebook. Surface parking is available at the facility. The casino operates 19 hours per day on weekdays and 24-hours per day on weekends. Orangeville, which owns and operates Fraser Downs, also owns Sandown Racetrack, located in North Saanich, British Columbia, offering a Racebook and food and beverage service five days a week.

Pursuant to an agreement with the BCLC dated October 2, 2007, we recently enhanced the gaming operations at Fraser Downs. See “Recent and Proposed Development Initiatives”.

Hastings Racecourse. Located in Vancouver, British Columbia, Hastings Racecourse features live thoroughbred racing eight months of the year (approximately 68 live race days in 2007) on a 5/8 mile track. Hastings Racecourse has hosted live horse racing since 1889. As of December 31, 2007, the facility housed 150 slot machines in a portion of the 175,000 square foot grandstand facility that is located on a 48 acre site. Hastings Racecourse is located adjacent to the grounds of the Pacific National Exhibition on the boundary of Vancouver and the neighbouring city of Burnaby along a number of major thoroughfares. The racecourse facility also features on-site stabling, a variety of licensed food and beverage options and year round simulcast of national and international horse racing at an on-site Racebook. Surface parking is available on the grounds of the Pacific National Exhibition. The Company has initiated the redevelopment of Hastings Racecourse in two phases. See “Recent and Proposed Development Initiatives”.

TBC Teletheatre B.C. We own a 50% interest in TBC Teletheatre B.C. and the remaining 50% is held by two horseman’s associations, the HBPA and BCSA. As at December 31, 2007, TBC Teletheatre B.C. operates 19 Racebooks across British Columbia, including the Racebook at River Rock Casino Resort, Boulevard Casino and Chances Gaming Centre. TBC Teletheatre B.C. does not hold an interest in the Racebooks at Hastings Racecourse, Fraser Downs Racetrack or Sandown Racetrack (a subsidiary of Orangeville).

Operating Agreements with the British Columbia Lottery Corporation. Our British Columbia-based gaming operations are conducted pursuant to separate Casino Operational Services Agreements entered into with the BCLC for each of our facilities. Under these agreements we provide premises to host casino operations managed and conducted by the BCLC and provide certain gaming equipment and supplies and other operational services such as supplying security and surveillance and gaming personnel to operate the casinos. We own all gaming tables in operation at our facilities, other than roulette equipment which is owned by the BCLC. The BCLC is responsible for the selection, with our input, of all games and types of slot machines played at our facilities, and the purchase, operation and maintenance of the slot machines.

Our CGC, located in Dawson Creek, British Columbia, is operated under a CGCOSA. Under this agreement we provide premises to host bingo and slot machine operations managed and conducted by BCLC and provide operational services such as supplying security and surveillance and gaming personnel. BCLC is responsible for the selection, with our input, of all types of slot machines played at this facility, and the purchase, operation and maintenance of the slot machines.

The following table sets out as at December 31, 2007, for each of our British Columbia facilities, the commission payments we receive for providing gaming services to the BCLC and the expiry date of each of our 20 year term Operational Services Agreements.

<u>Facility</u>	<u>% of Slot Machine Win</u> ^{(1),(2)}	<u>% of Poker Table Win</u> ⁽¹⁾	<u>% of Craps Table Win</u> ⁽¹⁾	<u>% of Other Gaming Table Win</u> ⁽¹⁾	<u>Expiry date of Current Term of Operational Services Agreement</u>	<u>Expiry date of Operational Services Agreement (all renewals)</u>
River Rock Casino Resort.....	25	75	75/40 ⁽³⁾	40 ⁽⁴⁾	June 23, 2014	June 23, 2024
Boulevard Casino	25	75	75/40 ⁽³⁾	40 ⁽⁴⁾	November 16, 2015	November 16, 2025
View Royal Casino	25	—	—	40 ⁽⁴⁾	February 28, 2011	February 28, 2021
Nanaimo Casino	25	—	—	40 ⁽⁴⁾	February 28, 2011	February 28, 2021
Chances Gaming Centre (Dawson Creek) ..	25 ⁽⁵⁾	—	—	—	June 30, 2016	June 30, 2026
Fraser Downs Racetrack and Casino	25 ⁽⁶⁾	—	—	40 ⁽⁴⁾	March 31, 2014	March 31, 2024
Hastings Racecourse	25 ⁽⁶⁾	—	—	—	October 28, 2012	October 28, 2027

(1) “Win” is defined as the amounts wagered on gaming activities, less payout or prizes to winning customers. At certain of our British Columbia casinos and racetracks, we are required to contribute between 0.5% and 1.5% of the win towards a BCLC marketing fund to promote all casinos.

(2) Less 25% of the BCLC’s cost to lease slot machines and electronic gaming tables.

(3) 75% of the quarterly win up to \$270,000 and 40% thereafter.

(4) 40%, less 1% to reimburse the BCLC for gaming equipment and related supplies.

(5) In addition to a percent of the slot machine win, Chances Gaming Centre also earns a percentage of the bingo win in the amount of 60% of the first \$20,000 of weekly bingo win, 40% of the next \$60,000 of weekly bingo win and 25% of the weekly bingo win thereafter.

(6) The BCLC has agreed that we may hold back an additional 10% of the Win to increase racing purses payable and to support horse breeding programs.

Ontario

In Ontario, we own two racetracks, Flamboro Downs and Georgian Downs, each of which houses slot machines operated by the OLG, the provincial Crown corporation responsible for managing and conducting gaming in Ontario. Our Ontario properties generated \$35.2 million in revenues for the year ended December 31, 2007, representing 9% of our total revenues for that period.

Flamboro Downs. Located in Flamborough, Ontario, Flamboro Downs features live standardbred racing 12 months of the year (approximately 225 live race days in 2007) on a 1/2 mile track. The facility has a 70,000 square foot grandstand facility, which includes a 30,000 square foot slot facility, and is located on a 230 acre site. The racetrack and slots facility were constructed in 1975 and acquired by us in October, 2005. Flamborough is located approximately 82 kilometres west of Toronto and 16 kilometres east of Hamilton. The racetrack facility also features a variety of licensed food and beverage options and year round simulcast of national and international horse racing at an on-site Racebook. Surface parking is available at the facility. The slots room at the racetrack houses 750 slot machines as at December 31, 2007 and operates 24 hours per day.

Georgian Downs Racetrack. Located in Innisfil, Ontario, Georgian Downs features live standardbred racing 12 months of the year (approximately 93 live race days in 2007) on a 5/8 mile track. The facility has a 55,000 square foot grandstand facility, which includes a 20,000 square foot slot facility, and is located on a 146 acre site (70 acres of which is vacant land we acquired in October 2006 that is adjacent to the facility). The racecourse and slots facility were constructed in 2000 and acquired by us in September 2005. Innisfil is located approximately 80 kilometres north of Toronto near an off-ramp off a major highway. The racetrack facility also features a variety of licensed food and beverage options and year round simulcast of national and international horse racing at an on-site Racebook. Surface parking is available at the facility. The slots room at the racetrack houses 455 slot machines and operates 24 hours per day. We expect to commence redevelopment of the Georgian Downs slot facility in mid 2008. See “Recent and Proposed Development Initiatives”.

Operating Agreements with OLG. Our Ontario-based gaming operations are conducted pursuant to separate Site Holder Agreements entered into with the OLG for each of our racetrack/slot facilities. Under these agreements, we are a landlord to the OLG and provide premises at our facilities in order for the OLG to conduct and manage gaming operations. We provide no gaming related services but we earn a commission based on the level of slot revenues.

We are also responsible for conducting our horse racing operations so as to provide an entertaining recreational product to maximize interest in horse racing and thereafter, enhancing the success of the gaming activities carried out by the OLG. To that end, the OHHA is entitled to 50% of the commission before set-offs, that we receive from the OLG.

The following table sets out, for each of our Ontario facilities, the payments we receive for providing premises to the OLG and the expiry term of each Site Holder Agreement.

<u>Facility</u>	<u>% of Slot Machine Win</u> ^{(1) (2)}	<u>Expiry date of Operating Agreement</u>	<u>Expiry date of Operating Agreement (all renewals)</u> ⁽³⁾
Georgian Downs.....	10%	November 30, 2021 ⁽⁴⁾	November 30, 2026
Flamboro Downs	10%	October 10, 2010	October 10, 2015

- (1) “Win” is defined as the amounts wagered on gaming activities, less payout or prizes to winning customers.
- (2) Our commission in the Site Holder Agreement is 20% of the win, but half of that commission is paid to the OHHA pursuant to our racing contract for standardbred racing.
- (3) Subject to renewal terms, at the option of the OLG.
- (4) The Site Holder Agreement at Georgian Downs provides for a term expiring November 2011 and pursuant to the Supplemental Agreements between the OLG and us, two additional five-year terms through November 2021.

There is no program in Ontario similar to the FDC as in British Columbia. In Ontario we are required to set aside 5% of our net commission to the OLG for common area maintenance capital expenditures. See “Operating Agreements with Provincial Crown Corporations”.

Nova Scotia

We operate the only two casinos in the province of Nova Scotia. Our Nova Scotia properties generated \$47.6 million in revenues for the year ended December 31, 2007, representing 12% of our revenues.

Casino Nova Scotia Halifax. Located in Halifax, Nova Scotia, Casino Nova Scotia Halifax houses a 110,000 square foot casino and conference facility, which includes separate High Limit and Poker rooms. The facility is located on the waterfront in downtown Halifax near major hotels and tourist attractions. The facility was built in 2001, acquired by us in May 2005 and renovations on the facility were completed in June 2006. As at December 31, 2007, the casino housed 714 slot machines and 40 gaming tables. This facility also features a variety of licensed food and beverage options and conference facilities. Parking is provided in a 550 stall multi-level parking garage and the casino operates 24 hours per day, year round except certain holidays.

Casino Nova Scotia Sydney. Located in Sydney, Nova Scotia, Casino Nova Scotia Sydney houses a 30,000 square foot casino. The facility is located in downtown Sydney and is connected to a multi-purpose arena. The casino was built in 1996, acquired by us in May 2005 and renovations on the facility were completed in November 2006. As at December 31, 2007, the casino housed 337 slot machines and 9 gaming tables. This facility also features a variety of licensed food and beverage options. Surface parking is provided. The casino operates 16 hours per day Monday to Wednesday and is open 24 hours Thursdays to Sundays, except on certain holidays.

Operating Agreement with NSGC. Our Nova Scotia-based gaming operations are conducted pursuant to an AROC entered into with the NSGC that covers both of our facilities. Under the AROC, we have been appointed to operate the casinos in Halifax and Sydney, Nova Scotia, and to supply services to the NSGC. In fulfilling our duties under the agreement, we supply gaming equipment and supplies, provide security and surveillance for the facilities and supply gaming personnel. The NSGC has the right to review our Nova Scotia operations, approve annual budgets and, on termination of the AROC, to repurchase all equipment, land and building purchased by us and used in these operations.

The following table sets out, for each of our Nova Scotia facilities, the operating fee we receive for providing gaming services to the NSGC and the expiry term of the AROC.

<u>Facilities</u>	<u>Operating Fee</u>	<u>Expiry date of Current Term of Operating Agreement</u>	<u>Expiry date of Operating Agreement (all renewals)</u>
Halifax and Sydney	52.725% of Total Revenue ⁽¹⁾	July 1, 2015	July 1, 2025

⁽¹⁾ “Total Revenue” is defined as all gaming revenue (less player winnings) and non-gaming revenue. This percentage may be reviewed if certain changes to operations prescribed or directed by the NSGC affect revenues by a casino earned or expenses incurred by us. We have an agreement to pay to the NSGC \$1.0 million annually, adjusted for inflation, as a contribution toward the prevention and treatment of problem gambling in Nova Scotia.

After payment of our operating fee, the balance of revenues earned by Casino Nova Scotia Halifax and Casino Nova Scotia Sydney are paid to the NSGC, except 5% of total revenues which are deposited into a capital reserve account. The funds deposited into the capital reserve account are to be utilized to undertake capital expenditures, refurbishment, maintenance, upgrading and enhancement of the casino facilities. By March 29, 2009, at least \$5.0 million (adjusted for inflation) must be set aside annually for these purposes. We are required under the AROC to annually consult with the NSGC and prepare a detailed capital replacement and maintenance plan for maintenance, refurbishment, upgrading, enhancing and replacement of the casinos and casino assets. The expenditures we incur in implementing the plan are reimbursed to us from the capital reserve account (“Capital Reserve Account”) based on 5% of total revenue.

Washington State

We have been operating card rooms in Washington State since October 1999, when we purchased an interest in the ownership of a casino adjacent to our current site in Tukwila, Washington. The Tukwila facility was rebuilt in 2002, and is now 15,657 square feet. We also operate similar facilities in Lakewood (Tacoma) (29,980 square feet; opened in August, 2003), Kent (5,600 square feet; opened in November 2003) and Everett (10,875 square feet; purchased in January, 2003), Washington State.

Our Washington State operations generated \$26.6 million in revenues for the year ended December 31, 2007, representing 7% of our revenues. The four Washington State facilities, which are operated through subsidiaries, contain a total of 59 gaming tables as well as ancillary facilities such as night clubs and banquet facilities. Surface parking is available at each facility. The card rooms operate 18 hours per day.

Our subsidiaries have been issued gaming service supplier licenses by the WSGC that expire annually. The gaming service supplier licenses permit us to operate 15 card tables at each of our facilities in Washington State, the maximum allowable by the WSGC. The established practice in Washington State is that, in the absence of violations or wrongdoings by the licensee, gaming service supplier licenses are renewed automatically by the WSGC. Gaming revenues from our gaming operations in Washington State are net of county gaming taxes at various rates ranging from 10% to 13% for card and progressive jackpot games, 5% on pull-tabs and 2% on amusement games.

Property Operations Summary

The following chart summarizes the key attributes of each of our facilities as at December 31, 2007 and the expiry date of the operating agreements that we have entered into with the Provincial Crown Corporations responsible for the conduct and management of gaming activities in British Columbia, Ontario, Nova Scotia and of gaming activity in Washington State:

Facility and Location	Year Built/Renovated	Additional Facilities and Activities	Expiry Date (current term/ after all renewals) of Operating Agreements ⁽¹⁾	No. of Slot Machines	No. of Tables
British Columbia					
River Rock Casino Resort Richmond, B.C.	Casino: 2004 Hotel & Theatre: 2005 Conference Centre: 2007	222 room hotel, 950 seat show theatre, 9 dining options, conference facilities, pool/spa, Racebook ⁽²⁾ , marina	June 23, 2014/ June 23, 2024	921	121
Boulevard Casino Coquitlam, B.C.	Casino: 2005 Theatre: 2006	1,100 seat show theatre, 4 dining options, Racebook ⁽²⁾	November 16, 2015/ November 16, 2025	930	75
View Royal Casino Victoria, B.C.	2001	2 dining options	February 28, 2011/ February 28, 2021	437	19
Nanaimo Casino Nanaimo, B.C.	1997	1 dining option	February 28, 2011/ February 28, 2021	380	8
Chances Gaming Entertainment Dawson Creek, B.C.	2006	Bingo, 1 dining option, Racebook ⁽²⁾	June 30, 2016/ June 30, 2026	150	—
Hastings Racecourse (Thoroughbred Racing) Vancouver, B.C.	2002	3 dining options, concession, Racebook ⁽²⁾	October 28, 2012/ October 28, 2027	150 ⁽³⁾	—
Fraser Downs Racetrack and Casino ⁽⁴⁾ (Standardbred Racing) Surrey, B.C.	2005	6 dining options, show lounge, Racebook ⁽²⁾	March 31, 2014/ March 31, 2024	503	12
TBC Teletheatre B.C. ⁽²⁾	various	19 Racebooks ⁽²⁾	—	—	—
Ontario					
Georgian Downs (Standardbred Racing) Innisfil, Ontario	2001	5 dining options, concession and Racebook	November 30, 2021/ November 30, 2026 ⁽⁵⁾	455	—
Flamboro Downs (Standardbred Racing) Flamborough, Ontario	2001	4 dining options, entertainment lounge, conference facility and Racebook	October 10, 2010/ October 10, 2015	750	—

Nova Scotia

Casino Nova Scotia Halifax ⁽⁶⁾ Halifax, Nova Scotia	2006	3 dining options, entertainment lounge, conference facility	July 1, 2015/ July 1, 2025 ⁽⁵⁾	714	40
Casino Nova Scotia Sydney ⁽⁶⁾ Sydney, Nova Scotia	2006	2 dining options, lounge	July 1, 2015/ July 1, 2025 ⁽⁵⁾	337	9

Washington State

Washington State Operations ⁽⁷⁾	1997–2003	4 restaurants, show lounge, conference facility	—	—	59
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Total 5,727 Total 343

- (1) Subject to termination rights. See “**BUSINESS OF THE COMPANY - OPERATING AGREEMENTS** – Operating Agreements with Provincial Crown Corporations”.
- (2) We own or hold an interest in 22 Racebooks in British Columbia. We own and operate three Racebooks; one at each of Hastings Racecourse, Fraser Downs, and Sandown. The remaining 19 Racebooks, including the Racebooks at River Rock, Boulevard and Chances, are operated by TBC Teletheatre B.C. We own a 50% interest in TBC Teletheatre B.C. and the remaining 50% is held by two horseman’s associations, the BCSA and the HBPA.
- (3) We have been granted approval by the BCLC to install 600 slot machines subject to completion of our permanent facility (currently operating 150 slot machines in a temporary facility). The by-law allowing for slot machines at Hastings Park is currently subject to a legal challenge. See “**RISK FACTORS** – Litigation – Hastings Park Conservancy”.
- (4) Our Orangeville subsidiary which operates Fraser Downs also operates Sandown Racetrack in North Saanich, British Columbia.
- (5) The Site Holder Agreement at Georgian Downs provides for a term expiring November 2011 and pursuant to the Supplemental Agreements between the OLG and us, two additional five-year terms through November 2021.
- (6) Operating under a single agreement.
- (7) We operate card rooms (maximum 15 tables per room) at each of our four Washington State locations.

Property Ownership Summary

The following table summarizes ownership information regarding each of our principal facilities:

<u>Facility and Location</u>	<u>Approximate Square Footage of Facility</u>	<u>Ownership Interest</u>	<u>Expiry Date of Lease</u>
Head Office Richmond, B.C.	53,856	Leased	2014
River Rock Casino Resort Richmond, B.C.	135,000 (includes theatre, excludes hotel)	Leased (land only)	2041
Boulevard Casino Coquitlam, B.C.	125,000 (includes theatre)	Owned	n/a
View Royal Casino Victoria, B.C.	32,000	Owned	n/a

Facility and Location	Approximate Square Footage of Facility	Ownership Interest	Expiry Date of Lease
Nanaimo Casino Nanaimo, B.C.	24,000	Owned	n/a
Chances Gaming Entertainment Dawson Creek, B.C.	16,000	Owned	n/a
Hastings Racecourse Vancouver, B.C.	175,000 (racing)	Leased	2027
Fraser Downs Racetrack and Casino Surrey, B.C.	80,000 (racing) 25,000 (gaming)	Leased	2024
Georgian Downs Barrie, Ontario	55,000 (racing) 20,000 (gaming)	Owned	n/a
Flamboro Downs Flamborough, Ontario	70,000 (racing) 30,000 (gaming)	Owned	n/a
Casino Nova Scotia Halifax Halifax, Nova Scotia	110,000	Owned	n/a
Casino Nova Scotia Sydney Sydney, Nova Scotia	30,000	Leased	2016
Grand Central Casino (Tukwila) Tukwila, Washington	15,657	Owned	n/a
Grand Central Casino (Lakewood) Lakewood, Washington	29,980	Owned	n/a
Great American Casino (Everett) Everett, Washington	10,875	Owned	n/a
Great American Casino (Kent) Kent, Washington	5,600	Leased	2011

Business Strategy

Our mission is to be the leading gaming and entertainment company in our chosen markets by providing superior destinations, experiences, products and services. To meet this objective, we have adopted the strategies set out below. As a gaming service supplier, we work closely with our Crown corporation partners to develop our business strategy. The agreement of our Crown corporation partners may be necessary to implement certain strategies, and would be required with respect to those strategies related to the deployment of gaming assets.

Continuously improve our operating efficiency. We have implemented several initiatives within our business to help maintain and improve profitability. In particular, at our corporate head office and each operating facility we have implemented initiatives to realize operational synergies, workflow efficiencies and business process improvements. We have developed more focused marketing efforts (including joint marketing plans with our provincial Crown corporation partners), adopted more efficient products and technologies used in managing our business; and managed staffing levels appropriately. We continue to develop a performance based culture that recognizes outstanding service delivery, teamwork and individual achievement. In addition, we are working to continually improve our human resource policies and programs in an effort to increase our employee retention rates.

Complete the build out of and grow our current assets. We have invested over \$750 million over the last four years to expand and improve our operations. As a result, we have many assets that are new or newly-

renovated and are well positioned to capture benefits (in the form of increased revenues and improved profitability) of the investments that have been made to date. Additionally, the current supply-constrained nature of many of our markets is in part due to the fact that the provincial Crown corporations responsible for gaming have been taking steps to limit the number of gaming facilities. As a result, the number of new operators in the industry has been limited, providing incumbent facilities operators like us with opportunities to better penetrate the market and capture unmet demand. Accordingly, we believe that there is potential for us to benefit from the relatively underpenetrated state of the market by expanding some of our existing facilities. Subject to Crown corporation approval, we may also seek ways to expand the gaming products and services we offer at our facilities.

Look for appropriate expansion opportunities. The gaming industry in Canada, in its current form with large-scale, commercial casinos, is relatively new compared to that in the United States or other international jurisdictions. We believe there are still significant growth opportunities in Canada. Our primary focus will continue to be the build-out of our current assets, but we may also consider further expansion opportunities and additional acquisition opportunities that may arise from time to time inside and outside of our current markets.

Recent and Proposed Development Initiatives

Subject to obtaining all required development and other approvals we have recently initiated or intend to initiate in the near future, the following development projects:

River Rock Casino Resort, Richmond, British Columbia

On November 14, 2006, the Company entered into a letter of intent with the Greater Vancouver Transportation Authority and Canada Line Rapid Transit Inc. (“Canada Line”) to construct a new 1,200 stall parking garage adjacent to River Rock. Canada Line also agreed to transfer title of 5 parcels of land (approximately 5 acres in aggregate) to the Company. Approximately 2.6 acres of this land is being used for the parking garage development, which site preparation and construction commenced on July 15, 2007.

Canada Line is contributing approximately \$4.5 million towards the construction costs of this project, which the Company estimates will total approximately \$33.0 million. Once complete, the parking garage will address the parking shortages that River Rock currently experiences during peak weekend periods. Partial completion of the parking garage is expected by the third quarter 2008 providing 600 parking spaces. Full completion of the parking garage is expected in late 2009.

In addition, in February 2008, we announced the development of a 191 room hotel on land adjacent to River Rock together with a skybridge to connect the hotel to the casino and associated retail, commercial and professional space. In addition, almost 360 more parking spaces will be created. The total estimated cost of the hotel, parking garage, skybridge and commercial space is estimated at \$118.0 million.

Georgian Downs, Innisfil, Ontario

On July 10, 2007, the Company entered into Supplemental Agreements with the OLG, which in effect amend the original Siteholder Agreement for that property. These Supplemental Agreements allow for the redevelopment of Georgian Downs, and increase the property’s slot machine capacity from 455 to 1,000 slot machines. These slot machines will continue to be both owned and operated by the OLG. The Company expects to commence redevelopment in mid 2008 (subject to development approvals) and anticipates the total construction timeline for this expansion to span approximately 18 months.

Based upon the current slot machine revenue per day at Georgian Downs, the Company believes that the facility is experiencing capacity constraints. This expansion will alleviate those constraints, providing guests with a greatly improved gaming experience.

The Supplemental Agreements also guarantee the Company's 10% slot machine revenue share through to November 30, 2021, and further includes a provision, at the OLG's discretion, for extension until November 30, 2026.

Hastings Racecourse, Vancouver, British Columbia

On October 2, 2007, the Company announced an agreement with the BCLC that allowed for the installation of slot machines at Hastings Racecourse in Vancouver. In addition, on November 1, 2007, HEI and the City of Vancouver concluded the operating agreement for HEI use and occupation of Hastings Racecourse. The installation of slot machines is proceeding in two phases.

The initial phase of development for Hastings Racecourse reached completion and commenced operations on November 10, 2007. This phase utilized existing floor space to install 150 slot machines, from which the Company will receive a BCLC service fee of 28% on net slot win, inclusive of FDC.

The second phase of development for Hastings Racecourse commenced construction on December 15, 2007. This phase will both provide Hastings Racecourse with new hospitality and entertainment offerings and allow for the installation of an additional 450 slot machines. The Company anticipates this second phase will reach completion in late 2008 or early 2009, and include an estimated \$40.0 million in capital improvements during the initial five-year term of the COSA.

In order to recover its capital investment on all phases of the Hastings Racecourse redevelopment, the Company will be eligible to apply to the BCLC for an additional service fee of 2% on slot net win pursuant to the BCLC's FDC policy.

Litigation brought against the City of Vancouver by the Hastings Park Conservancy related to the City of Vancouver rezoning by-law remains outstanding. The British Columbia Court of Appeal heard the appeal of the BC Supreme Court Action from January 29 – 31, 2008. Judgment was reserved. The Company is confident that the appeal will not be successful and, although it is not party to the appeal, continues to monitor the litigation closely.

Fraser Downs Racetrack and Casino, Surrey, British Columbia

On October 2, 2007, the Company announced an interim agreement with BCLC that allowed for enhancement of gaming at Fraser Downs in Surrey. On November 22, 2007, we added 83 additional slot machines and 12 gaming tables to the facility.

In connection with this expansion, the Company now receives BCLC service fees of 28% from net slot win and 43% from net table win, inclusive of FDC. The gaming expansion required approximately \$2.7 million in capital improvements.

Casino on Broadway, Vancouver, British Columbia

On October 2, 2007, the Company announced an interim agreement with the BCLC that provided for the closure of the Casino on Broadway. On November 18, 2007, the Casino on Broadway ceased operations.

View Royal Casino, View Royal, British Columbia

On September 17, 2007, the Company announced its plans to redevelop the View Royal Casino in View Royal. View Royal currently has 437 slot machines and 19 table games. The redevelopment plans

include increasing the existing floor area by approximately 37,000 square feet, or 115%, to accommodate new amenities including additional slot machines, a poker room, a Racebook, a live-entertainment lounge, new food and beverage offerings, and additional back-of-house operations. The Company also entered into an agreement to acquire approximately 1.5 acres of commercial property adjacent to the casino.

The redevelopment of the View Royal Casino and any change to the gaming facility are subject to local government and BCLC approvals. A development permit application has been approved by the View Royal municipal planning department.

New Racebook Locations

TBC opened new Racebook locations in British Columbia at Williams Lake in September 2007, Fort St. John in September 2007, and Prince Rupert in October 2007. During 2008 TBC opened new Racebooks in Surrey and New Westminister and closed a location in Courtenay. These new locations expand the availability of simulcast betting across British Columbia. TBC's principal business activity is the operation of simulcast, telephone and internet wagering services in British Columbia, which broadcasts horse racing from Hastings Racecourse, Fraser Downs and other racetracks in Canada and throughout the world. As of the date of this AIF, there are 20 Racebooks operated by TBC.

Competitive Conditions

British Columbia

We believe that the population in British Columbia, and particularly the Metro Vancouver area is underserved in gaming. According to the BCLC Service Plan for 2008/09 – 2010/11, the BCLC has estimated that the British Columbia casino and CGC gaming win will grow to \$1.794 billion by fiscal year ended March 31, 2011, up from \$1.284 billion for its fiscal year ended March 31, 2007, for a CAGR of over 6.9%. Expansions approved by the BCLC are expected to increase the provincial win per capita to a level nearer the Canadian average.

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 15 casinos in the province, six of which are located in the Metro Vancouver area. There are also two racetracks located in Metro Vancouver, one of which contains tables and slot machines and one which contains slot machines only. Within Metro Vancouver, we own and operate two casinos and the two racetracks.

Our direct competition in the Metro Vancouver area is currently Paragon Gaming LLC. ("Paragon") and New World Gaming PLC ("New World Gaming"). In September 2006, the Vancouver based Edgewater Casino ("Edgewater") announced that it was sold to a division of Paragon, a U.S. based gaming company. Until it was sold to Paragon, the casino had been operating under creditor protection since May 2006. Based on information published by the BCLC at December 31, 2007, Edgewater's facility had 500 slot machines and 60 gaming tables.

New World Gaming acquired Gateway Casinos Income Fund and Gateway Casinos Inc. (collectively "Gateway Casinos") in November, 2007. Based on information published by the BCLC at December 31, 2007, Gateway Casinos' Burnaby facility had 679 slot machines and 34 gaming tables and its Langley facility had 530 slot machines and 36 gaming tables at that time. On December 11, 2007, based on information published by the BCLC, Gateway Casinos opened a new casino in New Westminister that has 850 slot machines and 57 table games which replaced the Royal City Star riverboat casino operating in

New Westminster that closed on December 8, 2007. The new 100,000 square foot facility also has various related food and beverage outlets on its property.

Gateway Casinos is also building a new Burnaby casino to house up to 1,000 slot machines and 60 table games to replace the current casino across the street, which as of December 31, 2007, had 679 slot machines and 34 gaming tables. The 100,000 square foot casino will also incorporate a hotel, food and beverage and conference facilities, and is expected to open in the second half of 2008.

Ontario

In early 2005, the Ontario government announced that no new gaming sites 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, 17 racetracks with slot machines, and one racetrack without slot machines in Ontario. In Ontario, direct competitors within a two-hour drive of the Greater Toronto Area are Casino Niagara (slot machines and table games), Niagara Fallsview Casino Resort (slot machines and table games), Casino Rama (slot machines and table games), Woodbine Racetrack (horse racing, Racebooks and slot machines), Brantford Charity Casino (slot machines and table games), Great Blue Heron Charity Casino (slot machines and table games), Mohawk Racetrack (horse racing, Racebooks and slot machines), Grand River Raceway (horse racing, Racebooks and slot machines) and Ajax Downs (slot machines, Racebooks, and horse racing).

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 OLG 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 OLG 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 OLG that exist within horse racing facilities owned by the private sector or non profit organizations. Site Holder Agreements with the racetrack owners govern the OLG's ability to operate slot machines at these locations.

Nova Scotia

In Nova Scotia, the Company operates the only two full-service casinos. While table games and slot machines are only permitted at Casino Nova Scotia Halifax and Casino Nova Scotia Sydney, there is competition from VLTs which are permitted in licensed liquor establishments, curling clubs and on aboriginal lands.

In 2004, the Government of Nova Scotia announced a plan to increase social responsibility toward gaming and to curtail the expansion of gaming in the province. The limitation on expansion was specifically targeted at reducing the accessibility to VLTs by removing 1,000 machines (or approximately 30% of the VLTs in existence prior to the reduction) in current retail locations. In addition, changes to the operation of VLTs have also been implemented by reducing the machines' speed of play by 30%, reducing the hours of video lottery terminal operations, and implementing other tools for players to

monitor their gaming spend. The Company does not anticipate any impact on the number of slot machines in Casino Nova Scotia Halifax or Casino Nova Scotia Sydney from this initiative. The NSGC, in its latest annual report, reported that gaming revenues from casinos and video lottery terminals were \$240.7 in its 2006-07 fiscal year, compared to \$277.9 in the prior year, representing a 13% decrease.

Our competition in Atlantic Canada is primarily limited to the Membertou Entertainment Complex, small VLT facilities throughout Nova Scotia, the Charlottetown Driving Park and a potential casino development in the province of New Brunswick. The Membertou Entertainment Complex is located in Membertou, Nova Scotia approximately 2.5 kilometres from our Casino Nova Scotia Sydney Casino, and is a 40,000 square foot facility that houses 140 VLTs, a bingo parlour, and an entertainment and conference centre. The Charlottetown Driving Park is a standardbred racetrack with 225 slot machines, located on Prince Edward Island. At present, the government of New Brunswick is also contemplating the construction of a single full-service casino in that province. On November 8, 2007, the Lotteries Commission of New Brunswick initiated a formal request for proposal process that is expected to conclude with the selection of a sole casino site and service provider on or about May 15, 2008. The successful proponent is expected to have the casino fully operational by December 31, 2010.

Washington State

The competitive environment in Washington State 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.

Card rooms such as those operated by the Company face significant competition from commercial casinos in Washington State, which are numerous and widely spread out among mostly single and several multi-location operators. Tribal casinos, with their ability to offer electronic gaming devices such as slot machines and their exemption from a state wide smoking ban, enjoy a significant advantage over card room operators.

Additionally, tribal casinos are not subject to the same taxation level as non-tribal casinos which allows for a competitive advantage in terms of supporting marketing and overhead expense.

According to the WSGC, gaming revenue in Washington State has grown at a 14.1% CAGR between 2003 and 2007. Card room revenue grew at a 3.4% CAGR between 2003 and 2007.

Regulation and Licensing

Overview

Gaming activities are strictly regulated in Canada under The Criminal Code of Canada (the “Criminal Code”) and Provincial legislation. The Criminal Code prohibits most gaming activity unless it falls within certain prescribed exemptions. These exemptions include “lottery schemes” (i) conducted by the government of a province in accordance with laws established by the province, (ii) conducted by a charitable or religious organization, (iii) licensed by a province, if the proceeds from the lottery scheme are used for charitable or religious purposes, (iv) conducted by the board of directors of a fair or exhibition licensed by a province, and (v) horse racing and pari-mutuel betting.

“Lottery schemes” include games of chance or mixed skill and chance. Pursuant to the Criminal Code, only Provincial governments can operate slot machines, computerized games or dice games.

Gaming

Each province in which we operate has established legislation under which that province conducts and manages gaming activities. In determining the laws, regulations and supervisory procedures that regulate gaming operations, the Provincial regulators take into account a number of public policy concerns, which may change over time, including: 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; and the prevention of cheating and fraudulent practices in gaming.

Provincial gaming legislation permits the registration of private entities to assist in the provision of gaming-related activities as agents, service providers or service suppliers of Provincial Crown Corporations authorized under the Criminal Code to conduct and manage gaming in the province. Pursuant to certain long-term agreements we have entered into with Provincial Crown Corporations in British Columbia, Ontario and Nova Scotia, we provide facilities and other services to those agencies in order that they may carry out gaming activities and share in the revenues earned by each of those Provincial Crown Corporations from those activities.

While the Provincial Crown Corporations may determine the form and proposed location of gaming activities offered in a province, the co-operation of local government is needed for these facilities to operate. All new gaming facilities licenses and all facility expansions or relocations must be approved by the local host government, which in making their development decisions typically consider the concerns and comments of local residents and businesses and affected adjacent communities. The sale of alcoholic beverages at our facilities is also subject to the obtaining of appropriate licenses.

In Washington State, regulated gambling is permitted and controlled by the WSGC. Unlike Canada, our gambling operations in Washington State do not involve the participation of a governmental body in the operation of the facilities. Gambling laws and regulations in Washington State, like those in Canada, are generally concerned with the integrity, reputation, responsibility, financial stability and character of the owners, managers, employees and persons with financial interests in the gambling operations.

Horse racing

Pari-mutuel wagering on horse racing in Canada falls within the jurisdiction of the Federal Government under the Criminal Code. Through the CPMA, a division of Agriculture and Agri-Food Canada, the Federal Government regulates the horse racing industry. In practice, the Federal Government shares jurisdiction over pari-mutuel wagering with the provinces in most areas.

The CPMA is financed through a federal levy of 0.8% collected from each pari-mutuel bet placed on horse races across Canada. The Pari-Mutuel Betting Supervision Regulations, authorized under the Criminal Code, prescribe the mandate and the activities of the CPMA. The CPMA fulfills its regulatory function by providing the following services: (a) supervision of the pari-mutuel betting systems; (b) conduct of race meets and the fixing of dates and places for races; (c) photo finishing, video patrol and drug control and testing of horses, trainers and jockeys; (d) calculation of payables on bets; and (e) provision, equipment and maintenance of accommodation, services and other facilities for the supervision and operation of the pari-mutuel systems.

Every racetrack association must apply for and obtain an annual pari-mutuel betting permit to hold horse races at its facilities. In granting a permit, the CPMA may impose terms and conditions on permits such

as the types of bets which may be offered at the horse racing facility; the method of calculating each type of bet; necessary improvements to the horse racing facility; and any other restrictions on pari-mutuel wagering. The CPMA also issues annual pari-mutuel licenses for Racebook facilities.

Registration and Reporting Requirements

We are subject to both general and specific reporting and disclosure requirements with our respective regulators. General reporting and disclosure requirements include the obligation to provide regulators with information pertaining to our financing arrangements and issuances of securities. As a result of such reporting, the regulators may conduct investigations or inquire as to the nature and source of financing, including the identity of persons who acquire our securities or lend us money. These inquiries are made pursuant to the regulator's general powers of investigation and general authority to conduct investigation or inquiry with respect to any participant in the gaming industry at any level of monetary or shareholder interest. The gaming regulations also prescribe specific obligations for us to report and disclose certain financing arrangements and issuances of securities. Normally these specific obligations arise where certain threshold tests of "interest" are met. A detailed discussion of these reporting and disclosure obligations is set forth below under "British Columbia", "Ontario", "Nova Scotia" and "Washington State".

Notwithstanding there being specific reporting thresholds, a regulator at any time may exercise its discretionary right to require reporting by any person who has an interest in us whether debt or equity. If we are unable to comply with any reporting or registration requirement, our registrations as a gaming service provider may be altered or revoked which would adversely affect our business.

We have established a practice in each of our jurisdictions of operation for the periodic disclosure of holders of our debt as we become aware of new holders.

Gaming regulatory bodies may from time to time require changes to our practice in complying with the various disclosure and reporting requirements. If we fail to comply with any existing or future disclosure requirements, the regulators may take action against us which could ultimately include cancellation of a gaming registration.

British Columbia

Gaming Laws. In British Columbia, gaming activity and horse race betting are subject to the *Criminal Code*, the *Gaming Control Act (British Columbia)* and the regulations promulgated thereunder. GPEB oversees the implementation and enforcement of the *Gaming Control Act (British Columbia)* and, therefore, our gaming and horse racing operations.

In addition to regulation by the CPMA, horse racing is subject to Provincial regulation. In British Columbia, GPEB oversees horse racing activity and in Ontario, the ORC regulates horse racing activity.

Our Gaming Registration. All of our companies that own or operate gaming in British Columbia are approved and registered by GPEB as a gaming service provider. This registration authorizes our subsidiaries to provide certain gaming services such as providing facilities, gaming employees, and security and surveillance services. GPEB issues registration certificates for terms of five years. None of our registrations may be transferred or assigned.

Corporate Registration Requirements. The terms and conditions of registration require, among other things, that we submit to, and co-operate in background investigations, obey standard operating rules of play, identify our creditors and submit detailed financial and operating reports to GPEB. We are required

to deliver advance notice to, and obtain the approval from, GPEB of a change in our directors, officers or associates. An “associate” includes, inter alia, security holders, beneficial interest holders, contingent interest holders, interested parties and suppliers of credit, and goods or services above a certain threshold. We are also required to deliver advance notice to, and obtain the approval from, GPEB of the direct or indirect acquisition or disposition by a person or group of persons, acting in concert, in one or more transactions, of 5% or more of our voting shares; or one or more securities issued by us (other than voting shares), if the amount paid up under the securities is equal to or greater than 5% of our aggregate paid up capital. An applicant seeking registration must submit detailed personal and financial information to GPEB, may be subject to an investigation by GPEB and must pay or cause to be paid all the costs of any investigation. GPEB may deny registration to any applicant and may deny the acquisition or disposition of our shares or securities above the 5% threshold. All of our directors, officers, associates and key employees have been or may be required to be found suitable and require registration by GPEB. GPEB may deny an application for registration for any reason which they deem appropriate.

Substantially all of our material loans, leases, sales of securities and similar financing transactions must be reported to, or approved by, GPEB.

Individual Registration Requirements. As noted above, under the terms and conditions of our registration, we are required to deliver advance notice to, and obtain the approval from, GPEB for the acquisition or disposition of our voting shares or of our securities above the 5% threshold and for changes to our directors, officers or “associates”. Persons acquiring or disposing of our shares or securities above the 5% threshold may be required to submit detailed financial and personal information and undergo an investigation by GPEB to ensure their suitability for involvement in the gaming industry, and may be required to be registered. Our proposed officers or directors are required to be registered and persons wanting to become associates of ours may be required to be registered. An applicant seeking registration must submit detailed personal and financial information to GPEB, may be subject to an investigation by GPEB and must pay or cause to be paid all the costs of any investigation. GPEB may deny registration to any applicant and may deny the acquisition or disposition of our shares or securities above the 5% threshold. GPEB may deny an application for registration for any reason which they deem appropriate. At any time, GPEB may conduct inspections to monitor compliance of registrants with the *Gaming Control Act (British Columbia)*, the regulations, the rules and the conditions of registration.

Our Horse Racing Registrations. Our operating subsidiaries have been issued licenses by GPEB to manage and operate our horse racing tracks. These licenses are issued annually and are subject to several conditions including legislative compliance, financial reporting, adherence to facilities and equipment standards and security. In addition to requiring a license, GPEB requires that racetrack operators apply for race dates each year. Our horse racing licenses may not be transferred or assigned. CPMA licenses are also renewed annually to operate our racetracks.

Consequences of Violating Gaming Laws. GPEB may refuse to issue or renew our registration if we, or one of our directors, officers, employees or associates (i) is considered to be a detriment to the integrity or lawful conduct or management of gaming; (ii) no longer meets a registration requirement; (iii) has breached or is in breach of a condition of registration or an operational agreement with the BCLC; (iv) has made a material misrepresentation, omission or misstatement in an application for registration or in reply to an enquiry by a person conducting an audit, investigation or inspection under the *Gaming Control Act (British Columbia)*; (v) has been refused a similar registration in another jurisdiction; (vi) has held a similar registration, or license in British Columbia or another jurisdiction which has been suspended or cancelled; or (vii) has been convicted of an offence, inside or outside of British Columbia, that calls into question our honesty or integrity or the honesty or integrity of one of our directors, officers, employees or associates.

If GPEB limits, suspends, revokes or refuses to renew our registration and/or any of our horse racing licenses, it would have a significant negative effect on our gaming operations. A suspension of our registration in British Columbia could result in a suspension of our gaming registration in Ontario and Nova Scotia or the suspension of our racing licenses in Ontario.

Consequences of Being Found Unsuitable. A person who fails or refuses to apply for registration after being ordered to do so through GPEB, or who refuses or fails to pay the investigative costs incurred by GPEB in connection with the investigation of its application, may be found unsuitable. We and/or our subsidiaries may be subject to disciplinary action, including suspension of our registration, if, after we receive notice that a person is unsuitable to hold our securities or to have any other relationship with us, we fail to pursue all lawful efforts to require the person to comply with the requirements of the *Gaming Control Act (British Columbia)*.

Gaming Laws and Securities Ownership. The *Gaming Control Act (British Columbia)* imposes certain restrictions, as described above, upon the issuance, ownership, and transfer of our voting shares and securities. These restrictions require that we provide advance notice and obtain approval for certain acquisitions and dispositions above a certain threshold. If we fail to obtain approval for changes in our voting shares or securities from GPEB, we may be sanctioned and our registrations may be suspended.

Ontario

Gaming Laws. In Ontario, gaming activity is subject to the Criminal Code, the *Gaming Control Act (Ontario)* and the regulations promulgated thereunder. Horse racing is subject to the *Racing Commission Act, 2000 (Ontario)* and the regulations promulgated thereunder. The AGCO oversees the implementation and enforcement of the *Gaming Control Act (Ontario)* and, therefore, our gaming operations and ORC oversees horse racing in Ontario and, therefore, our horse racing operations in that province.

Our Gaming Registration. We are registered by the AGCO as a gaming-related supplier to the OLG. This registration authorizes us to provide premises and other non-gaming related services to the OLG. This registration is for a term of one year and is not transferable or assignable.

Corporate Registration Requirements. The terms and conditions of our registration require, among other things, that we follow a gaming compliance plan, maintain a compliance committee, develop a five-year business plan and notify the AGCO when there are proposed material changes to the business plan, report on compliance committee matters, submit reports of our suppliers, submit detailed financial and operating reports to the AGCO and provide any other information that the AGCO may require. Substantially all of our material loans, leases, sales of securities and similar financing transactions must be reported to, or approved by, the AGCO.

Individual Registration Requirements. Under the terms of our registration, no person may become a significant shareholder of us without approval from the AGCO. A significant shareholder is defined as a shareholder holding 5% or more of any class of our shares. Our directors and officers and the directors and officers of our significant shareholders must also be approved by, and registered with, the AGCO prior to exercising any advisory or decision-making function with us. An application for registration requires the submission of detailed personal and financial information and the possibility of an investigation.

An applicant for registration must pay or must cause to be paid all the costs of the investigation. The AGCO may also investigate any individual who has an interest in us to determine whether the person is suitable or should be registered under the *Gaming Control Act (Ontario)*. The AGCO may deny registration to any applicant and may deny the acquisition or disposition of our shares above the 5%

threshold. Interested persons may be found unsuitable and the AGCO may require that we take action to sever our relationship with such persons. All of our directors, officers and key employees have been or may be required to be registered by the AGCO. The AGCO may deny an application for registration for any reason which they deem appropriate. At any time, the AGCO may conduct inspections to monitor compliance of registrants with the *Gaming Control Act (Ontario)*, the regulations, the rules and the conditions of registration.

Our Horse Racing Registration. Our Ontario operating subsidiaries have been issued standardbred horse racing licenses by ORC for the operation of our Flamboro Downs and Georgian Downs racetracks. The licenses, which are issued annually, are subject to several conditions including the requirement to obtain the prior written approval of the Director of ORC for a change or transfer of an interest of an “interested person” in the licensees. “Interested person” is defined to include a person who, whether severally or jointly with others, directly or indirectly: (a) owns, holds, exercises control or direction of 5% or more of any securities of the Company; (b) owns, holds, exercises control or direction of 5% or more of any interest by way of membership or otherwise in the Company or over any other entity which owns, holds or exercises control or direction over 5% or more of any voting rights with respect to the Company; (c) owns, holds, exercises control or direction over any of the interests for any obligation of another interested person or any other person; or (d) owns or holds a mortgage, lien or similar security over the real or personal property of the Company that is for 5% or more of the assets of the Company. A person proposing to be an “interested person” may be required to submit detailed personal and financial information and may be investigated by ORC. If investigated, an applicant must pay or must cause to be paid all the costs of the investigation. ORC may refuse approval for any applicant. If a person has become an “interested person” without obtaining approval, ORC may require that we sever our relationship with that person. If we fail to do so, our licenses may be suspended or revoked. All of our directors, officers and key racing employees have been or may be required to be licensed by ORC. ORC may deny an application for license for any reason which they deem appropriate. At any time, ORC may conduct inspections to monitor the compliance of licensee with the *Racing Commission Act (Ontario)*, the regulations, the rules and the terms of license. We must also apply to ORC for race dates for live, simulcast and inter-track racing on an annual basis. Our licenses may not be transferred or assigned.

Consequences of Violating Gaming and Horse Racing Laws. The AGCO may refuse to register an applicant or to renew a registration, or may suspend or revoke registration if there are reasonable grounds to believe that the applicant will not be financially responsible in the conduct of the business or act in accordance with the law or with integrity, honesty or in the public interest or if the applicant is carrying on activities that are, or will be if the applicant is registered, in contravention of the *Gaming Control Act (Ontario)*, the regulations or the terms of registration. If the AGCO refuses to renew or revokes or suspends our registration, it would have a significant negative effect on our gaming operations. A suspension of our registration in Ontario could result in a suspension of our gaming registration in British Columbia and Nova Scotia or the suspension of our racing licenses.

ORC may refuse to issue a license to an applicant or to renew our licenses, or may revoke or suspend our licenses, if there are reasonable grounds to believe that we or an applicant will not act in accordance with the law or with integrity, honesty or in the public interest, or if we are or the applicant is carrying on activities that are or will be in contravention of the *Racing Commission Act (Ontario)*, the regulations, the rules or the terms of our licenses. If ORC refuses to renew our licenses or revokes or suspends our licenses, it would have a significant negative effect on our horse racing and/or gaming operations. A suspension of our licenses in Ontario could result in a suspension of our gaming registration in British Columbia, Ontario and Nova Scotia or the suspension of our horse racing licenses in British Columbia.

Consequences of Being Found Unsuitable. Any person who fails or refuses to provide information to the AGCO or to apply for registration when requested to do so by the AGCO, or who refuses or fails to pay the investigative costs incurred by the AGCO in connection with the investigation of its application, may be found unsuitable. We may be subject to disciplinary action, including suspension of our registration, if, after we receive notice that a person is unsuitable to hold our securities or to have any other relationship with us, we fail to pursue all lawful efforts to require the person to comply with the requirements of the *Gaming Control Act (Ontario)*. Similarly if a person who is an interested person and fails or refuses to cooperate with ORC in its investigation of that person, may be found unsuitable. We may be subject to disciplinary action, including suspension of our licenses, if, after we receive notice that a person is unsuitable to be an interested person of ours, we fail to pursue all lawful efforts to require that person to comply with the requirements of the *Racing Commission Act (Ontario)* or to sever our relationship with them.

Gaming Laws and Securities Ownership. The Gaming Control Act (Ontario) and the terms of our license with ORC, impose certain restrictions, as described above, upon the issuance, ownership, and transfer of our voting shares and/or securities. If the AGCO or ORC find that a holder of such voting shares or securities is not suitable or not approved to hold our voting shares or securities, we may also be sanctioned by the AGCO or ORC for failing to obtain the advance approval for holders of our voting shares or our securities and our registration and/or horse racing licenses may be suspended or revoked.

Nova Scotia

Gaming Laws. In Nova Scotia, gaming activity is subject to the Criminal Code and the *Gaming Control Act (Nova Scotia)* and the regulations promulgated thereunder. The NSAGD oversees the implementation and enforcement of the *Gaming Control Act (Nova Scotia)* and, therefore, our gaming operations.

Our Gaming Registration. Two of our subsidiaries, which carry on business in partnership as MEG, are registered by the NSAGD as a casino operator to the NSGC. This registration authorizes us to conduct casino gaming operations for the NSGC. The registration is for a term of two years and is not transferable or assignable.

Corporate Registration Requirements. The terms and conditions of our registration require, among other things, that we submit detailed financial and operating reports to the NSAGD and provide any other information that the NSAGD may require. Substantially all of our material loans, leases, sales of securities and similar financing transactions must be reported to, or approved by, the NSAGD.

Individual Registration Requirements. No person may acquire a beneficial interest in our subsidiaries in Nova Scotia without first obtaining approval from the NSAGD. The NSAGD may investigate any interested person who is involved with us to determine whether that person is suitable. All of our directors, officers and certain of our key employees have been or may be required to be registered or found suitable by the NSAGD. The NSAGD may deny an application for registration for any reason which they deem appropriate. An application for registration requires submission of detailed personal and financial information and may be followed by an investigation. An applicant for registration must pay or must cause to be paid all the costs of the investigation. Changes in registration positions must be reported to the NSAGD and, in addition to their authority to deny an application for registration, the NSAGD has the jurisdiction to disapprove a change in a corporate position.

Consequences of Violating Gaming Laws. The NSAGD may refuse to register an applicant for registration and may refuse to renew our registration, or may suspend or revoke our registration if there are reasonable grounds to believe that we or the applicant (i) will not be financially responsible in the conduct of the business, (ii) will not act in accordance with the law, (iii) will not act with honesty and

integrity or in the public interest or (iv) will be in contravention of the *Gaming Control Act (Nova Scotia)*, the regulations or the terms of registration. If the NSAGD refuses to renew our registration or revokes or suspends our registration, it would have a significant negative effect on our gaming operations. A suspension of our registration in Nova Scotia could result in a suspension of our gaming registration in British Columbia and Ontario or the suspension of our racing licenses in British Columbia and Ontario.

Consequences of Being Found Unsuitable. Any person who fails or refuses to apply for registration to the NSAGD, or who refuses or fails to pay the investigative costs incurred by the NSAGD or to provide material requested in connection with the investigation of its application, may be found unsuitable. We may be subject to disciplinary action, including suspension of our registration, if, after we receive notice that a person is unsuitable or not approved to hold our securities or to have any other relationship with us, we fail to pursue all lawful efforts to require the person to comply with the requirements of the *Gaming Control Act (Nova Scotia)*.

Gaming Laws and Securities Ownership. The *Gaming Control Act (Nova Scotia)* imposes certain restrictions upon the issuance, ownership, and transfer of our securities. If the NSAGD finds that a holder of such securities is not suitable to hold a beneficial interest in our shares or to hold an interest in us, we will be required to take remedial action to seek the consent from the NSAGD for such holder of our shares or securities, or such interested person. We may also be sanctioned by the NSAGD as a result of a failure to obtain the advance approval for holders of our voting shares, our securities or persons holding an interest in us and our registration may be suspended.

Washington State

Gambling Laws. In Washington State, gaming is subject to the *Washington Administrative Code* and the rules promulgated thereunder, as well as various local ordinances and state laws. Our gaming operations are subject to the regulatory control of the WSGC.

Our Licenses. Our Washington State subsidiaries are licensed by the WSGC to operate house-banked public card rooms and to provide other commercial amusement games. One of our Washington subsidiaries is also licensed by the WSGC as a service supplier. These licenses are for terms of one year and are not transferable or assignable.

Our License Requirements. The terms and conditions of our licenses require that we submit detailed financial and operating reports to the WSGC and provide any other information that the WSGC may require. Substantially all of our material loans, leases, sales of securities and similar financing transactions must be reported to, or approved by, the WSGC.

Individual Licensing Requirements. No person may own 10% or more of any class of shares of our Washington subsidiaries licensed by the WSGC or own 5% or more of our shares without first obtaining approval from the WSGC. The WSGC may investigate any individual who has a material relationship to or material involvement with us to determine whether the individual is suitable or should be licensed as a substantial interest holder of ours. Certain of our directors, officers and key employees have been or may be required to be licensed or found suitable by the WSGC. The WSGC may require additional applications and may also deny an application for license for any reason which they deem appropriate. An application for licensing requires submission of detailed personal and financial information and may be followed by a thorough investigation. An applicant for registration or an applicant for a finding of suitability must pay or must cause to be paid all the costs of the investigation. Changes in licensing positions must be reported to the WSGC and, in addition to their authority to deny an application for license, the WSGC has the jurisdiction to disapprove a change in a corporate position.

Consequences of Violating Gaming Laws. The WSGC may deny an application, or suspend or revoke any license or permit issued by it including where it deems it to be in the public interest, or where the licensee, or any person with any interest in the licensee, has violated, failed or refused to comply with the provisions, requirements, conditions, limitations or duties imposed by the *Washington Administrative Code*, or any rules adopted by the WSGC, or when a violation of any provision of the Code, or any WSGC rule, has occurred upon any premises occupied or operated by any such person or over which he or she has substantial control; knowingly causes, aids, abets, or conspires with another to cause, any person to violate any of the laws of the state or the rules of the WSGC; has obtained a license or permit by fraud, misrepresentation, concealment, or through inadvertence or mistake; has been convicted of, or forfeited bond upon a charge of, or pleaded guilty to, forgery, larceny, extortion, conspiracy to defraud, wilful failure to make required payments or reports to a governmental agency at any level, or filing false reports therewith, or of any similar offence or offences, or of bribing or otherwise unlawfully influencing a public official or employee of any state of the United States, or of any crime, whether a felony or misdemeanour involving any gambling activity or physical harm to individuals or involving moral turpitude; makes a misrepresentation of, or fails to disclose, a material fact to the WSGC; is subject to current prosecution or pending charges, or a conviction which is under appeal, for certain offences; has pursued or is pursuing economic gain in an occupational manner or context which is in violation of the criminal or civil public policy of the state if such pursuit creates probable cause to believe that the participation of such person in gambling or related activities would be inimical to the proper operation of an authorized gambling or related activity in the state; or is a career offender or a member or associate of a career offender cartel in such a manner which creates probable cause to believe that the association is inimical to the policy of the *Washington Administrative Code* or to the proper operation of the authorized gambling. Limitation, conditioning or suspension of any of our gaming licenses in Washington State could, and revocation would, have a significant negative effect on our gaming operations in Washington State.

Consequences of Being Found Unsuitable. Any person who fails or refuses to apply for a finding of suitability or licensing after being ordered to do so by the WSGC, or who refuses or fails to pay the investigative costs incurred by the WSGC in connection with the investigation of its application, may be found unsuitable. Our subsidiaries will be subject to disciplinary action if, after they receive notice that a person is unsuitable to hold our securities or to have any other relationship with us, we fail to pursue all lawful efforts to require the unsuitable person to relinquish such person's securities including, if necessary, the immediate purchase of the securities.

Gaming Laws Relating to Securities Ownership. The WSGC may, in its discretion, require the holder of any of our debt or similar securities to file applications, be investigated and be found suitable to own our debt or other securities if the WSGC has reason to believe that such ownership would otherwise be inconsistent with the declared policies of the Washington State. If the WSGC decides that a person is unsuitable to own the security, then under Washington Administrative Code, we can be sanctioned, including the loss of our license if we fail to pursue all lawful efforts to require the unsuitable person to relinquish such person's securities including, if necessary, the immediate purchase of the securities.

Operating Agreements

Operating Agreements with Provincial Crown Corporations

We have entered into agreements with the Provincial Crown Corporations that conduct and manage gaming operations in each of British Columbia, Ontario and Nova Scotia. The following is a description of our agreements with Provincial Crown Corporations:

British Columbia

Each of our gaming facilities has an Operational Services Agreement with the BCLC. Each Operational Services Agreement has an initial 10 year term and is renewable by us for a further 10 year period except for the Operational Services Agreement for Hastings Racecourse which has an initial term of five years and extension options totalling 15 years. Our ability to renew an Operational Services Agreement 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 government gaming policy that materially adversely impacts on the gaming model reflected in the Operational Services Agreement. It is our practice when we expand a gaming facility or develop a new gaming facility, to negotiate with the BCLC to extend the Operational Services Agreement for the respective gaming facility. For example, when we developed River Rock and Boulevard Casino, the BCLC renewed the respective Operational Services Agreements for one 10 year period with an option to renew the respective agreement for an additional 10 years on the same terms and conditions as outlined above.

Each Operational Services Agreement may be terminated by the BCLC without notice to us in a number of circumstances, including if:

- we are unable to provide the use, occupation and possession of the casinos to the BCLC for the purpose of conducting and managing gaming at the casinos;
- we discontinue operations of the casinos;
- one of our directors or officers is convicted of a criminal offence which, in the opinion of the BCLC, prejudices the integrity or reputation of the casinos or the BCLC's authority to conduct or manage lottery schemes;
- one of our officers or directors intentionally makes a material misrepresentation on any document submitted on our behalf to the BCLC;
- we become bankrupt or insolvent;
- we commit a material breach of the agreement;
- we fail to carry out a written directive of the BCLC, or
- a law is passed that renders the performance of the agreement illegal.

Ontario

The Site Holder Agreement at Georgian Downs provides for a term expiring November 2011 and pursuant to the Supplemental Agreements between the OLG and us, two additional five-year terms through to November 2021. There is a further renewal option at the option of the OLG for an additional five years to November 2026.

The Site Holder Agreement at Flamboro Downs had an initial term of five years and was automatically renewed for a term expiring in 2010. There is a further extension term for an additional five-year period, unless, before the commencement of that renewal period, the OLG gives notice that it does not wish to

renew the agreement based upon evidence of a material breach by us of the terms of the agreement. Our ability to renew a Site Holder Agreement is conditional upon the agreement being in good standing.

Each Site Holder Agreement may be terminated by the OLG upon notice to us in a number of circumstances, including if:

- we commit a material breach of the agreement; or
- following the occurrence of a specified event where such event is not remedied by us within 30 days or such longer period as may be agreed between the parties.

Each Site Holder Agreement may also be terminated early by the OLG by written notice to us, which notice will be effective on the day which is 270 days following the date such notice is given.

From the commission paid to us by the OLG, we are required to deposit a certain percentage of the Site Holder Payment to a separate fund for capital renewals (which are defined to include, among other things, additions or improvements to the licensed premises during the term for the purposes of maintaining the licensed premises as a first-class facility) to be used for the sole purpose of paying for capital renewals agreed upon between the OLG and us, or otherwise settled pursuant to the agreement. The percentage to be deposited to the capital renewals account is negotiated each year. In 2006 and 2007, the percentage was 2%. If no capital renewals are to be paid during the year or a balance remains in the capital renewals fund at the end of an operating year, such amount is paid out to us as previously-earned commission. If the capital renewals in any operating year are greater than the amount in the capital renewals fund, we are required to immediately fund the deficiency.

Nova Scotia

The AROC has an initial ten year term and is renewable by us for one 10 year period, provided that the NSGC has not given us notice of a breach that we have not cured within the permitted time period. We have a right of first opportunity to negotiate with the NSGC with respect to any proposal to pursue the development and operation of a racino (slot machines operated by the NSGC in connection with a presently-existing racetrack) during the initial 10 year term or a “New Casino” as defined in the agreement during the initial term or any renewal term. The NSGC has the right to terminate the AROC in a number of circumstances, including if:

- we are unable to provide the use, occupation and possession of the assets of the casinos to the NSGC for the purpose of conducting and managing gaming at the casinos;
- we discontinue operations of the casinos for more than 21 days;
- one of our officers or directors is convicted of a criminal offence which, in the opinion of the NSGC, prejudices the integrity or reputation of the casinos, gaming at the casinos or the NSGC’s authority to conduct or manage lottery schemes;
- one of our officers or directors intentionally makes a material misrepresentation on any document submitted on our behalf to the NSGC;
- we become bankrupt or insolvent;
- we undergo a change of control that is not consented to by the NSGC;

- we commit a material breach of the agreement;
- we fail to carry out a written directive of the NSGC; or
- a law is passed that renders the performance of the agreement illegal.

After payment of our Operating Fee, the balance of revenues earned by the casinos are paid to the NSGC, except 5% of total revenues which are deposited into a Capital Reserve Account. The funds deposited into the Capital Reserve Account are to be utilized to undertake capital expenditures, refurbishment, maintenance, upgrading and enhancement of the casino facilities. By March 31, 2009, at least \$5 million (adjusted for inflation) must be set aside annually for these purposes.

We are required under the AROC to annually consult with the NSGC and prepare a detailed capital replacement and maintenance plan for maintenance, refurbishment, upgrading, enhancing and replacement of the casinos and casino assets. Once finalized, we are required to implement the plan. The expenditures we incur in implementing the plan are reimbursed to us from the Capital Reserve Account.

Before our acquisition of the casinos in Halifax and Sydney, the previous owners operated under a scheme for the reimbursement of capital expenditures that differed from our current Capital Reserve Account. As at December 31, 2007, we, as purchasers of the casinos, have been repaid the full amount of the Operator's Capital Investment principal and interest effective April 2007. We are entitled, as at December 31, 2007, to repayment of approximately \$10.8 million (the "Mandatory Deferral") which is an amount equal to the balance of the amounts owed to the previous casino operators in respect of certain deferred amounts of the Operator's Capital Investment. The Mandatory Deferral accrues interest at bank prime plus 1%. Both the Operator's Capital Investment and the Mandatory Deferral have been payable in monthly instalments of approximately \$1.2 million monthly until April, 2007 and \$0.9 million monthly thereafter until December, 2008, at which time payment will cease provided that such monthly payments may be reduced and the excess amount deferred so that they do not exceed the NSGC's monthly casino revenue.

On termination of the AROC, we are entitled to have all our "Casino Assets" (essentially the property, plant and equipment that comprise our two Nova Scotia Casinos) purchased from us by the NSGC. The purchase price will be equal to the sum of (a) any unpaid balances of the Mandatory Deferral, (b) approved capital expenditures as defined in the agreement ("Approved Capital Expenditures") made by us which have not been reimbursed from the Capital Reserve Account and, if, and only if, we terminate the AROC, additional payments equal to (c) any unpaid Operators Fee and (d) the unamortized balance of "Operator's Additional Acquisition Costs". If we terminate the AROC pursuant to a breach of the agreement by the NSGC, we are also entitled to the "Compensation Fee" as described below. The NSGC has the additional right to terminate the AROC at any time on six month's notice and to acquire, or designate a third party to acquire, the Casino Assets on payment of an amount equal to (a) any unpaid balances of the Mandatory Deferral, (b) any unpaid Approved Capital Expenditures, (c) any unpaid balance of the Operating Fee, (d) the unamortized balance of the Operator's Additional Acquisition Costs, and (e) the Compensation Fee.

If the NSGC has not exercised its rights to acquire the Casino Assets by the end of the term of the AROC, the NSGC or a person designated by it, may acquire the Casino Assets for an amount equal to the sum of any unpaid balances of the Mandatory Deferral, any un-reimbursed Approved Capital Expenditures, and \$1.00.

The Compensation Fee is equal to

- during the initial 10-year term of the AROC, the present value of the greater of (a) 10% of the Operator's Fee and (b) the actual EBITDA of the partnership operating the casinos, in each case for the 12 month period ended immediately before termination of the Contract, such amounts to be indexed over the remainder of the term by the average growth in the consumer price index over the two years before the termination and present valued using a discount rate of 8%, and
- during the renewal term of the AROC, the greater of (a) 10% of the Operator's Fee and (ii) the EBITDA of the partnership operating the casinos, in each case for the 12 month period ended immediately before termination of the AROC.

Agreements Related to Horse Racing

Several of our operating subsidiaries have entered into agreements related to horse racing in Ontario and British Columbia that deal with the distribution of purses and Racebook operations.

British Columbia

In British Columbia, we have a purse sharing agreement with the HBPA, which acts as agent for all the thoroughbred owners and trainers in the province. Under the terms of this purse agreement, we contribute certain percentages of racing and other revenues earned by HEI, pursuant to a formula, to purses in each racing season. HEI is also required to maintain certain buildings and facilities for the benefit of the HBPA. In order to maintain our horse racing license from GPEB at Hastings Racecourse and our permit from the CPMA to operate race dates for any given year, we must maintain an agreement with the HBPA. Our current agreement expires in November 2008.

In British Columbia we also have a purse agreement with the BCSA, as agent for all the standardbred owners, trainers and drivers in the province. Under the terms of this purse agreement, we contribute certain percentages of racing and other revenues earned by Orangeville, pursuant to a formula, to purses in each racing season. In order to maintain our horse racing license from GPEB at Fraser Downs and Sandown Park and our permit from the CPMA to operate race dates for any given year, we must maintain an agreement with the BCSA. Our current agreement expires in August 2011.

In order to obtain a license from the CPMA to conduct pari-mutuel betting at a Racebook facility, we are required to have entered into Racebook wagering agreements with each Racebook facility holding a betting theatre license in British Columbia for the operation of off-track Racebook wagering facilities. Through TBC, a partnership in which we are a partner, we offer pari-mutuel wagering at each off-track facility on live horse racing displayed by live television broadcasts.

Ontario

In Ontario, GDL and Flamboro Downs Limited, the subsidiaries that operate Georgian Downs and Flamboro Downs, respectively each have purse agreements with the OHHA, as agent for all the standardbred owners and trainers in the province. Under the terms of each purse agreement, we contribute certain percentages of racing and slot revenue to purses at Flamboro Downs and Georgian Downs in each racing season. Under the purse agreement with Flamboro Downs Limited, if the slot program at Flamboro Downs is changed such that we are provided with additional revenue from the slot machine program, the additional revenue will be shared equally between us and the OHHA. Under the purse agreement, we may not participate in any form of inter-track, Internet, telephone account, simulcast, satellite or Racebook pari-mutuel wagering during the term of the agreement without consultation with, and consent from, the OHHA. We must advise the OHHA of any applications or amendments for racing dates in advance. We are also required to maintain certain buildings and facilities for the benefit of the OHHA. This agreement

is in effect until December 31, 2008. If this agreement is not renewed, our permits from the CPMA and our horse racing license from ORC would not be renewed and we would be unable to conduct horse meets at Flamboro Downs. A failure to renew this agreement may cause the OLG to suspend or terminate our Site Holder Agreement in respect of Flamboro Downs. In respect of Georgian Downs, on March 1, 2007, the OHHA and the Company entered into an agreement to conduct live horse racing for a term ending on December 1, 2008. During the period of the agreement we agreed to share equally the net OLG commission payout with the OHHA, for the benefit of the Horsemen's Purse Pool. The agreement was ratified by the OHHA membership on March 6, 2007.

In order to obtain a license to conduct pari-mutuel betting at a betting theatre from the CPMA, we are required to have entered into Racebook wagering agreements with each Racebook holding a Racebook license in Ontario for the operation of Racebook facilities. Under the off-track agreements in Ontario, we offer pari-mutuel wagering at each off-track facility on live horse racing displayed via live television broadcasts. We install and maintain the wagering equipment and provide the pari-mutuel staff to operate the equipment on the premises. We retain 100% of the proceeds derived from any wagering that occurs at off-track facilities. We provide the off-track facilities with racing programs and they are entitled to keep any revenues from the sale of such programs. The off-track facility may charge an admission fee to patrons and may keep all revenues from any admission fees. These agreements are for terms of one year and may be renewed subject to the CPMA renewing our licenses to conduct pari-mutuel betting at a Racebook for each location.

RISK FACTORS

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

Competition

The gaming industry is highly competitive. We compete with numerous gaming establishments of varying quality and size in market areas where our properties are located. We also compete with other non-gaming resorts and vacation areas, and other entertainment businesses and could compete with any new forms of gaming that may be legalized in the future. The casino, entertainment and horse racing businesses are characterized by competitors that vary considerably in size, quality of facilities, number of operations, brand identities, marketing and growth strategies, financial strength and capabilities, level of amenities, management talent and geographic diversity. In most markets, we compete directly with other casino facilities operating in the immediate and surrounding market areas and in some markets we face competition from nearby markets.

In recent years, with fewer new gaming markets opening in Canada for development, competition in existing markets has intensified. As a result, we and many other casino operators have invested in expanding our existing facilities. This expansion and the aggressive marketing strategies of many of our competitors has increased competition in many markets in which we compete, and this intense competition can be expected to continue.

If our competitors operate more successfully, if competitors' properties are enhanced or expanded, or if additional hotels and casinos are established in and around the locations in which we conduct business, we may lose market share. In particular, the expansion of casino gaming in or near any geographic area from which we attract or expect to attract a significant number of our customers could have a significant adverse effect on our business, financial condition and results of operations.

Our card rooms face significant competition in Washington from other gaming establishments, including tribal casinos, which have certain competitive advantages such as their ability to offer electronic gaming devices such as slot machines and their exemption from a state-wide smoking ban and certain state taxes. Our racing and pari-mutuel operations face significant competition for wagering dollars from other racetracks and off-track wagering facilities, some of which also offer other forms of gambling, as well as other gaming venues such as casinos. We also may face competition in the future from new off-track wagering facilities, new racetracks or providers of telephone account or Internet wagering. If additional gambling opportunities become available near our racing and pari-mutuel operations, such gaming opportunities could have a material adverse effect on our business, financial condition and results of operations.

Management of Capital Projects

Our financial profitability is highly dependant upon the effective management of our various capital projects. The nature of our business, coupled with the desire of the provincial lottery corporations with whom we do business to create better and more sophisticated facilities, dictate a significant amount of expenditure on physical premises, associated amenities and related technologies. Our program of capital expenditures faces the risk that our financial and managerial resources may be insufficient to properly manage capital projects. In the event that we are unable to effectively manage our cost of construction, third party contractors, and third party consultants engaged in our capital projects, our profitability will suffer.

Construction Considerations

As described above, the Company is undertaking many capital projects to improve its facilities and future guest experiences. The construction necessary to improve our locations may have an unquantifiable impact on attendance in the short-term. However, the Company is confident that it is making expansion actions now that will increase revenues and meet market demand well into the future.

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 this growth. 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, expansion opportunities, and acquisitions, and to implement and improve operational and financial controls and reporting systems.

Wage Cost Pressures

As at the date of this AIF, the Company employs approximately 5,500 employees in its gaming, hospitality and entertainment operations in British Columbia, Ontario, Nova Scotia and Washington State. At certain of our properties, the employees are represented by unions.

The majority of HEI's employees are unionized members of UNITE HERE! or COPE. Collective agreements covering both unions expire on March 31, 2008 and July 31, 2008 respectively.

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. A first collective agreement was negotiated and ratified on September 18, 2006. The agreement expires on September 17, 2010.

Flamboro Downs' employees were unionized by SEIU prior to our acquisition. Employees covered by the certification include food and beverage, pari-mutuel workers and certain other hourly workers. Their collective agreement expired on December 31, 2006 and a new agreement was ratified on April 2, 2007. The newest agreement expires on December 31, 2009.

On November 1, 2007, the Labour Relations Board of Nova Scotia issued an order effective September 7, 2007, certifying the SEIU, Local 902, as the bargaining agent for the bargaining unit consisting of all full-time and regular part-time employees of Casino Nova Scotia Halifax excluding office and clerical workers, human resource employees, management information services employees, surveillance employees, security employees, supervisors and those above the rank of supervisor. The bargaining for the first collective agreement commenced during February 2008.

On January 18, 2008, the Labour Relations Board of Nova Scotia issued an order effective December 21, 2007, certifying the SEIU, Local 902, as the bargaining agent for a second bargaining unit consisting of all full-time and regular part-time security employees of Casino Nova Scotia Halifax excluding supervisors and those above the rank of supervisor.

The effect of organized labour at our facilities may be increased costs for human resources with a corresponding reduction in profitability.

Litigation – Hastings Park Conservancy

A community group called the Hastings Park Conservancy, opposing the introduction of slot machines at Hastings Racecourse, challenged in the Supreme Court of British Columbia, a City of Vancouver by-law amendment permitting slot machines at Hastings Racecourse. This challenge was unsuccessful, as the Supreme Court upheld the Vancouver by-law amendment. The community group has filed an appeal with the B.C. Court of Appeal, the appeal was heard from January 29 – 31, 2008, and Judgment was reserved. We believe that the appeal is without merit and is unlikely to result in the Supreme Court's original ruling being overturned.

If the B.C. Court of Appeal overturns the Supreme Court ruling and quashes the by-law amendment, this could result in a delay in the development of Hastings Racecourse. If we are required to remove slot machines from Hastings Racecourse, our investment in that operation would be negatively affected.

Indebtedness

Risks related to our indebtedness could adversely affect our operations. We had approximately \$397.4 million of long-term debt (including derivative and other liabilities) and \$32.7 million of letters of credit outstanding at December 31, 2007. 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.

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 Senior Secured Revolving Credit Facility, the Senior Secured Term Loan B and the Senior Subordinated Notes, on commercially reasonable terms, or at all. We may have to adopt one or more alternatives, such as reducing or delaying planned expenses and capital expenditures, selling assets, restructuring debt, obtaining additional equity, debt financing or joint venture partners.

Maintaining Covenants under Debt Facilities

The Credit and Guarantee Agreement dated February 14, 2007 between the Company, certain of its subsidiaries as guarantors and various Canadian and U.S. lenders, which provides for a US\$170 million seven year term loan and a \$200 million five year credit facility, requires the Company to maintain certain financial covenants. They are (capitalized terms are as defined in such Credit and Guarantee Agreement):

- (a) an Interest Coverage Ratio (Consolidated Adjusted EBITDA to Consolidated Interest Expense) of not less than 2.00:1.00 from March 31, 2007 to March 31, 2010 and not less than 2.25:1.00 thereafter;
- (b) a Total Leverage Ratio (Consolidated Total Debt to Consolidated Adjusted EBITDA) commencing March 31, 2007 of not more than 5.00:1.00; and
- (c) a Senior Leverage Ratio (Consolidated Senior Debt to Consolidated Adjusted EBITDA) commencing March 31, 2007 of not more than 3.50:1.00.

If the Company breaches these financial covenants, the Company could be required to redeem all outstanding loans under the Credit and Guarantee Agreement, together with interest and repay amounts outstanding under the Indenture together with interest.

A failure to meet these covenants will also constitute a default under the terms of the Indenture relating to the Company's issue of the Senior Subordinated Notes due 2015. The Senior Subordinated Notes have a covenant similar to (a) above which will limit indebtedness which may be incurred.

The Credit and Guarantee Agreement and the Indenture, and amendments thereto, were filed as material contracts at www.sedar.com and are listed under the heading "Material Contracts" in this AIF.

Operational Services Agreements

Our casino and CGC operations are conducted pursuant to Operational Services Agreements with the BCLC, OLG 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 OLG 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 current 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.

Renewal of Horse Racing Agreements

Our pari-mutuel betting permits at our racetracks and Racebook facilities are issued by the CPMA and are subject to each of our racetracks having a written agreement with the respective horsemen's association (BCSA, HBPA or OHHA) for the conduct of live horse racing. Additionally, in Ontario, a written agreement is required by the ORC for our horse racing license at each of Gerogain Downs and Flamboro Downs. Similarly, in British Columbia, a written agreement is required for our horse racing license from GPEB in respect of Hastings Racecourse, Fraser Downs and Sandown. If our agreements with the horsemen's associations, or any of them individually, lapse without being renewed, our horse racing permit or permits from the CPMA and horse racing licenses from the ORC and GPEB would not be renewed or otherwise subject to cancellation. As a result, we would be unable to conduct live races or pari-mutuel wagering at our racetracks. This would result in an adverse affect on our horseracing and gaming business.

Washington State Licenses

Our Washington State card room operations are conducted pursuant to house banked card room licenses, which must be renewed annually. Although renewals have been granted automatically, there can be no assurance that this practice will continue.

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 and Ontario governments have added a policy to limit the expansion of gaming sites in each of these two provinces. Relocation and improvement of existing facilities appear to be the only viable means of expansion under the Government of the day. It is uncertain how long this policy will last and whether gaming in these provinces may be reduced.

Provincial or Federal 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 racinos, and the amount payable to operators for providing casino or racino operational services.

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, OLG 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.

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 have 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.

Online Gambling

We face competition from gambling conducted over the internet. Online casinos offer a variety of games including slot machines, roulette, poker and blackjack. Web-enabled technologies allow individuals to gamble using credit cards and online payment services. Online gambling sites located offshore are easily accessible and unregulated in Canada. Pursuant to the Criminal Code, only the Provinces have the jurisdiction to regulate gambling over the internet in Canada. To date, Canadian and Provincial regulatory authorities have not indicated any intention to prevent access by Canadians to online gambling sites. Ontario has proposed legislation which, if enacted, would restrict the advertisement in Ontario of online gambling. The United States recently passed the *Unlawful Internet Gambling Enforcement Act* of 2006 which prohibits U.S. banks, credit card companies and other financial intermediaries from facilitating the electronic transmission of money from the United States to internet gambling businesses. Additionally, in the U.S., the Department of Justice has attempted to prosecute parties who accept advertising from online gambling services. We believe that online gaming has not materially impacted our operations but we are unable to assess the impact that it may have on our future operations.

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.

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.

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.

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 Canada 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 may be limited to that generated from existing 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.

Impact of Smoking Ban

Each of our current operating jurisdictions 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 permanently have on our operations.

Interest Rate and Foreign Currency 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 affected by interest rate changes in the future. Associated with our current credit facilities is foreign currency risk and interest rate risk as described below.

The Company's primary functional currency is the Canadian dollar. Our exposure to foreign currency risk is primarily from our Washington State gaming operations and our new debt, the U.S. dollar denominated Senior Subordinated Notes and Senior Secured Term Loan B that formed part of a debt refinancing that was completed in February 2007.

The U.S. dollar results of our Washington State gaming operations are translated to Canadian dollars when consolidated, so the Canadian dollar results may vary due to a change in the foreign exchange rate between the two currencies. Our foreign currency risk exposure related to our Washington State gaming operations is limited to our net investment in those operations.

With the refinancing of our debt in 2007, we are required to make payments on the Senior Subordinated Notes and Senior Secured Term Loan B in U.S. dollars. In conjunction with the refinancing, we have entered into hedging transactions in an effort to mitigate our exposure to fluctuations in foreign currency exchange rates and interest rates related to this new debt. The Company entered into a cross currency interest rate swap that effectively converted the anticipated long-term U.S. dollar floating interest rate on

the Senior Secured Term Loan B into Canadian dollar long-term fixed interest rate debt. In addition, in conjunction with the closing of the Company's debt refinancing, the Company entered into a currency swap that effectively converted the long-term U.S. dollar fixed interest rate Senior Subordinated Notes into Canadian dollar long-term fixed interest rate debt.

DESCRIPTION OF CAPITAL STRUCTURE

Credit Facilities

On February 14, 2007, we put in place a debt structure that permits longer term flexibility in the development and expansion of our properties. With this debt refinancing the Company retired the Bridge Credit Facility. This debt refinancing was the final step of a restructuring process that began in 2006 with the amendment of our Series A and Series B Notes in conjunction with an equity private placement.

The debt refinancing consisted of three components: (i) an undrawn \$200 million Senior Secured Revolving Credit Facility; (ii) a US\$170 million (approximately \$200 million) Senior Secured Term Loan B; and (iii) US\$170 million (approximately \$200 million) Senior Subordinated Notes. The gross proceeds of the Senior Secured Term Loan B and Senior Subordinated Notes were \$401.9 million.

The Senior Secured Revolving Credit Facility and the Senior Secured Term Loan B are guaranteed and secured by substantially all of the assets of the Company and its subsidiaries. Both the Senior Secured Revolving Credit Facility and the Senior Secured Term Loan B require the Company to comply with operational and financial covenants. The Company has the option to increase the Senior Secured Revolving Credit Facility or the Senior Secured Term Loan B by up to \$150 million under certain conditions.

The Senior Secured Revolving Credit Facility has a term of five years. The interest rate is based on a pricing grid with reference to the Company's Total Debt to Adjusted EBITDA ratio (defined in the underlying debt agreement), which is calculated quarterly.

The Senior Secured Term Loan B is denominated in US dollars (US\$170 million) and bears interest at a floating rate (LIBOR plus 1.5%) payable quarterly. The Company has hedged both the currency risk and the floating interest rate risk to effectively result in a principal indebtedness of \$200.8 million in Canadian dollars and a fixed interest rate of approximately 6.1% per annum. The Senior Secured Term Loan B has a term of seven years and is repayable without premium or penalty, subject to customary costs, at any time. Principal repayments of 0.25% are required quarterly, with the balance due on maturity, which is February 13, 2014.

The Senior Subordinated Notes are guaranteed by the Company and substantially all of its subsidiaries, and are unsecured. The Senior Subordinated Notes are denominated in US dollars (US\$170 million) and bear interest at a rate of 7.25%, payable semi-annually. The Company has hedged the currency risk and the U.S. fixed interest rate to effectively result in a principal indebtedness of \$201.1 million in Canadian dollars at a fixed interest rate of approximately 6.6% per annum. The Senior Subordinated Notes have a term of eight years with the principal amount of the Senior Subordinated Notes repayable on maturity, which is February 15, 2015. The Senior Subordinated Notes require the Company to comply with operational and financial covenants. There are provisions for early redemptions, at our option, of the Senior Subordinated Notes during defined periods prior to maturity with payment of defined premiums.

All the debt facilities have: (i) mandatory repayments in the case of proceeds from certain asset sales or receipt of insurance proceeds that are not re-invested by the Company within certain time limits; (ii)

restrictions on certain asset sales, acquisitions, and distributions; (iii) limitations on the incurrence of additional debt or indebtedness or liens; and (iv) provisions for the Company to re-purchase and re-issue portions of the Senior Secured Term Loan B and/or Senior Subordinated Notes should the holder be required to register with a gaming authority having jurisdiction over the Company and either refuses or is found to be unsuitable for registration.

Credit Ratings

On January 19, 2007, the Company received credit ratings from both Moody's and Standard and Poor's with respect to the debt refinancing that closed February 14, 2007. These ratings reflect the general credit worthiness of an issuer or a particular debt issue. Credit ratings do not constitute a recommendation to purchase, sell or hold a particular security. For more information on each agency's rating methodology and specific ratings visit www.moodys.com and www2.standardandpoors.com.

The Company is currently rated the following by Moody's and Standard & Poor's:

Rating	Moody's	Standard & Poor's
Corporate	Ba3 Stable	BB Stable
Senior Secured Revolving Credit Facility & Senior Secured Term Loan B	Ba2	BBB- ¹
Senior Subordinated Notes	B2	B+

¹ Initial rating of the Company's Senior Secured Revolving Credit Facility and Senior Secured Term Loan B was BB as of January 19, 2007. On July 7, 2007, Standard & Poor's upgraded this rating to BBB-.

DBRS which rated the Company prior to the February 14, 2007 debt re-financing, discontinued its rating of the Company effective January 26, 2007.

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. We have not declared any dividend on our common shares to date and have no formal dividend policy.

On April 23, 2007, our Common Share symbol changed from "GCD" to "GC". 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 Venture Exchange. The Company does not have a maximum number of Common Shares that may be issued from its treasury.

Normal Course Issuer Bid

During the year ended December 31, 2007, we repurchased 2,273,200 shares through the facilities of the TSX Exchange (the "TSX") pursuant to an approved normal course issuer bid. Subsequent to December 31, 2007, the Company purchased an additional 629,600 shares through the TSX pursuant to the normal course issuer bid.

Restrictions on Ownership of Securities

Security holders of the Company are subject to certain prescribed restrictions relating to common share and debt security ownership. The restrictions on the ownership of the Company's securities are derived from the requirement to comply with registration requirement under the provincial statutes in the jurisdictions that we operate.

Through the Operational Services Agreements and the Siteholder Agreements, the BCLC, NSGC and OLG 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" for purposes of the BCLC and NSGC operational agreement is defined as an interest equal to or greater than 10% of our Common Shares. In respect of the Siteholder Agreements, the threshold for OLG consent is 5%.

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 the regulations promulgated under the *Racing Commission Act* (Ontario). Security holders must either submit to or obtain registration when certain ownership thresholds are met.

The restrictions on share ownership require careful monitoring by the Company and the security holder. For instance:

- 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 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.

In order to accommodate and ensure compliance with the various restrictions on ownership of the Company's securities, the Articles of the Company contain specific provisions (the "Share Constraints") restricting the ability of a shareholder to acquire, directly or indirectly, more than 10% of the outstanding Common Shares of the Company without first obtaining required third party or regulatory approvals. These provisions are in addition to other provisions in the Articles of the Company that require advance notice and prior approval of the Company to acquire more than 5% of the outstanding Common Shares of the Company.

The Share Constraints provide that a person who acquires, agrees to acquire, holds, or beneficially owns or controls 10% or more of the outstanding Common Shares of the Company may not acquire or dispose of any Common Shares of the Company until that person complies with the terms of the Share Constraints. Under its Articles, the Company may enforce the Share Constraints by placing stop transfers on Common Shares or seeking injunctive or other relief to ensure compliance with the Share Constraints.

If you wish to acquire ownership of the Company's securities, you are encouraged to consult your legal advisors to determine if the restrictions on share ownership are applicable to you.

MARKET FOR SECURITIES

Trading Price and Volume

The following table sets out certain trading information for the Company's common shares on the TSX at the year ended December 31, 2007:

Year 2007 Month	High	Low	Close	Volume
January	\$12.87	\$11.33	\$12.19	4,975,667
February	\$13.24	\$12.00	\$12.90	9,073,503
March	\$12.98	\$11.55	\$11.86	4,020,377
April	\$14.00	\$11.80	\$13.22	6,369,683
May	\$14.42	\$12.72	\$14.33	8,371,365
June	\$14.38	\$12.70	\$12.96	2,735,084
July	\$14.25	\$13.00	\$13.25	3,205,298
August	\$13.24	\$10.40	\$11.80	10,136,946
September	\$12.45	\$11.31	\$12.25	5,327,627
October	\$14.40	\$12.30	\$14.00	8,141,693
November	\$16.47	\$13.29	\$16.47	8,719,461
December	\$16.37	\$15.03	\$15.50	5,821,788

DIRECTORS AND OFFICERS

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.

The names of the directors and officers of the Company at the year ended December 31, 2007, their place of residence, and their respective principal occupations within the five preceding years are indicated in the table below:

Name and Place of Residence	Age	Current Position with Company	Principal Occupation	Director Since
Directors				
ROSS J. McLEOD ⁽⁵⁾ British Columbia, Canada	55	Chairman of the Board and Chief Executive Officer	Chairman and Chief Executive Officer of Company since November 8, 2004; President since January 2006; Chief Operating Officer from January 2006 to November 2006; 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 ^(2,4) Alberta, Canada	66	Lead Director	President, General Counsel and Chief Executive Officer of Decker Management Ltd. and Decker Construction Ltd. (involved in the purchase, redevelopment, construction, ownership and operation of Seniors Care Facilities in BC and Commercial and Residential development and construction in British Columbia and Alberta, Canada) since February 1, 1986; Director, Avcorp Industries Inc. (listed on the TSX), since June 25, 2004	May 28, 2002
RICHARD S. BUSKI ^(1,2) British Columbia, Canada	62	Director	Chartered Accountant (Ontario) since 1972; Managing Partner, Pricewaterhouse Coopers LLP (Russia) 2001 to 2004; Managing Partner, Pricewaterhouse Coopers LLP and its predecessor, Coopers & Lybrand (Canada) from 1978 to 2001	June 30, 2006
RALPH FLETT ^(1,3) British Columbia, Canada	70	Director	Member of the Institute of Chartered Accountants of Ontario since 1963; Former Board Member of the New Westminster Seniors' Bureau; Senior Audit Manager, Canada Revenue Agency (Vancouver) from 1981 to 1996; Director of East Energy Corp.	June 30, 2006

Name and Place of Residence	Age	Current Position with Company	Principal Occupation	Director Since
Directors				
THOMAS W. GAFFNEY ^(4,5) British Columbia, Canada	58	Director	President, Thomas Gaffney Architects Inc. since July, 1986; Registered Member of the Architectural Institute of British Columbia; Associate Member of the Alberta Association of Architects	June 30, 2006
E.H. (AL) HINTZ ⁽⁴⁾ British Columbia, Canada	75	Director	Former Consultant to Company from 1997 to 2002; former Director, GC Casinos; former Director, Investigations and Inspections with British Columbia's Public Gaming Branch for over 12 years; a 25-year veteran of the Royal Canadian Mounted Police with direct experience in commercial crime and security services; widely regarded as the primary catalyst in establishing the current regulatory framework for community charity gaming in British Columbia and the singular force that has stabilized and improved financial returns to charitable organizations.	January 31, 1997
PETER G. MEREDITH ^(1,3) British Columbia, Canada	64	Director	Deputy Chairman, Ivanhoe Mines Ltd. (listed on the TSX, NYSE and NASDAQ) since May 2006; Chief Financial Officer, Ivanhoe Mines Ltd. from May 2004 to May 2006; Chief Financial Officer, Ivanhoe Capital Corporation (investment company) since June 1996	June 9, 2000
DAVID L. PRUPAS ^(2,5) British Columbia, Canada	65	Director	President and Chief Operating Officer, Richards Packaging Inc. (a publicly traded income trust listed on the TSX) since 1977; past President of the National Association of Container Distributors (North America)	June 30, 2006

Name and Place of Residence	Age	Current Position with Company	Principal Occupation	Director Since
Directors				
R. RONALD SHEPPARD ⁽⁴⁾ Quebec, Canada	74	Director	Director, Creation Casinos Inc. (listed on the CNQ) from May 7, 2003 to May 1, 2004; President, R. Sheppard and Associates Ltd. (consulting), from 1993 to 2006; Director, LasVegasFromHome.com Entertainment Inc. (listed on the TSX-V, the OTC and the Berlin Stock Exchange), from April 2001 to July 2002; Director of International Hospitality Inc. (listed on the TSX-V) from March, 1997 to September, 2000	May 28, 2002
ADRIAN R. THOMAS ^(3,5) British Columbia, Canada	62	Director, Consultant	Advisory Consultant to Company since January 1, 2004; President, Canadian Gaming Institute Inc. (a private company providing training services to the Company), since February 10, 1987; Chief Operating Officer, GC Casinos from August 11, 2000 to June 17, 2004; President, GC Casinos from August 6, 2000 to November 10, 2003	March 10, 1997

Name and Place of Residence	Age	Current Position with Company	Principal Occupation
Officers			
ROSS J. McLEOD ⁽⁵⁾ British Columbia, Canada	55	Chairman and Chief Executive Officer	Reference details above under subheading "Directors"
VINCENT G. TRUDEL British Columbia, Canada	55	Chief Operating Officer	Chief Operating Officer of the Company since November 1, 2006; General Manager (Montreal, Quebec), Societe des Loterie Video (Video Lottery Division of Loto-Quebec) from May 2005 to October 2006; President, Gaming Operations Consultants (Montreal, Quebec), from January 2005 to April 2005; General Manager, Inverama (Barcelona, Spain), 1998 to 2005
MILTON C. WOENSDREGT British Columbia, Canada	51	Chief Financial Officer	Chief Financial Officer of the Company since November 1, 2006; Interim Chief Financial Officer, Provincial Health Services Authority (Vancouver), 2004; Senior Vice President, Finance and Chief Financial Officer, Terasen Inc., 1998 to 2004; Partner, KPMG LLP, 1991 to 1998

Name and Place of Residence	Age	Current Position with Company	Principal Occupation
Officers			
JOANNA E. BRIERLEY British Columbia, Canada	41	Corporate Secretary	Joined the Company in 1997; Secretary of Company since June 22, 2001; also serves as the Executive Assistant to the Chairman and Chief Executive Officer of the Company; prior thereto, Ms. Brierley held the position of Executive Assistant to senior executives in both publicly traded and privately owned corporations

- (1) Member of the Audit & Risk Committee.
- (2) Member of the Corporate Governance Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the Corporate Compliance & Security Committee.
- (5) Member of the Finance & Business Development Committee.

The following sets out the principal occupation of the directors and executive officers of the Company who act as officers of a company other than Great Canadian Gaming Corporation or its subsidiaries, with the principal business of the person or company as also set forth below:

Name	Company	Official Title	Principal Business of Company
Earnest C. Beaudin	Decker Management Ltd. Decker Construction Ltd.	President and CEO President and CEO	An owner and operator of extended care facilities and Decker Construction Ltd. is in the business of commercial and residential real estate development
Thomas W. Gaffney	Thomas Gaffney Architect Inc.	President	An architectural firm which provides planning, design and management services to the real estate industry
Peter G. Meredith	Ivanhoe Mines Ltd. Ivanhoe Capital Corporation	Deputy Chairman Chief Financial Officer	A NYSE/TSX/NASDAQ listed mining company (coal, copper and gold) with operations focused in the Asia Pacific region and in Australia An investment company
David L. Prupas	Richards Packaging Inc.	President and COO	A TSX listed income trust concerned with the manufacture and supply of retail drug vials in Canada
Adrian R. Thomas	Canadian Gaming Institute Inc.	President	A Provincially approved and registered private company under which Mr. Thomas provides training services to Great Canadian Gaming Corporation

Shareholdings of Management

To the knowledge of the Company, based on information obtained from SEDI (the System for Electronic Disclosure by Insiders database), at year ended December 31, 2007, the directors and executive officers of the Company as a group own, or exercise control or direction over a total of 22,203,853 common shares of the Company, representing 26% of the outstanding common shares.

Committees of the Board

Audit & Risk Committee

The Audit & Risk Committee is currently comprised of the following three Board members: Richard S. Buski (Chair), Ralph Flett and Peter G. Meredith. This Committee is comprised entirely of independent directors and is responsible for reviewing and reporting on the Company's financial information, audit process and system of corporate internal controls and risk management, as well as reviewing compliance with applicable legal and regulatory requirements. Messrs. Buski, Flett and Meredith are all financially literate as defined in Multilateral Instrument 52-110.

The Audit & Risk Committee's policy with respect to the engagement of non-audit services is described in the Company's Audit & Risk Committee Charter, amended on November 7, 2007 and attached as Appendix 1 to this AIF. Any non-audit services are documented by the Company's management and presented for consideration and pre-approved by the Audit & Risk Committee at the next scheduled Audit & Risk Committee meeting.

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

Name of Audit & Risk Committee Member	Relevant Experience and Qualifications
Richard S. Buski (Chair)	<ul style="list-style-type: none">• Member of the Institute of Chartered Accountants of Ontario since 1972• Senior Partner with PricewaterhouseCoopers LLP – Russia (2001-2004)• Managing Partner, PricewaterhouseCoopers LLP (1996 to 2001)• Former director of the American Chamber of Commerce in Russia• Former member of the Advisory Council of the Russo-British Chamber of Commerce

Name of Audit & Risk Committee Member	Relevant Experience and Qualifications
Peter G. Meredith	<ul style="list-style-type: none"> • Member of the Institute of Chartered Accountants of Ontario since 1968 • Member of the Institute of Chartered Accountants of Quebec and British Columbia • 39 years' experience as a Chartered Accountant and Certified Management Accountant • Senior Partner and Board Member at Deloitte & Touche LLP for 20 years • Deputy Chairman, Ivanhoe Mines Ltd. • Chief Financial Officer of Ivanhoe Capital Corporation
Ralph Flett	<ul style="list-style-type: none"> • Chartered Accountant since 1963 • Member of the Institute of Chartered Accountants of Ontario • Senior Audit Manager, Canada Revenue Agency (Vancouver) (1981 to 1996) • Formerly served on the Board of Directors of the New Westminster Seniors' Bureau

Pre-Approval Policies and Procedures

The Audit & Risk Committee and the Board of Directors of the Company have 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 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 Committee has delegated the authority to grant such pre-approval to the Chairman of the Audit & Risk 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 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 services 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 audit fees for the Company's 2007 fiscal year were \$668,329. For the Company's 2006 fiscal year, audit fees were \$1,666,142. The decrease in audit fees is due to reduced complexity surrounding the debt

covenants and refinancing issues that occurred during 2006 as well as reduced work around a 2006 FDC related change in accounting policy and improved in-house audit preparation.

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 accounting consultations, prospectus services for the raising of equity capital and debt financing, and special attest services as required by government entities. Deloitte & Touche LLP billed an aggregate of \$383,014 in the Company's 2007 fiscal year, and \$100,100 in the Company's 2006 fiscal year, for services provided to the Company not reported under "Audit Fees" above. The increase is primarily related to the debt financing in 2007.

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 by Deloitte & Touche LLP were \$7,300 for the Company's 2007 fiscal year and were \$188,673 for the Company's 2006 fiscal year. The decrease is a result of not engaging Deloitte & Touche for tax services in 2007.

All Other Fees

No other fees were paid in 2007 or 2006.

Corporate Governance Committee

The Corporate Governance Committee is currently comprised of the following three Board members: Earnest C. Beaudin (Chair), Richard S. Buski and David L. Prupas. This Committee is responsible for developing the Company's procedures regarding corporate governance, overseeing the activities of the Nominating Sub-Committee with respect to the nominations and the filling of vacancies on the Board, and reviewing the composition of the Board. It is this Committee's responsibility to clearly articulate the Company's governance policy and its practice among the Company's Board and senior management.

In addition, this Committee oversees succession planning for senior executives of the Company.

Compensation Committee

The Compensation Committee is currently comprised of the following three Board members: Peter G. Meredith (Chair), Ralph Flett and Adrian R. Thomas. This Committee is comprised of two independent directors, and one non-independent director, and is responsible for reviewing and making recommendations to the Board regarding the hiring and appointment, compensation, benefits and termination of senior executives 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 short term incentives and any changes to compensation of employees or staff that would have a material impact on the Company's human resource expenses.

Corporate Compliance & Security Committee

The Corporate Compliance & Security Committee is currently comprised of the following four Board members: R. Ronald Sheppard (Chair), Earnest C. Beaudin, Thomas W. Gaffney and E.H. (Al) Hintz, and an external consultant, who is a Chartered Accountant. 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 executives, and ensure, in its oversight of the Company's Compliance Plan with respect to regulatory requirements and conduct of gaming, that these programs have transparency and independence.

Finance & Business Development Committee

The Finance & Business Development Committee is currently comprised of the following four Board members: Adrian R. Thomas (Chair), Thomas W. Gaffney, David L. Prupas and Ross J. McLeod. This Committee provides oversight responsibilities in all areas of finance including capital structure, equity and debt financing, capital expenditures, foreign exchange activity, annual budgets, annual business plans, acquisitions, divestitures, and ensures overall consistency with our strategic and economic plans and objectives.

Code of Conduct

The Company has adopted a Code of Conduct that applies to directors and employees of the Company and its subsidiaries. A copy of the Code of Conduct is available on SEDAR at www.sedar.com

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Corporate Cease Trade Orders or Bankruptcies

(1) To the best of the Company's knowledge, after having made due inquiry, the Company confirms that as at the date hereof, no director or executive officer or a shareholder over the past 10 years holding a sufficient number of securities of the Company to materially affect the control of the Company:

- (i) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer;
- (ii) was subject an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer,
- (iii) or 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.

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 AND REGULATORY ACTIONS

Material Legal Proceedings

We are currently, and from time to time, involved in litigation arising in the ordinary course of our business. We intend to continue to defend any lawsuits brought against us vigorously. We do not believe that such litigation, including the proceedings below, will have a material adverse effect on our financial position or results of operations.

The following is a synopsis of the material legal proceedings that may affect our business:

Ontario Consultancy Arrangement

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

Hastings Park Conservancy

A community group called the Hastings Park Conservancy, opposing the introduction of slot machines at Hastings Racecourse, challenged in the Supreme Court of British Columbia a City of Vancouver by-law amendment permitting 600 slot machines at Hastings Racecourse. This challenge was unsuccessful, as the Supreme Court of British Columbia upheld the City of Vancouver by-law amendment. The community group subsequently filed an appeal with the British Columbia Court of Appeal that was heard in January 2008. The Court of Appeal has reserved judgement on the matter. We believe that the appeal filed by the community group is without merit and is unlikely to result in the Supreme Court's original ruling being overturned. If the Hastings Park Conservancy is successful in the appeal, this could impact our planned redevelopment of Hastings Racecourse. If we are unable to install 600 slot machines at Hastings Racecourse, our investment in that operation would be adversely affected.

Regulatory Actions

Due to the size of our operations and the multiple level of regulation we are subject to, we are from time to time involved in administrative proceedings arising in the ordinary course of business. None of the regulatory or administrative proceedings, if adjudged adversely to us, would result in a material event or penalty.

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:

- 1) 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 Metro Vancouver;
- 2) an Agreement with Transac (now a British Columbia company known as Evergreen Gaming Corporation) from February 2004 to March 2007, in which one of our officers was a director, for bank machine services;
- 3) 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 Investor Services Inc. 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 and are still in effect, or which are proposed to be entered into:

1. Credit and Guarantee Agreement dated as of February 14, 2007 among GCGC as Borrower, certain subsidiaries of the Borrower as Guarantors, the Toronto-Dominion Bank as Administration Agent, TD Securities as Joint Lead Arranger, Joint Book Runner and Syndication Agent in respect of the Term Loans, and as Documentation Agent in respect of the Revolving Loans, HSBC Bank Canada as Syndication Agent in respect of the Revolving Loans, HSBC Securities (USA) Inc., as Documentation Agent in respect of the Term Loans, and Various Lenders;

2. Indenture dated as of February 14, 2007 between GCGC and each of the Guarantors to 7.250% Senior Subordinated Notes due 2015 with the Bank of New York as Trustee;
3. Letter of Intent dated November 14, 2006 between us and the Greater Vancouver Transportation Authority and Canada Rapid Transit Line in respect of the construction of a new parking garage on lands south of the River Rock Casino and for the transfer of certain real property to Great Canadian;
4. Term Supplemental Agreement dated July 10, 2007 among Georgian Downs Limited, Great Canadian Gaming Corporation and the Ontario Lottery and Gaming Corporation regarding the extension of the term of Georgian Downs Siteholder Agreement
5. Slot Supplemental Agreement dated July 10, 2007 among Georgian Downs Limited, Great Canadian Gaming Corporation and the Ontario Lottery and Gaming Corporation regarding the deployment of additional OLG slot machines at Georgian Downs;
6. Capital Supplemental Agreement dated July 10, 2007 among Georgian Downs Limited, Great Canadian Gaming Corporation and the Ontario Lottery and Gaming Corporation regarding the expansion of the gaming facilities at Georgian Downs;
7. Casino Operational Services Agreement for Hastings Racecourse dated October 29, 2007 among the BCLC and Hastings Entertainment Inc. regarding operational services at Hastings Racecourse;
8. Operating Agreement dated November 1, 2007 among the City of Vancouver, Hastings Entertainment Inc. and Great Canadian Gaming Corporation regarding the use and occupation of Hastings Racecourse; and
9. Casino Operational Services Agreement dated November 22, 2007 among the BCLC and Orangeville Raceway Ltd. regarding operational services at Fraser Downs Racetrack and Slots.

INTERESTS OF EXPERTS

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

ADDITIONAL INFORMATION

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

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

The Chief Executive Officer and Chief Financial Officer have evaluated and conclude that the Company's disclosure controls and procedures are adequately designed and effective for providing reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would have been made known to them as of the end of the fiscal year ended December 31, 2007.

As well, as of the end of the fiscal year ended December 31, 2007, the Chief Executive Officer and Chief Financial Officer have evaluated and conclude that the Company's internal controls over financial reporting have been adequately designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. However, control systems, no matter how well designed and operated, have inherent limitations, therefore, those systems, although determined adequately designed, can provide only reasonable assurance that the objectives of the system are met.

During 2007, there was no change in our internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Other Additional Information

Other Additional information, including directors' and executive officers' remuneration and indebtedness, principal holders of securities and securities authorized under equity compensation plans is 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 statements for its year ended December 31, 2007, and the Management Discussion and Analysis of the Company for its year ended December 31, 2007. Any interim unaudited financial statements of the Company subsequent to December 31, 2007, are available on the Company's website at www.greatcanadiancasinos.com or www.gcgaming.com, or on SEDAR at www.sedar.com.

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 on the Company's website at www.greatcanadiancasinos.com or www.gcgaming.com

APPENDIX 1 - AUDIT & RISK COMMITTEE CHARTER
TO GREAT CANADIAN GAMING CORPORATION ANNUAL INFORMATION FORM
DATED MARCH 10, 2008

I PURPOSE

The purpose of the Audit & Risk Committee (the “Committee”) is to assist the Board in fulfilling its oversight responsibilities by:

- reviewing and reporting on the financial information which will be provided to shareholders and other stakeholders, 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;
- and reviewing accounting principles 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 for a one (1) year term at the first meeting of the Directors of the Corporation following the annual general meeting. It comprises 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.
- 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.

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.

III FINANCIAL REPORTING

- A. Review and recommend to the Board the annual financial reports (annual information form, management information circular, National Instrument 52-110F1, financial statements, MD&A, reports to shareholders and related press releases) for approval.
- B. Review and recommend to the Board the quarterly financial statements (financial statements, MD&A, reports to shareholders and related press releases) for approval.
- C. Be satisfied that for all other public disclosures or information that is extracted or derived from the financial statements, 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 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 policies and compliance with policies that require significant actual or potential liabilities, contingent or otherwise to be reported to the committee in a timely fashion.
- G. Review annually the reasonableness of the expenses of the Chairman & CEO, COO 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 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, the adequacy and effectiveness of the Corporation's

internal control and management information systems and if requested by the Audit & Risk Committee, 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, including the credit quality of its insurance carriers and re-insurers.

VIII COMMITTEE TIMETABLE

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