



GREAT CANADIAN GAMING CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS For the Nine-months Ended September 30, 2005

(Unaudited – Prepared by Management)

As at November 4, 2005

(Expressed in thousands, except for share and per share information)

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HIGHLIGHTS/OVERALL PERFORMANCE

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2005	2004	% Chg	2005	2004	% Chg
Derived From the Interim Financial Statements						
Revenues	\$ 75,065	\$ 51,075	47%	\$ 196,840	\$ 121,852	62%
EBITDA ⁽¹⁾	\$ 19,749	\$ 16,898	17%	\$ 55,760	\$ 37,741	48%
Adjusted EBITDA ⁽¹⁾	\$ 27,161	\$ 20,418	33%	\$ 71,180	\$ 46,325	54%
Net Income	\$ 9,026	\$ 6,285	44%	\$ 28,744	\$ 17,039	69%
Earnings per common share:						
Basic	\$ 0.12	\$ 0.09	33%	\$ 0.38	\$ 0.26	46%
Diluted	\$ 0.11	\$ 0.09	22%	\$ 0.37	\$ 0.24	54%
Adjusted to Consolidate Georgian Downs ⁽²⁾						
Revenues	\$ 80,300	\$ 51,075	57%	\$ 202,075	\$ 121,852	66%
EBITDA ⁽¹⁾	\$ 21,304	\$ 16,898	26%	\$ 57,315	\$ 37,741	52%
Adjusted EBITDA ⁽¹⁾	\$ 28,716	\$ 20,418	41%	\$ 72,735	\$ 46,325	57%
Net Income	\$ 9,026	\$ 6,285	44%	\$ 28,744	\$ 17,039	69%
Earnings per common share:						
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Diluted	\$ 0.11	\$ 0.09	22%	\$ 0.37	\$ 0.24	54%

⁽¹⁾ See "Definitions used in MD&A"

⁽²⁾ Calculated by adding the financial results from Georgian Downs for the three months ended September 30, 2005 as if it were consolidated instead of accounted for using the equity method.

Great Canadian Gaming Corporation's (the "Company") financial performance for the nine-month period and three-month period ended September 30, 2005 has exceeded the financial performance for the corresponding periods last year.

In the current year, the Company has expanded the scope of its operations with the acquisitions of Orangeville Raceway Ltd. ("Orangeville", operating Fraser Downs Racetrack and Casino, and Sandown Park Racetrack) on March 18, 2005, Metropolitan Entertainment Group ("MEG", operating Casino Nova Scotia Halifax and Casino Nova Scotia Sydney) on May 31, 2005, and Georgian Downs Limited (operating Georgian Downs) on July 2, 2005. These acquisitions, plus a full period of results from the River Rock Casino, which opened in late June 2004, have had a major impact on the consolidated financial results this year-to-date over the prior year-to-date.

In addition this year, the Company completed construction on the renovation and expansion of Fraser Downs in the third quarter, and completed construction of the final phase of the River Rock Casino Resort in the third quarter. The opening of the 222-room hotel, hotel amenities, 1,000-seat multi-purpose theatre and additional food and beverage facilities at the River Rock Casino Resort in September completes the project, and allows the Company to now market a best in class destination casino to the tourism sector.

For the nine-month period ended September 30, 2005, revenues were up by 62% to \$196.8 million and net income was up by 69% to \$28.7 million, as compared to the same period in 2004. EBITDA was up 48% to \$55.8 million and adjusted EBITDA, which adds the refunding of

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the Company's capital investment in its operations, was up 54% to \$71.2 million. Basic earnings per share were up 46% to \$0.38, and diluted earnings per share were up 54% to \$0.37.

For the three-month period ended September 30, 2005, revenues were up by 47% to \$75.1 million and net income was up by 44% to \$9.0 million, as compared to the same period in 2004. EBITDA was up 17% to \$19.7 million and adjusted EBITDA was up 31% to \$27.2 million. Basic earnings per share were up 33% to \$0.12, and diluted earnings per share were up 22% to \$0.11.

The Company's increase in revenues has come from growth in casino gaming, such as the inclusion of River Rock's operations for nine-months this year as compared to three-months last year, from the expansion of non-casino activities, such as food & beverage, horseracing, entertainment and hotel operations, and from the acquisitions of Orangeville, MEG and Georgian Downs. Gaming revenues are up 47% in the nine-month period ended September 30, 2005 over the nine-month period in 2004 (35% - Q3 2005 over Q3 2004), racing revenues are up 141% in the nine-month period comparison to the prior year (90% - Q3 2005 over Q3 2004), and food and beverage revenues are up 209% in the nine-month period comparison to the prior year (139% - Q3 2005 over Q3 2004).

The Company's operating cost structure has also increased as a result of significant growth and diversification in the scope of its operations, temporary impacts from the delayed opening of the Coquitlam Casino expansion, and added staffing in advance of expansion and acquisition requirements. The Company has expanded into non-casino activities in order to increase traffic into the core casino business. While these activities generate revenue growth and positive cash flow, they do so at much lower margins than traditional casino activities.

The Company's Integration Team has achieved a reduction in costs and made improvements in operating efficiency at the Nova Scotia casinos. Additional improvements are planned to bring the operations closer to the financial performance of the Company's British Columbia casinos.

Human resources, the largest cost category, were 50% of revenues for the nine-month period ended September 30, 2005, down from 51% of revenues for the same period in 2004. Human resources increased to 51% of revenues in the third quarter of 2005, from 48% in the second quarter of 2005, and 50% in the first quarter of 2005. This increase in costs as a percentage of revenues was primarily due to having newly hired and trained staff for the Coquitlam expansion temporarily idled or reassigned when the expansion opening was delayed from the third quarter to the fourth quarter, and to increased head office staff hired to manage the Company's expansions and acquisitions. As a growth company, the increase in infrastructure costs (people, processes and systems) occurs before the financial benefits of the growth initiatives are reflected in the financial results.

With the increase in food and beverage revenues of 209% for the nine-month period and 139% for the three-month period ended September 30, 2005 over the same period in 2004, operating supplies, which is where the costs of food and beverage are grouped, increased 113% in the same nine-month period and 111% for the same three-month period comparison. Occupancy costs have increased with the addition of the properties in Nova Scotia and the

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complete opening of the River Rock Casino Resort. In the third quarter of 2005, the Company received approval of a \$2.6 million one-time reimbursement of premises costs from a provincial gaming corporation, of which \$2.3 million related to prior years. This amount was recorded as a reduction of the current quarter's occupancy expenses.

Marketing and promotions expense increased to 7% of revenues during the nine-month period ending September 30, 2005, as compared to 5% for the same period in 2004. Marketing and promotions expense increased to 8% of revenues in the three-month period ended September 30, 2005. Some of the initiatives include: establishing a consistent brand, image and messaging across all Canadian properties; increasing the popularity of horseracing at our racetracks; promoting the opening of the River Rock hotel and ongoing major entertainment acts; promotions to retain customers in light of competitor expansions in the Greater Vancouver market; and providing complimentary beverages.

Non-cash items in operating costs, such as amortization and stock based compensation, have increased over the prior year. Non-cash items totaled \$9.8 million and had an impact of \$0.13 on a diluted earnings per share basis for the nine-month period in 2005 (2004 year-to-date- \$4.5 million, \$0.06 per share). Non-cash items totaled \$4.3 million in the third quarter of 2005 and had an impact of \$0.05 on a diluted earnings per share (2004 third quarter- \$1.5 million, \$0.02 per share). Amortization expense has increased primarily because the application of Canadian generally accepted accounting principles has resulted in the excess purchase price on acquisitions being recorded as intangible assets which are normally amortized to the statement of income. Stock based compensation has increased due to the amortization of previously issued stock options. The estimated value of stock options granted is expensed over an estimated life of three years.

Other factors that affected the current or comparative financial results included: a Canadian restructuring provision of \$4.0 million (pre-tax) that was recorded in the third quarter of 2004; the turn around in the US operations from a net loss of \$3.7 million (includes a US restructuring provision) for the nine-months ended September 30, 2004 to net income of \$2.4 million for the nine-months ended September 30, 2005; accretive income from provincial gaming corporations, which was \$5.3 million for the nine-month period ended September 30, 2005 as compared to \$Nil for the prior year; a disposal of surplus land in the Washington State operation for a gain of \$494 (after-tax \$345); and a disposal of the equity interest in the Queen of Diamonds Cruises (VCC) Limited, resulting in a loss of \$957 (after tax \$700).

Interest and financing expenses have increased in the current year over the prior year because of higher debt levels arising from acquisitions and construction activities, and a lower proportion of the total interest and financing costs being capitalized to development projects. The accretive income, which is the amortization of the discount on the receivable from provincial gaming corporations, increased by \$5.3 million for the nine-month period ended September 30, 2005 and by \$2.1 million for the three-month period ended September 30, 2005, as compared to the same periods in 2004. This was as a result of the increased amounts approved by the provincial gaming corporations (2005 third quarter- \$47.7 million, 2005 nine-month period- \$140.3 million) on the Company's development projects.

The rate for calculating the provision for income taxes increased in the third quarter to a more

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typical level. The income tax rate used in the second quarter was reduced by the benefit of previously unrecognized tax losses in the Washington state operation.

The acquisition of Georgian Downs was accounted for using the equity method for the period July 2, 2005, the date of acquisition under a bare trustee arrangement, to September 30, 2005, the date regulatory approvals were obtained and the bare trustee arrangement was terminated. Had the financial results of Georgian Downs been consolidated with those of the Company from July 2, 2005, the Company's revenues would have been \$202.1 million for the nine-month period and \$80.3 million for the three-month period ended September 30, 2005. EBITDA would have been \$57.3 million for the nine-month period and \$21.3 million for the three-month period ended September 30, 2005. There would have been no changes to net income or earnings per share derived from the Interim Financial Statements.

On a sequential third quarter 2005 to second quarter 2005 basis, revenues are up 10%, net income is down 14%, EBITDA is up 2%, adjusted EBITDA is up 14%, basic earnings per share are down 14% and diluted earnings per share are down 21%. The inclusion of the revenues of MEG for a full third quarter as compared to one month in the second quarter and increase in food and beverage revenues, partially mitigated a 6% third quarter reduction in gaming revenues in our British Columbia casinos and a 7% drop in Washington State casinos, as compared to the prior quarter.

Expanding construction requirements at the Coquitlam Boulevard Casino temporarily reduced the casino's parking capacity and scope of gaming operations in the third quarter and resulted in a decline in gaming revenues of 13% from the second quarter. The casino staff hired for the Coquitlam expansion opening, originally scheduled for the third quarter, were redeployed temporarily to the Company's existing casinos when the expansion opening was delayed. This utilization of staff reduced the labour efficiency at several casinos during the third quarter.

River Rock saw a decline in gaming revenues of 7% in the third quarter, consisting of an 11% decline in table revenues and a 4% increase in slot revenues. The decrease in table game performance is consistent with a historical trend noted in the former Richmond casino for the third quarter. Within the quarter, the table revenue decline was greater in July and August, with revenue rebounding in September on the opening of the final phase of the resort.

The Vancouver Island casinos showed a 6% growth in gaming revenues and an 11% growth in EBITDA over the second quarter. Presently, these two casinos are undergoing a full conversion to "ticket-in ticket-out" technology and are 60% complete at the end of the third quarter.

To finance acquisitions and capital development projects, the Company issued 3.75 million common shares for net proceeds of \$60.2 million on January 13, 2005, increased its revolving credit facility from \$100 million to \$200 million on April 26, 2005, issued \$150 million in 10-year 5.50% Senior B Series Notes on July 21, 2005 and issued 3.7 million share warrants, which were converted to an equivalent number of common shares, for net proceeds of \$72.8 million on August 3, 2005.

Subsequent to the quarter end, on October 19, 2005, the Company completed the acquisition of Ontario Racing Inc. ("ORI") (operating Flamboro Downs).

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On November 17, 2005, the Company expects to open the expansion at the Coquitlam Boulevard Casino. This expansion will nearly triple the gaming floor to accommodate a total of 1,000 slot and electronic gaming machines, and 68 table games. A 1,600 car multi-level parkade will also open at this time. A 1,100-seat multi-purpose theatre is expected to open in the third quarter of 2006.

In August 2004, the Company received approval to install slots at its Hastings Racecourse location. In October 2005, the Company received the approval of the City of Vancouver's Council and the Development Permit Board on the scope of the expansion at the Hastings Racecourse to accommodate the slots. The Company continues to work with City staff to finalize the development and building permits, and the operational agreement for the site. The Company will then commence demolition and construction activities, and will announce an expected opening date for the Hastings Racecourse expansion at that time.

Total assets increased to \$807,206 at September 30, 2005, an increase of 123% from the year-end and a 17% increase from June 30, 2005. These increases are primarily due to the acquisition of Orangeville, MEG and Georgian Downs, and the continued build-out of the River Rock and Coquitlam expansions. Working capital was \$46,928 at September 30, 2005, an increase of 74% from the year-end and an increase of 62% from June 30, 2005.

The Company will continue to focus on the delivery of its expansions, integration of its acquisitions and improvement on its operations. In the fourth quarter of 2005, the Company expects to see the opening of the expansion at the Coquitlam Boulevard Casino, the start-up of the live racing season at Fraser Downs, a full quarter of financial results from the added hotel, theatre, and food and beverage facilities at the River Rock Casino Resort, the additional income from the added hours of operations at Georgian Downs and full consolidation of its results, the integration of and financial results from the acquisition of Flamboro Downs, and added gaming revenues from River Rock and Coquitlam as these properties return to a steady state of operations and growth.

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INTRODUCTION

General

The Company employs approximately 5,400 employees and is a multi-jurisdictional gaming and entertainment operator with operations in British Columbia ("BC"), Ontario ("ON") and Nova Scotia ("NS"), Canada, and Washington State, United States of America ("Washington"). The Company operates thirteen casinos, a thoroughbred racecourse, four standardbred racecourses, a community gaming centre, a hotel, a theatre and various associated food and beverage and entertainment facilities.

The Company's principal operating subsidiaries are Great Canadian Casinos Inc. ("GCC"), Great American Gaming Corporation ("GAGC"), Hastings Entertainment Inc. ("HEI"), Orangeville, MEG, Georgian Downs Limited and Georgian Downs Holdings Inc. (collectively "Georgian Downs") and Flamboro Downs Holdings Limited ("Flamboro Downs").

Basis of Discussion & Analysis

This management discussion and analysis ("MD&A") of our results of operations, liquidity and capital resources, transactions with related parties, financial position, and other information is dated as of November 4, 2005. This MD&A should be read in conjunction with our unaudited interim consolidated financial statements for the nine-month ended September 30, 2005 and the accompanying notes ("Interim Financial Statements"), and our audited consolidated financial statements for the year ended December 31, 2004 and the accompanying notes ("Annual Financial Statements").

Our discussion in this MD&A is based on the Interim Financial Statements. The Interim Financial Statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial statements and accordingly, certain information and note disclosures normally included in the audited annual financial statements may be omitted. Unless otherwise indicated, all dollar figures are in Canadian currency.

Capitalized terms are either defined when they first appear, or are defined at the end of this MD&A in the section titled "Definitions Used in the MD&A".

Forward-Looking Statements

All statements other than statements of historical fact in this MD&A are forward-looking statements, including, without limitation, statements regarding future financial position, business strategy, proposed acquisitions, budgets, litigation, projected costs and plans, and objectives of or involving the Company. Readers can identify many of these statements by looking for words such as "believes", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof.

There are no assurances that the plans, intentions, or expectations upon which these forward-looking statements are based will occur. Forward-looking statements are subject to risks, uncertainties and assumptions, which if different could cause results to differ materially from those

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expressed in the forward-looking statement. Some of the factors that could affect results include, without limitation, pending and proposed legislative or regulatory developments, regulatory approval of acquired operations, competition from established competitors and new entrants in the gaming business, interest and exchange rate fluctuations, general economic conditions, acceptance and demand for new products and services, and fluctuations in operating results.

The forward-looking statements contained herein are made as of the date of this MD&A 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.

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THE COMPANY AND BUSINESS

Operations in Canada

The following table summarizes the casino operations and the current approved operational levels as at September 30, 2005:

Name	Location	Slot Machines	Table Games	Operational Daily Hours	Operating Contract Expiry Date ⁽¹⁾
British Columbia					
Boulevard (Coquitlam) ⁽²⁾	Coquitlam, BC	450	32	24	2/28/2011
Holiday Inn Broadway	Vancouver, BC	-	36	20	2/28/2011
Nanaimo	Nanaimo, BC	380	12	16	2/28/2011
River Rock	Richmond, BC	1,000	93	24	6/23/2014
View Royal	View Royal, BC	425	24	18	2/28/2011
Fraser Downs	Surrey, BC	420	-	17.5 - 24	3/31/2014
Bear Mountain ⁽³⁾	Dawson Creek, BC	70	-	14 - 16	1/12/2006
Jack O'Clubs (Seasonal) ⁽⁴⁾	Wells, BC	80	-	8	6/20/2012
Ontario					
Georgian Downs ⁽⁵⁾	Innisfil, ON	401	-	17 - 24	11/26/2006
Flamboro Downs ^{(5) (6)}	Flamborough, ON	755	-	17 - 24	10/11/2010
Nova Scotia					
Casino Nova Scotia	Halifax, NS	758	38	24	7/1/2015
Casino Nova Scotia	Sydney, NS	385	7	16 - 24	7/1/2015
		<u>5,124</u>	<u>242</u>		
Approved Expansions (incremental addition):					
Boulevard (Coquitlam) ⁽²⁾	Coquitlam, BC	550	36		
Georgian Downs	Innisfil, ON	50	-		
Hastings Racecourse	Vancouver, BC	600	-		
Sandown	North Saanich, BC	200	-		
		<u>6,524</u>	<u>278</u>		

⁽¹⁾ Subject to renewal terms, at option of Company, for 10 years in BC and NS and 5 year for ON.

⁽²⁾ The expansion to the Boulevard casino is scheduled to open on November 17, 2005 with 1,000 slot machines and electronic gaming devices, and up to 68 tables.

⁽³⁾ The Company is currently in negotiations with BCLC for a new 10 year COSA for Bear Mountain, which is expected to be in effect on opening of the permanent facility.

⁽⁴⁾ Opened Wednesday through Sunday only. Currently closed.

⁽⁵⁾ Operates under siteholder agreements with OLG for OLG to operate slots.

⁽⁶⁾ Acquisition completed October 19, 2005.

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The following table summarizes the racecourse operations and current operational levels as at September 30, 2005:

Name	Location	Number of Annual live race days	Simulcast betting
Hastings Racecourse	Vancouver, BC	83	Yes
Fraser Downs	Surrey, BC	92	Yes
Sandown	North Saanich, BC	20	Yes
Georgian Downs	Innisfil, ON	115	Yes
Flamboro Downs ⁽¹⁾	Flamborough, ON	260	Yes
		<u>570</u>	

⁽¹⁾ Acquisition completed on October 19, 2005

British Columbia

In BC, casino gaming is governed by statutory regulations that are designed to maintain the integrity of the games played and to ensure that the industry participants are of good character. The British Columbia Lottery Corporation (“BCLC”), a crown corporation of the Province of British Columbia, and the Gaming Policy and Enforcement Branch of the Provincial Government (“GPEB”) are responsible for gaming integrity in casinos. BCLC manages and conducts casino gaming through a partnership with service providers that provide day-to-day facility and operational services in compliance with BCLC’s requirements. BCLC is also responsible for assessing marketplace demands and determining the number of slot machines and appropriate table gaming mix for each location, subject to the contractual arrangement with the operator. GPEB regulates casino gaming—it ensures that the provisions of the Gaming Control Act are met and maintains the overall integrity of gaming within the province.

BCLC engages service providers to operate the casinos on its behalf under the terms and conditions in separate Casino Operational Services Agreement (“COSAs”). BCLC has previously announced that no new COSAs will be issued, thus limiting the number of casinos in the Province. COSAs have an initial term of 10 years and a renewal option, under certain conditions, for a further 10 years. COSAs generally provide that the service provider, such as the Company, retain 25% of the win on slot machines and 40% of the win on most table games.

Under the River Rock COSA, the Company is required to pay BCLC an amount equal to 0.75% of the River Rock gaming win for future BCLC marketing programs. The Company is treating this amount as prepaid expense until such time as BCLC commences its marketing program. As at September 30, 2005, the prepaid amount was \$2,271. This rate increases to 1.5% of the gaming win beginning in April 2006.

Similar regulatory provisions are in place in the Bingo Casino Operational Services Agreement (“BCOSA”) for bingo and slots at community gaming centres and in the Racing Casino Operational Services Agreement (“RCOSA”) for slot machines at racecourse locations. Existing bingo operators may apply to become a community gaming centre and upon successful application, enter into a BCOSA. BCOSAs provide for the service provider to receive 25% of

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the win from slot machines and a portion of the win from bingo based on a sliding scale.

Slots gaming at Fraser Downs, and in the future at Hastings Racecourse and Sandown, are governed by a RCOSA for each location. The RCOSA at Fraser Downs provides for the Company to retain 20% of the win from slot machines. In addition, a further 10% of the win (from BCLC's 80% portion of the win) from slots will be added to the horseracing purses and racing development programs, which is intended to enhance the viability of racing operations. We anticipate the RCOSA for Hastings Racecourse and Sandown to be similar to Fraser Downs. As part of its RCOSA, Orangeville is required to expend an amount equal to or greater than 2% of the win at Fraser Downs towards marketing programs each year.

Horseracing in BC is conducted under regulation and licensed by the Canadian Pari-Mutuel Agency ("CPMA") and the Racing Division of GPEB. The CPMA regulates and supervises pari-mutuel betting on horseracing at racetracks across Canada and has a mandate to protect the wagering public against fraudulent practices and maintain a viable racing industry. The Racing Division of the GPEB develops fair and appropriate rules, provides effective management of racing events and issues licenses to participants in the horseracing industry in BC.

Nova Scotia

In NS, the Nova Scotia Gaming Corporation ("NSGC"), a crown corporation of the Province of Nova Scotia, is responsible for the conduct and management of the Province's gaming business. The integrity and regulation of gaming are the responsibility of the Nova Scotia Alcohol and Gaming Authority of the Provincial Government ("NSAGA"). The Casino Nova Scotia Halifax and Casino Nova Scotia Sydney operate pursuant to an operating contract with the NSGC. The Amended and Restated Operating Contract ("AROC") commenced July 1, 2005, with an initial term of 10 years and a renewal option at the Company's option for a further 10 years. The principal terms of the AROC are described in the section on the Metropolitan Entertainment Group within Significant Events & Developments.

Ontario

In ON, the Alcohol and Gaming Commission of Ontario ("AGCO") is responsible for the regulation of casinos, charity casinos and slot machine facilities, and the Ontario Lottery Gaming Corporation ("OLGC"), a crown corporation of the Province of Ontario, is responsible for the management and conduct of the gaming operations. Pursuant to Site Holder Agreements, Georgian Downs and Flamboro license a portion of their racetrack facilities to OLGC to enable OLGC to conduct, manage and operate its slot machines.

Horseracing in ON is regulated by the Ontario Racing Commission ("ORC"), which is a Crown agency of the Provincial Government. The ORC reports to the Ministry of Consumer and Business Services and assists the ministry in fulfilling its responsibilities in ensuring public confidence and social controls in the gaming sector. ORC regulations and standards are responsible for maintaining the integrity of the horseracing industry within the province.

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Operations in the United States

The following table summarizes the Washington State gaming facilities and current approved operational levels as at September 30, 2005:

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

The Washington State Gambling Commission (“WSGC”) is authorized to license charitable and commercial gambling activity in the state. There are presently no limits on licenses issued but applicants for licensing are subject to stringent investigation and scrutiny by WSGC. Gambling facilities in Washington fall into three categories: charitable, commercial and tribal. The regulations relating to each category are significantly different, with WSGC overseeing all three categories.

Generally, charitable gambling is more restrictive in scope of operations than commercial gambling, and commercial gambling is more restrictive in scope of operations than tribal gambling. The major differences between commercial casinos and tribal casinos are that commercial casinos are not permitted to operate slot machines or video lottery terminals, and are limited to 15 tables at each location.

The Company holds WSGC Service Supplier Licenses to operate four commercial casinos: Great American Casino Tukwila, Great American Casino Lakewood, Great American Casino Everett, and Great American Casino Kent. Each location operates the maximum 15 tables as well as providing food and beverage services. Service Supplier Licenses are generally renewed annually by WSGC in the absence of any violations or transgressions by the licensee.

Competitive Environment

British Columbia

Over the past year, the gaming environment and competitive landscape within BC have undergone significant change and expansion. Following the June 2004 opening of the River Rock Casino, our Greater Vancouver competitors have opened two new facilities and expanded an existing one, adding 1,509 slots and 107 table games to the market. This expansion grew the total number of slots and tables in the area by 57% and 62%, respectively.

The Company believes that BC, and particularly the Greater Vancouver area, continue to harbor an underserved demand for gaming. BCLC, in its 2005-2008 service plan, is estimating the British Columbia casino gaming win will grow to \$1.21 billion by its fiscal year ended March 31,

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2008 from a level of \$938 million for its most recent fiscal year ended March 31, 2005. The expansions approved by BCLC are planned to move the BC gaming win on a per capital basis to a level closer to the Canadian average. About two thirds of the British Columbia win comes from the Greater Vancouver area. We anticipate that much of the growth expected by BCLC will come from expansions to be delivered by the Company over the next year in the Greater Vancouver area.

Based on gaming expansions to date and the subsequent growth in the casino gaming win, we believe that the market within the Greater Vancouver area will continue to be elastic and will support the absorption of high quality, well-located gaming facilities. We estimate that the total casino win in the Greater Vancouver area has grown from a quarterly win of \$132 million in the second quarter of 2004 to \$191 million in the second quarter of 2005, an increase of nearly 45%.

BCLC's primary initiative to encourage capital investment is to provide reimbursement for approved capital expenditures under a Facility Development Improvement Program ("FDIF"). This program allowed the Company to invest in and fully open its flagship River Rock Casino Resort in June 2004, and add a hotel, a theatre, and additional amenities in September 2005. The majority of River Rock's construction costs have qualified for refund under the FDIF.

The Company also commenced a significant expansion at its Coquitlam Boulevard Casino, scheduled to open in November 2005. The gaming area at Coquitlam will nearly triple to accommodate 950 slots, up to 50 electronic gaming devices, and 68 tables. A 1,100-seat multi-purpose show theatre will complete the expansion in the third quarter of 2006. The majority of these Coquitlam Boulevard Casino capital expansion costs are expected to be refunded under the FDIF. River Rock is quickly becoming one of Vancouver's premier entertainment destinations, and the Company expects the Boulevard Casino to follow suit.

BCLC has also permitted slot gaming to expand into community gaming centres and horseracing facilities. For this reason, the Company acquired Hastings Racecourse, Fraser Downs, Sandown, and Bear Mountain Community Gaming Centre ("Bear Mountain") over the past 12 months. Further, the Company has commenced capital expansion plans or programs at each location to accommodate gaming and improve the facilities. Fraser Downs has already completed its new development, and the expansion at Hastings Racecourse is expected to commence in the near future. The majority of the costs associated with these expansions are expected to be reimbursed under the FDIF.

Once the Hastings Racecourse and Coquitlam Boulevard Casino developments are complete, there appears to be no further expansion of gaming within the Greater Vancouver area until the second half of 2007. This period of stability, after several years of rapid expansion, should allow for further organic growth of the market. For example, on Vancouver Island where the Company has two casinos and little or no competition, revenues have grown by 10% year-to-date over the prior year-to-date.

The Company believes its investments in best-in-class facilities have given it a suite of properties, features and amenities that give it a competitive advantage and the ability to increase both customer counts and the volume of casino play. The River Rock Casino Resort

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and Coquitlam Boulevard Casino will allow the Company to target market to an underserved tourism sector.

Ontario

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

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

Ontario currently has four commercial casinos, six charity casinos and sixteen racinos. The OLGC has announced that it will not create any additional casino locations.

Nova Scotia

The gaming industry in NS is highly regulated and the Company currently operates the only two full service casinos in the province. Video Lottery Terminals ("VLTs") are permitted in licensed liquor establishments such as bars, lounges, cabarets, legions, golf and curling clubs and on First Nation reserves. Table games are only permitted at Casino Nova Scotia Halifax and Casino Nova Scotia Sydney.

The government of NS has announced a plan to focus more on social responsibility surrounding gaming and that it will reduce the accessibility to VLTs by removing 30% or approximately 1,000 VLTs around the Province. The Province has also reduced the hours of VLT operation and made changes to effectively reduce the number of "plays" per hour on VLTs. The plan to remove the VLTs is focused on licensed liquor establishments and there is no indication that slots at the Company's casinos will be affected.

Washington State

The competitive environment in Washington is also highly regulated but does not have the same significant barriers to entry for commercial casinos as in BC, ON and NS. Competition among commercial casinos is abundant and widely spread out among mostly single and several multi-location operators. Tribal casinos, with their ability to offer electronic gaming devices such as slots, are at a significant advantage to commercial casino 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 expenses.

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SIGNIFICANT EVENTS & DEVELOPMENTS

Financing / Equity Transactions

Private Placement of Special Warrants

On August 3, 2005, the Company completed a private placement of 3,703,704 special warrants of the Corporation at a price of \$20.25 per special warrant for gross proceeds of \$75,000. The costs of the placement, net of future income taxes, total \$2,291. Each special warrant was exercised at no additional cost, into one common share of the Company following the filing and approval of a short form prospectus to qualify the distribution of the common shares underlying the special warrants. On August 31, 2005, the Company received approval of the short form prospectus and subsequently converted the special warrants into common shares.

Debt Financing

On July 21, 2005, the Company completed the issuance of 5.50% \$150,000 Series B Senior Secured Notes. The Series B Notes were issued for a 10-year term maturing July 21, 2015, and ranked pari passu with both the Company's 5.74% \$150,000 Series A Senior Secured Notes and \$200,000 revolving credit facility. The proceeds from the Series B Notes were used to reduce the amounts outstanding under the revolving credit facility, which was used to fund the recent acquisitions, for deposit payments, and for general working capital purposes.

On June 27, 2005, in advance of and in conjunction with the closing of the issuance of the Series B Notes, the Company entered into a bond forward transaction, based on the ten-year Government of Canada bond yield rate. The intent of the transaction was to hedge the risk of an interest rate change associated with the issuance of the Series B Notes on July 21, 2005. The bond forward was completed and resulted in a cash receipt gain of \$1,736 on July 21, 2005, which will be deferred and amortized to reduce the coupon rate of interest over the ten-year term of the Series B Notes. The bond forward transaction reduces the effective interest rate on the Series B Notes from 5.50% to 5.38%.

Share Subdivision

At the TSX market opening on June 9, 2005, the common shares of the Company were posted for trading on a five-for-two split basis. The shareholders of record received three additional common shares for every two common shares held. The stock options and warrants outstanding at the time were adjusted accordingly for the share subdivision.

All references to the number of common shares and per share amounts in the MD&A, and the Interim Financial Statements have been retroactively restated to reflect the share subdivision.

Increase in Credit Facility

On April 26, 2005, the Company entered into an agreement with a syndicate of its existing lenders to increase the limit of its revolving credit facility from \$100,000 to \$200,000 with no change to the security package or terms.

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For the period between July 21, 2005, the issuance of the Senior B Notes, and September 30, 2005, the date the Georgian Downs acquisition was completed, the Company agreed to limit the credit facility to \$150,000.

Treasury Offering of Common Shares

On January 13, 2005, the Company completed an offering of 3,750,000 common shares at \$16.60 per share for gross proceeds of \$62,250. The cost of the offering, net of future income taxes, reduced the gross proceeds by \$1,958. The net proceeds were used for the acquisition of Orangeville, Weinlager, and to reduce an operating line of credit used to fund the termination of the share purchase agreement with Wall Financial Corporation.

Acquisitions / Investments

Acquisition of Flamboro Downs in ON

On July 6, 2005, the Company entered into an agreement in principle to acquire all of the outstanding shares of ORI, a wholly owned subsidiary of Magna Entertainment Corporation ("MEC"). The completion of the acquisition was subject to regulatory approval. ORI owns and operates Flamboro Downs, a standardbred racetrack, and siteholder for slot machines operated by the OLGC in Flamborough, Ontario. Flamboro is located 45 miles west of Toronto and occupies approximately 230 acres in the town of Flamborough, ON. The facility offers year-round live harness racing five days a week (260 live racing days per year) and daily simulcast wagering on-track. It also has four teletheatres/off-track betting locations and is a siteholder for 755 slot machines owned and operated by the OLGC.

As at September 30, 2005, the Company paid \$33,761 in trust for the acquisition of ORI. With regulatory approvals received, on October 19, 2005, the Company completed the purchase of ORI for cash consideration of \$33,761, net of the assumption of existing debt of \$44,194. The Company will allocate the purchase price to the fair value of net assets acquired in the fourth quarter of 2005.

Acquisition of Georgian Downs in ON

On July 2, 2005, Great Canadian Gaming (Ontario) Ltd. ("GCGO"), a former subsidiary of the Company, acquired all of the outstanding shares of Georgian Downs Limited and Georgian Downs Holdings Inc. (collectively "Georgian Downs") as a bare trustee for the Company until all regulatory approvals were received. The Company loaned GCGO approximately \$48,150 for the purpose of acquiring all of the outstanding shares and indebtedness of Georgian Downs.

Georgian Downs, located in Innisfil, Ontario, just north of Toronto, is an operator of a standardbred racing facility and a siteholder of 401 slot machines operated by the OLGC. Georgian Downs offers live standardbred horseracing on 115 live racing days, and simulcast wagering 364 days a year.

On September 30, 2005, following receipt of all regulatory approvals, the Company acquired legal title to all of the outstanding shares of GCGO. The Company has consolidated Georgian

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Downs' financial position as at September 30, 2005.

For the period from July 2, 2005 to September 30, 2005, the date all regulatory approvals were completed, the Company included the operating results of Georgian Downs in the Interim Financial Statements under the equity method as it exercised significant influence over the operations of Georgian Downs.

Disposition of Investments/Capital Assets

On July 15, 2005, the Company disposed of its interest in Queen of Diamonds Cruises (VCC) Limited and reduced its interest in Queen of Diamonds Cruises Ltd. to approximately 10%. The Company recorded a loss of \$957 (\$700 after tax), which is included in loss from disposal of land and investment in the statement of income.

On July 15, 2005, the Company issued a non-interest bearing promissory note receivable of \$1,400 to Queen of Diamonds Cruises (VCC) Limited. The promissory note receivable is secured by a limited recourse pledge of the proceeds from the sale of the vessel, M.V. Queen of Diamonds, owned by Queen of Diamonds Cruises Ltd.

On August 18, 2005, the Company sold surplus land held in Washington for net proceeds of US\$1,953. This sale resulted in a gain of US\$401 (CAD\$494, \$345 after tax), which is included in loss from disposal of land and investment.

Acquisition of Metropolitan Entertainment Group in NS

On May 31, 2005, the Company completed the acquisition of 100% of the partnership interests in MEG, a Nova Scotia Partnership which owns the Casino Nova Scotia Halifax and the Casino Nova Scotia Sydney, for cash consideration of US\$73,700 (CAD\$93,117). Casino Nova Scotia Halifax and Casino Nova Scotia Sydney operated pursuant to the casino operating contract with the NSGC.

Casino Nova Scotia Halifax, which operates 24 hours a days, is located on the downtown waterfront area and contains 32,000 square feet of casino space featuring 758 slot machines and 38 table games, two licensed restaurants, a lounge and 9,000 square feet of convention space.

Casino Nova Scotia Sydney is attached to a local sports arena and features approximately 16,000 square feet of gaming space with 385 slot machines and 7 table games, a licensed restaurant and a lounge.

On May 31, 2005, the Company initiated its review and integration of MEG to improve the synergy of its operations, reduce costs and improve profitability. As a result, the Company recorded a \$2,762 liability provision relating to restructuring on acquisition. As at September 30, 2005, \$624 of this provision remains in accounts payable and accrued liabilities.

The Company entered into an AROC with NSGC, effective July 1, 2005. Under the AROC, the management fee payable by NSGC to MEG for services provided in connection with the

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operation of the Sydney and Halifax casinos will be 52.725% of the total facilities' revenue. The management fee may be reviewed if certain changes to operations prescribed or directed by the NSGC adversely affect expenses or revenues of MEG. NSGC will contribute 5% of the total facilities' revenues for the purpose of making approved capital improvements to the casino properties ("Capital Reserve Account"). Approved expenditures incurred by MEG on behalf of NSGC in improving the casino facilities will be reimbursed from this Capital Reserve Account ("CRA").

Additionally, MEG is entitled to an Operator's Capital Investment ("OCI") repayment of \$24,255, which is the balance owed to MEG on July 1, 2005 under the original Operating Agreement in respect of unpaid approved development costs previously incurred by MEG, plus interest on the outstanding balance at 12% per annum. MEG is also entitled to a repayment of a Mandatory Deferral ("MD") of \$24,544, which is an amount equal to the balance owed to MEG on July 1, 2005 under the original Operating Agreement plus interest on the outstanding amount at prime plus 1%. The OCI will be repaid in monthly installments of \$1,094 to April 2007, and the MD is repaid in monthly installments of \$100 to April 2007, and \$900 per month to May 2009.

The term of the AROC is ten years commencing July 1, 2005 and MEG has an option to renew the agreement for a further ten years. MEG has also been granted a right of first opportunity to negotiate with the NSGC with respect to any proposal by the NSGC to pursue the development and operation of any new racetrack/casino facility in NS. As well, MEG is required to pay \$1 million annually (adjusted for inflation) to NSGC as a contribution toward the prevention and treatment of problem gaming in NS.

Conversion of Debt to Preferred Shares of Creation Casinos Inc. ("Creation")

On June 15, 2005, promissory notes due from Creation for \$6,816 plus accrued interest of \$101, and \$483 in guaranteed capital lease obligation were converted into 74,000 Class A preference shares, Series 1. The non-voting preferred shares have a par value of \$100 per share, a non-cumulative dividend of \$3.00 per share commencing after December 31, 2005, for each fiscal year in which Creation realizes positive net income at least equivalent to 3 per cent of the par value of preference shares outstanding at the end of such year. The shares contain a provision for mandatory redemption to the extent of 25% of Creation's operating cash flow and are otherwise redeemable at the discretion of Creation. The purpose of the conversion was to allow Creation to raise equity to pursue business opportunities, while enhancing the Company's position. Creation has one director who is also part of the senior management an officer of the Company.

Acquisition of Orangeville in BC

On March 18, 2005, the Company acquired all of the issued and outstanding common shares of Orangeville for cash consideration of \$40,000. As additional consideration, the Company agreed to trailer payments for a period of up to four years following the effective date based on defined levels of net gaming and racing revenues of the acquired operations.

Orangeville operates two standardbred racing facilities in BC: Fraser Downs in Surrey and Sandown in North Saanich on Vancouver Island. The acquisition of Orangeville allows the

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Company to pursue various synergies and complements the acquisition of Hastings Racecourse. As a result of these acquisitions, the Company is the largest thoroughbred and standardbred racing operator in BC, and is able to operate year round horseracing and related activities.

Fraser Downs currently offers live standardbred horseracing nine-months of the year, and operates 420 slot machines and off-track betting year-round. Sandown operates twenty live race days per year, and features off-track betting year-round. North Saanich council has approved the installation of up to 200 slot machines at Sandown, subject to a definitive proposal from the Company for the redevelopment of Sandown.

TBC Teletheatre B.C. ("TBC")

As a result of the acquisition of Orangeville, the Company increased its existing 25% interest in TBC (acquired through the acquisition of HEI and previously accounted for using the equity method) to 50%. The Company has consolidated TBC's financial position and the operating results and cash flows from March 18, 2005 in the Interim Financial Statements.

TBC's principal business activity is the operation of teletheatre, telephone and internet wagering facilities in BC, which broadcast horseracing from Hastings Racecourse, Fraser Downs and other racetracks in Canada and throughout the world.

Acquisition of Weinlager & Amici Caffè (Coquitlam) Ltd. and Weinlager & Amici Caffè (Victoria) Ltd.

On January 10, 2005, the Company acquired the remaining 50% interest in Weinlager for cash consideration of \$1,225 plus acquisition costs, and terminated the management agreement held by Tiara Food & Beverage Concepts Ltd, which managed the food and beverage operations at the Company's Coquitlam, Holiday Inn, Nanaimo and View Royal Casinos.

Current Projects

Coquitlam Boulevard Casino

The Coquitlam Boulevard Casino expansion is scheduled to open on November 17, 2005. Post-expansion, Boulevard will operate 950 slot machines, 150 more than originally anticipated, in addition to 50 electronic gaming devices and 68 tables. The facility will be served by a 1,600 car parkade. The 1,100 seat multi-use theatre is scheduled to open in the third quarter of 2006. The construction budget for the Coquitlam expansion of \$105,000 has been consolidated with a furniture and fixtures budget of \$6,000 for a total budget of \$111,000 (expected to be fully FDIF recoverable). As at September 30, 2005, approximately \$73,300 had been expended on the consolidated budget.

Hastings Racecourse

On October 4, 2005, the City of Vancouver Council approved the public benefits package proposed by HEI for Hastings Racecourse and the surrounding community. The approval of

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Council was a requisite condition in the development process. On October 24, 2005, development plans for the installation of 600 slot machines at Hastings, together with associated improvements to the facility, were approved by the City of Vancouver's Development Board. The development of Hastings Racecourse remains subject to the issuance of building permits and the creation of an operating agreement between HEI and the City of Vancouver. The Company has a budget of approximately \$40,000 (expected to be fully FDIF recoverable) for the expansion of the Hastings Racecourse site. Construction will begin once negotiations with the City of Vancouver are satisfactorily concluded on the issuance of development and building permits, and the operating agreement is finalized.

The majority of HEI's employees are unionized and are members of UNITE! HERE, covering food and beverage workers, or COPE, covering pari-mutuel workers. Collective agreements covering both unions expired in the third quarter. The Company and the unions have concluded negotiations and ratified new three-year collective agreements.

Bear Mountain Community Gaming Centre

On January 4, 2005, the Company acquired land in Dawson Creek for \$1,900. The Company plans to build a larger replacement community gaming centre on the new property that will include a bingo hall, an additional 50 slot machines (in addition to the current 70 slot machines), entertainment, food and beverage facilities and a teletheatre. Municipal approval of relocation has passed the second reading, and construction is anticipated to start in the fourth quarter of 2005. Bear Mountain will continue to operate in its present facility during construction of the new facility, which is expected to be completed in the third quarter of 2006. The estimated construction cost is \$11,000, all of which is expected to be recoverable via FDIF.

Metropolitan Entertainment Group

The Company has submitted an initial business plan for MEG to the NSGC, which contains a capital budget of approximately \$20 million, principally for the replacement of old slot technology and operational improvement to the gaming floor. This business and capital plan, once accepted by the Nova Scotia legislature, will be implemented in early 2006. The Company expects that the full cost of the capital plan will be reimbursed under the Capital Reserve Account.

River Rock Casino Resort

Phase Two of the River Rock Casino Resort is now complete. The Phase Two expansion added a 222 room all-suite hotel, additional restaurants, guest facilities, and a 1,000 seat multi-use theatre to the Resort's available amenities. The Hotel partially opened on August 19, 2005, along with additional food and beverage facilities and was joined by the theatre on September 9, 2005. To date, these additions have served to noticeably increase casino traffic.

The overall budget for construction is \$193,000 and the budget for furnishings is \$7,000 for an estimated total budget cost of \$200,000, of which approximately \$188,000 had been expended as at September 30, 2005. The costs of this project, less an agreed reduction for the hotel costs, will be recoverable under the FDIF.

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Fraser Downs

The expansion of Fraser Downs is now complete. The facility features a new simulcast area, a modern atrium-styled welcome centre, a major show lounge with state-of-the-art audio-visual technology, a renovated grandstand area, and a parking lot with modern landscaping.

We expect that the majority of the capital expenditures on these projects, including any increases in the budgets, will qualify for the FDIF.

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KEY EVENTS – SCOPE OF OPERATIONS

The following table summarizes the key events that have affected the Company's scope of operations over the past two years, and the periods for which the financial results of those events have been reflected in the Interim Financial Statements.

<u>Description</u>	<u>YTD 2005</u>	<u>YTD 2004</u>	<u>Q3 2005</u>	<u>Q3 2004</u>	<u>Q2 2005</u>
River Rock Casino	9 months	3 months	3 months	3 months	3 months
River Rock hotel, theatre, additional F&B outlets	½ month	0 month	½ month	0 month	0 month
Hastings Entertainment Inc.	100% 9 months	60% 6 months	100% 3 months	60% 3 months	100% 3 months
Orangeville Raceway Ltd.	6.5 months	0 month	3 months	0 month	3 months
Metropolitan Entertainment Group	4 months	0 month	3 months	0 month	1 month
Georgian Downs Ltd.	3 months equity in Q3, to be consolidated in Q4 2005	0 month	3 months equity in Q3, to be consolidated in Q4 2005	0 month	0 month
Flamboro Downs	In Q4 2005 only	0 month	0 month	0 month	0 month
Coquitlam Casino expansion	Expect 1.5 months in Q4	0 month	0 month	0 month	0 month
Hastings Racecourse slots	0 month	0 month	0 month	0 month	0 month

Since its opening in late June 2004, the River Rock Casino Resort continues to have the greatest effect on year-to-date 2005 over year-to-date 2004 results. The other key drivers reflected in the financial results this year have been: the acquisition of Orangeville Raceway Inc., operating Fraser Downs and Sandown Park, since mid-March 2005; the acquisition of Metropolitan Entertainment Group, operating the two Nova Scotia casinos, since the end of May 2005; and the turnaround to profitability shown by the US operations since the fourth quarter of 2004.

Many of the events above had an impact on the changes in financial performance on a third quarter of 2005 to the third quarter of 2004 comparison. The opening of the hotel, theatre and additional food and beverage facilities at the River Rock Casino Resort in September 2005, and the addition of the results of Georgian Downs on an equity basis and the consolidation of Georgian Down's balance sheet also had an impact in the third quarter.

Further discussion of the results of operations is contained in the section "Segmented Results of Operations".

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CONSOLIDATED RESULTS OF OPERATIONS

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2005	2004	% Chg	2005	2004	% Chg
Gross table win	\$ 54,884	\$ 54,627	0%	\$ 171,278	\$ 140,518	22%
Gross slot win	104,129	70,830	47%	261,234	164,698	59%
Gross racetrack revenues	26,136	7,857	233%	60,016	15,482	288%
Other gaming revenues	277	597	(54%)	1,261	1,277	(1%)
Food and beverage revenues	9,235	3,858	139%	22,276	7,209	209%
Hotel revenues	399	-	n/a	399	-	n/a
	195,060	137,769	42%	516,464	329,184	57%
Less:						
Gaming commissions and taxes	(101,225)	(82,959)	22%	(278,038)	(200,158)	39%
Racetrack purses	(19,991)	(4,615)	333%	(44,895)	(9,209)	388%
	73,844	50,195	47%	193,531	119,817	62%
ATM revenues	873	594	47%	2,388	1,185	102%
Other	348	286	22%	921	850	8%
Net revenues	75,065	51,075	47%	196,840	121,852	62%
Human resources	38,128	25,587	49%	97,653	62,579	56%
Marketing and promotion, occupancy costs and operating supplies	17,188	8,590	100%	43,427	21,532	102%
	55,316	34,177	62%	141,080	84,111	68%
EBITDA	19,749	16,898	17%	55,760	37,741	48%
EBITDA % of revenues	26%	33%		28%	31%	
Stock-based compensation	1,418	286	396%	3,324	1,273	161%
Amortization	2,838	1,188	139%	6,441	3,266	97%
Restructuring costs	-	5,557	(100%)	-	5,557	(100%)
Income from operations	15,493	9,867	57%	45,995	27,645	66%
Non-operating (income) expense	260	201	(29%)	444	(198)	324%
Interest and financing, net	2,625	245	971%	5,494	1,043	427%
Accretive income	(2,093)	-	n/a	(5,295)	-	n/a
Income taxes	5,675	3,136	81%	16,608	9,761	70%
Net Income	\$ 9,026	\$ 6,285	44%	\$ 28,744	\$ 17,039	69%
Earnings per common share:						
Basic	\$ 0.12	\$ 0.09	33%	\$ 0.38	\$ 0.26	46%
Diluted	\$ 0.11	\$ 0.09	22%	\$ 0.37	\$ 0.24	54%
Weighted average number of common shares:						
Basic	77,933,301	66,959,650		75,689,590	65,102,375	
Diluted	79,532,208	71,015,845		77,898,824	70,043,660	

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CONSOLIDATED QUARTERLY RESULTS SUMMARY

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
Gaming Revenues:								
Gross table revenues	\$ 54,884	\$ 58,276	\$ 58,118	\$ 62,087	\$ 54,627	\$ 42,300	\$ 43,591	\$ 40,935
Gross slots revenues	104,129	89,422	67,683	71,524	70,830	47,780	46,088	43,123
	159,013	147,698	125,801	133,611	125,457	90,080	89,679	84,058
Less: Gaming commissions and taxes	101,048	95,099	81,279	86,373	82,009	58,711	58,487	55,096
Net table & slots revenues	57,965	52,599	44,522	47,238	43,448	31,369	31,192	28,962
Racetrack revenues, net of purses	6,145	7,059	1,917	2,629	3,242	3,031	-	-
Other gaming revenues, net	100	164	385	135	(353)	353	326	275
	64,210	59,822	46,824	50,002	46,337	34,753	31,518	29,237
Other Income								
Food & beverage revenues	9,235	7,509	5,532	4,263	3,858	2,000	1,351	1,521
ATM revenues	873	868	647	690	594	330	261	286
Hotel revenues	399	-	-	-	-	-	-	-
Other ⁽¹⁾	348	349	224	343	286	430	134	111
	\$ 10,855	\$ 8,726	\$ 6,403	\$ 5,296	\$ 4,738	\$ 2,760	\$ 1,746	\$ 1,918
Revenues	\$ 75,065	\$ 68,548	\$ 53,227	\$ 55,298	\$ 51,075	\$ 37,513	\$ 33,264	\$ 31,155
Net Income	\$ 9,026	\$ 10,459	\$ 9,259	\$ 9,686	\$ 6,285	\$ 5,427	\$ 5,327	\$ 1,162
EBITDA	\$ 19,749	\$ 19,427	\$ 16,584	\$ 17,839	\$ 16,898	\$ 10,614	\$ 10,229	\$ 8,727
Earnings per common share:								
Basic	\$ 0.12	\$ 0.14	\$ 0.13	\$ 0.14	\$ 0.09	\$ 0.08	\$ 0.08	\$ 0.02
Diluted	\$ 0.11	\$ 0.14	\$ 0.12	\$ 0.13	\$ 0.09	\$ 0.08	\$ 0.08	\$ 0.02

⁽¹⁾ PGC accretive income in Q1 2005 and Q4 2004 previously shown as other income is now presented as accretive income from PGC below income from operations.

Gross table revenues for the third quarter of 2005 decreased 6% from the second quarter, primarily due to a 22% decrease at Coquitlam (temporary closure of 25% of tables in Q3 to accommodate construction), an 11% decrease at River Rock (seasonally decline in July and August, consistent with past customer behaviour shown at the Company's former Richmond Casino), and a 213% increase at the two Nova Scotia casinos (3 months in Q3 vs. 1 month in Q2).

Gross slot revenues for third quarter of 2005 increased 16% from the second quarter, primarily due to a 4% increase at River Rock (opening of hotel, theatre and additional F&B), 3% decrease at Coquitlam (temporary relocation of 5% of slots to accommodate construction), a 2% increase in slot revenues from the two Vancouver Island casinos (summer tourism and organic growth), a 10% decline at Fraser Downs (summer cessation of live racing and competition from a new competitor casino recently opened), a 40% increase at Bear Mountain (addition of 32% more machines) and a 254% increase at the two Nova Scotia casinos (summer tourism and 3 months in Q3 vs. 1 months in Q2).

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Racetrack revenues for the third quarter of 2005 declined 13% from the second quarter, which was partially offset by a 25% increase in food and beverage revenues at the racetracks. Live racing during the third quarter was conducted only at Hastings Racecourse (summer thoroughbred racing). Fraser Downs (winter standardbred racing) concluded its live racing season in the second quarter and will resume live racing in the fourth quarter. Simulcast betting revenues tend to be higher in the second quarter when many of the major stake races are run (e.g. the Triple Crown).

Food and beverage revenues for the third quarter increased 23% over the second quarter primarily due to the opening of additional food and beverage outlets and the lifting of age restrictions on the buffet restaurant (previously only available to casino patrons) at River Rock, the increase in volume at the racetracks, and the addition of a full quarter of revenues from the two casinos in Nova Scotia.

Revenues from hotel operations are recorded from September 10, 2005, the date of full opening of the River Rock Casino Resort expansion. Revenues and expenses prior to this date were capitalized.

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SEGMENTED RESULTS OF OPERATIONS

Operating Results in Canada

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2005	2004	% Chg	2005	2004	% Chg
Gaming revenues	\$ 52,231	\$ 37,240	40%	\$ 137,819	\$ 90,882	52%
Racetrack revenues	6,145	3,242	90%	15,121	6,273	141%
Food & beverage revenues	8,030	2,651	203%	18,415	3,630	407%
Hotel revenues	399	-	n/a	399	-	n/a
Other income ⁽¹⁾	1,081	920	18%	2,918	2,016	45%
Net Revenues	67,886	44,053	54%	174,672	102,801	70%
Human resources	34,343	21,382	61%	85,979	50,967	69%
Marketing and promotion, occupancy costs and operating supplies	15,065	6,337	138%	36,959	14,753	151%
	49,408	27,719	78%	122,938	65,720	87%
EBITDA	18,478	16,334	13%	51,734	37,081	40%
EBITDA % of revenues	27%	37%		30%	36%	
Stock-based compensation	1,396	286	388%	3,264	1,273	156%
Amortization	2,370	533	345%	5,011	1,604	212%
Restructuring costs	-	4,034	n/a	-	4,034	n/a
Income from operations	\$ 14,712	\$ 11,481	28%	\$ 43,459	\$ 30,170	44%
Earnings per common share:						
Basic	\$ 0.11	\$ 0.13	(15%)	\$ 0.35	\$ 0.32	9%
Diluted	\$ 0.10	\$ 0.12	(17%)	\$ 0.34	\$ 0.29	17%
Weighted average number of common shares:						
Basic	77,933,301	66,959,650		75,689,590	65,102,375	
Diluted	79,532,208	71,015,845		77,898,824	70,043,660	

⁽¹⁾ The FDIF accretive income previously shown as other income is now presented as accretive income from PGC below income from operations.

In order to consolidate the Canadian operating results with Washington State operating results, the following elimination adjustment is required:

Other income	\$ -	\$ (129)	\$ -	\$ (388)
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GREAT CANADIAN GAMING CORPORATION

Management Discussion & Analysis

For the Nine-months Ended September 30, 2005

(In thousands, except for share and per share information)

Gaming revenues

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
River Rock	\$ 17,909	\$ 19,332	\$ 19,270	\$ 20,494	\$ 18,315	\$ 1,363	\$ -	\$ -
Coquitlam	7,564	8,692	8,813	9,525	8,297	9,809	9,708	9,407
Holiday Inn	2,397	2,616	2,636	2,813	2,500	2,624	3,152	2,699
Richmond & Renaissance	-	-	-	-	-	5,960	6,652	5,634
View Royal	5,059	4,786	4,633	4,970	4,413	4,486	4,156	4,375
Nanaimo	3,470	3,243	3,080	3,325	3,273	2,993	2,722	2,805
Hastings Racecourse	6	8	8	14	4	17	-	-
Fraser Downs	2,274	2,406	421	-	-	-	-	-
Nova Scotia	12,686	5,148	-	-	-	-	-	-
Other & Corporate ⁽¹⁾	866	260	236	230	438	-	-	6
	\$ 52,231	\$ 46,491	\$ 39,097	\$ 41,371	\$ 37,240	\$ 27,252	\$ 26,390	\$ 24,926
Number of days in operation	92	91	90	92	92	91	91	92
Daily gaming revenues	\$ 568	\$ 511	\$ 434	\$ 450	\$ 405	\$ 299	\$ 290	\$ 271

Racetrack revenues

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
Hastings Racecourse	\$ 3,395	\$ 4,222	\$ 1,615	\$ 2,629	\$ 3,242	\$ 3,031	\$ -	\$ -
Fraser Downs & Sandown	785	810	177	-	-	-	-	-
TBC	1,965	2,027	125	-	-	-	-	-
	\$ 6,145	\$ 7,059	\$ 1,917	\$ 2,629	\$ 3,242	\$ 3,031	\$ -	\$ -

Food and beverage and other income

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
River Rock	\$ 3,082	\$ 2,430	\$ 2,562	\$ 2,506	\$ 1,779	\$ 129	\$ -	\$ -
Coquitlam	743	848	830	231	147	171	123	197
Holiday Inn	194	193	222	146	10	2	2	2
Richmond & Renaissance	-	-	-	-	4	12	9	11
View Royal	628	666	543	148	124	117	98	112
Nanaimo	244	230	184	45	40	17	15	20
Hastings Racecourse	1,563	1,250	362	631	1,297	1,136	-	-
Fraser Downs & Sandown	596	594	104	-	-	-	-	-
Nova Scotia	1,916	910	-	-	-	-	-	-
TBC	7	22	-	-	-	-	-	-
Other & Corporate ⁽²⁾	138	128	144	151	170	120	124	11
	\$ 9,111	\$ 7,271	\$ 4,951	\$ 3,858	\$ 3,571	\$ 1,704	\$ 371	\$ 353

Hotel revenues

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
River Rock	\$ 399	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

⁽¹⁾ Other and Corporate includes results for Jack O'Clubs Gaming Hall Ltd, and Bear Mountain.

⁽²⁾ Restated for accretive income from PGC reclassified to below income from operations.

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Human resources, Marketing and promotion and Occupancy costs

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
River Rock	\$ 11,653	\$ 11,331	\$ 11,428	\$ 11,664	\$ 9,633	\$ 544	\$ -	\$ -
Coquitlam	4,125	4,290	4,400	4,080	3,503	3,750	3,251	3,349
Holiday Inn	2,299	2,403	2,423	2,397	2,037	1,893	2,074	2,061
Richmond & Renaissance	-	-	-	6	(70)	2,842	2,849	2,892
View Royal	3,201	3,140	2,913	2,767	2,394	2,639	2,195	2,256
Nanaimo	2,273	2,239	2,158	2,172	1,858	1,941	1,861	1,768
Hastings Racecourse	5,076	4,600	1,845	3,038	3,606	3,967	-	-
Fraser Downs & Sandown	2,876	2,774	371	-	-	-	-	-
Nova Scotia	12,267	5,235	-	-	-	-	-	-
TBC	1,247	1,328	98	-	-	-	-	-
Other & Corporate	4,393	5,527	5,025	5,039	4,758	3,602	4,593	3,686
	\$ 49,410	\$ 42,867	\$ 30,661	\$ 31,163	\$ 27,719	\$ 21,178	\$ 16,823	\$ 16,012

EBITDA

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
River Rock	\$ 9,737	\$ 10,431	\$ 10,404	\$ 11,336	\$ 10,461	\$ 948	\$ -	\$ -
Coquitlam	4,182	5,250	5,243	5,676	4,941	6,230	6,580	6,255
Holiday Inn	292	406	435	562	473	733	1,080	640
Richmond & Renaissance	-	-	-	(6)	74	3,130	3,812	2,753
View Royal	2,486	2,312	2,263	2,351	2,143	1,964	2,059	2,231
Nanaimo	1,441	1,234	1,106	1,198	1,455	1,069	876	1,057
Hastings Racecourse	(112)	880	138	236	937	217	-	-
Fraser Downs & Sandown	779	1,036	331	-	-	-	-	-
Nova Scotia	2,335	823	-	-	-	-	-	-
TBC	725	721	27	-	-	-	-	-
Other & Corporate	(3,387)	(5,139)	(4,645)	(4,658)	(4,150)	(3,482)	(4,469)	(3,669)
	\$ 18,478	\$ 17,954	\$ 15,302	\$ 16,695	\$ 16,334	\$ 10,809	\$ 9,938	\$ 9,267

Average tables open / day

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
River Rock	84	83	83	68	64	53	-	-
Coquitlam	26	32	32	32	31	32	32	32
Holiday Inn	31	30	28	28	27	30	31	29
Richmond & Renaissance	-	-	-	-	-	45	48	47
View Royal	16	16	16	16	15	16	17	16
Nanaimo	9	9	9	9	9	9	9	9
Nova Scotia	41	45	-	-	-	-	-	-
	207	215	168	153	146	185	137	133

Average slot machines

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
River Rock	1,000	1,000	1,000	1,000	1,000	950	-	-
Coquitlam	450	450	450	450	450	450	450	450
View Royal	425	425	425	425	425	425	425	425
Nanaimo	380	380	380	380	380	380	380	380
Fraser Downs	420	420	61	-	-	-	-	-
Nova Scotia	1,137	1,139	-	-	-	-	-	-
	3,812	3,814	2,316	2,255	2,255	2,205	1,255	1,255

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(In thousands, except for share and per share information)

Canadian operations account for 89% of the consolidated revenues for the nine-month period and 90% for the three-month period ended September 30, 2005. The significance of Canadian operations to the consolidated results will continue to increase with the projects currently underway and this year's acquisitions of Orangeville, MEG, Georgian Downs and Flamboro.

Net revenues have increased 70% during the nine-month period and 54% during the three month period ended September 30, 2005 over the corresponding periods in the prior year, due to the expansions and acquisitions described on page 23 of this MD&A. Sequentially, net revenues in the third quarter of 2005 have increased 12% from the second quarter.

Gaming revenues were affected in the third quarter of 2005, as compared to the second quarter, by the addition of a full quarter of revenues from the two Nova Scotia casinos, the temporary closure of table games and relocation of slot machines at the Coquitlam casino to accommodate construction, and a seasonal decline in table revenues at River Rock. Further information on the sequential performance of specific casino locations is on page 24 of this MD&A. Other corporate revenues increased in the third quarter of 2005 as compared to the second quarter, due to the contribution from operating the casino table games at the Pacific National Exhibition, a 17-day regional fair held in Vancouver, BC. These table games generate minimal EBITDA; as a result corporate expenses have increased by a corresponding amount in the third quarter.

The Company's scope of operations has expanded beyond casino gaming into horseracing, food and beverage, hospitality and entertainment. These products are primarily offered to increase the traffic into the core casino business. These activities have higher operating costs and do not generate the same EBITDA margins as casino gaming. The margins are expected to improve as the additional revenue streams come on-line and as we realize economies of scale in these operations. In the interim, the operating supplies associated with these activities show a disproportionate increase when compared to the associated revenue increase.

The operating cost structure has increased as a result of the diversification into non-casino activities, temporary impacts from the delayed opening of the Coquitlam casino expansion, and added staffing in advance of expansion and acquisition requirements. As planned, the cost structures of acquired companies are under review by the Company's integration team. The team continues to make progress in consolidating functions, streamlining processes, reducing excess staffing, improving operational efficiencies and updating gaming technologies at our acquired locations. Additional improvements are expected to bring financial results closer to similar BC sized operations.

Human resources expense, the largest cost category, was 49.2% of revenues for the nine-month period ended September 30, 2005, about the same as in 2004 (49.5%). Human resources increased to 50.6% of revenues in the third quarter of 2005, from 47.5% in the second quarter of 2005, and 49.4% in the first quarter of 2005. The recent increase in human resources expense as a percentage of revenue is primarily due to having newly hired and trained staff for the Coquitlam expansion temporarily idled or reassigned when the expansion's opening was delayed, and to increased head office staff hired to manage the Company's expansions and acquisitions. As well, the recent increase in non-gaming revenues, such as in horseracing, and food and beverage operations, will have a proportionately greater impact on human resource cost as those activities are more labour intensive than casino operations.

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With the increase in food and beverage revenues of 407% for the nine-month period and 203% for the three-month period ended September 30, 2005 over the same periods in 2004, operating supplies expense, which includes the costs of food and beverage, increased 201% in the same nine-month period and 179% for the same three-month period comparison.

Occupancy costs have increased with the addition of the properties in Nova Scotia and the complete opening of the River Rock Casino Resort. In the third quarter of 2005, the Company received approval of a \$2.6 million one-time reimbursement of premises costs from a provincial gaming corporation, of which \$2.3 million related to prior years. This amount was recorded as a reduction of the current quarter's corporate occupancy expenses.

Some of the Company's marketing and promotion initiatives during the current year include: establishing a consistent brand, image and messaging across all Canadian properties; increasing the popularity of horseracing at its racetracks; promoting the opening of the River Rock hotel and ongoing major entertainment acts; promotions to retain customers in light of competitor expansions in the Greater Vancouver market; and providing complimentary beverages.

Non-cash items in operating costs, such as amortization and stock based compensation, have increased over the prior year. Non-cash items totaled \$8,275 for the nine-month period in 2005 and \$2,877 for the same period in 2004. Non-cash items totaled \$3,766 in the third quarter of 2005 and \$819 for the same period in 2004. Amortization expense has increased in part because the application of Canadian generally accepted accounting principles has resulted in the excess purchase price on acquisitions being recorded as intangible assets which are normally amortized to the statement of income. Stock based compensation has increased due to the amortization of stock options issued in previous periods. The estimated value of stock options granted is expensed over an estimated life of three years.

Other factors that affected the current or comparative financial results included: a restructuring provision of \$4,034 that was recorded in the third quarter of 2004; accretive income from provincial gaming corporations, which was \$5,295 for the nine-month period ended September 30, 2005 as compared to \$Nil for the prior year; and a disposal of the Company's equity interest in the Queen of Diamonds Cruises (VCC) Limited, recording a loss of \$957 (after tax \$700).

Interest and financing expenses have increased in the current year over the prior year because of higher debt levels arising from acquisitions and construction activities, and a lesser proportion of the total interest and financing costs being capitalized to development projects. The accretive income, which is the amortization of the discount on the receivable from provincial gaming corporations, has increased because of the increased amounts approved by the provincial gaming corporations on the Company's development projects.

The acquisition of Georgian Downs was accounted for using the equity method for the period July 2, 2005, the date of acquisition under a bare trustee arrangement, to September 30, 2005, the date regulatory approvals were obtained and the bare trustee arrangement was terminated. The net income recorded was \$325, which is net of amortization of the preliminary purchase price allocation, and is shown in "income of investments" in the statement of income.

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Had the financial results of Georgian Downs been consolidated with those of the Company from July 2, 2005, the Company's revenues would have been \$202.1 million for the nine-month period and \$80.3 million for the three-month period ended September 30, 2005. EBITDA would have been \$57.3 million for the nine-month period and \$21.3 million for the three-month period ended September 30, 2005. There would have been no changes to net income or earnings per share derived from the Interim Financial Statements.

GREAT CANADIAN GAMING CORPORATION

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For the Nine-months Ended September 30, 2005

(In thousands, except for share and per share information)

Operating Results in Washington

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2005	2004	% Chg	2005	2004	% Chg
Gaming revenues	\$ 5,834	\$ 5,855	0%	\$ 17,916	\$ 15,453	16%
Food & beverage revenues	1,205	1,207	0%	3,861	3,579	8%
Other income	140	89	57%	391	407	(4%)
Net Revenues	7,179	7,151	0%	22,168	19,439	14%
Human resources	3,785	4,334	(13%)	11,674	11,999	(3%)
Marketing and promotion, occupancy costs and operating supplies	2,123	2,253	(6%)	6,468	6,780	(5%)
	5,908	6,587	(10%)	18,142	18,779	(3%)
EBITDA	1,271	564	125%	4,026	660	510%
EBITDA % of revenues	18%	8%		18%	3%	
Stock-based compensation	22	-	n/a	60	-	n/a
Amortization	468	655	(29%)	1,430	1,662	(14%)
Restructuring costs	-	1,523	n/a	-	1,523	n/a
Income (loss) from operations	\$ 781	\$ (1,614)		\$ 2,536	\$ (2,525)	
Earnings (loss) per common share:						
Basic	\$ 0.01	\$ (0.04)		\$ 0.03	\$ (0.06)	
Diluted	\$ 0.01	\$ (0.03)		\$ 0.03	\$ (0.05)	
Weighted average number of common shares:						
Basic	77,933,301	66,959,650		75,689,590	65,102,375	
Diluted	79,532,208	71,015,845		77,898,824	70,043,660	
In order to consolidate the Canadian operating results with Washington State operating results, the following elimination adjustment is required:						
Human Resources	\$ -	\$ (129)		\$ -	\$ (388)	

GREAT CANADIAN GAMING CORPORATION

Management Discussion & Analysis

For the Nine-months Ended September 30, 2005

(In thousands, except for share and per share information)

Gaming revenues

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
Kent	\$ 1,015	\$ 1,085	\$ 963	\$ 985	\$ 926	\$ 956	\$ 889	\$ 448
Everett	1,157	1,313	1,049	1,179	1,311	1,461	1,845	1,447
Lakewood	1,665	1,712	1,938	1,657	1,621	1,017	1,334	1,458
Tukwila	1,997	2,162	1,860	2,181	1,997	1,036	1,060	958
Other & Corporate	-	-	-	-	-	-	-	-
	\$ 5,834	\$ 6,272	\$ 5,810	\$ 6,002	\$ 5,855	\$ 4,470	\$ 5,128	\$ 4,311

Number of days in operations	92	91	90	92	92	91	91	92
Daily gaming revenues	\$ 63	\$ 69	\$ 65	\$ 65	\$ 64	\$ 49	\$ 56	\$ 47

Food and beverage and other income

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
Kent	\$ 192	\$ 203	\$ 186	\$ 163	\$ 160	\$ 159	\$ 163	\$ 102
Everett	268	292	260	286	301	320	363	327
Lakewood	519	577	629	630	511	451	676	893
Tukwila	351	377	381	359	324	178	237	288
Other & Corporate	15	6	(4)	-	-	79	64	79
	\$ 1,345	\$ 1,455	\$ 1,452	\$ 1,438	\$ 1,296	\$ 1,187	\$ 1,503	\$ 1,689

Human resources, Marketing and promotion and Occupancy costs

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
Kent	\$ 1,159	\$ 1,209	\$ 1,088	\$ 1,124	\$ 1,163	\$ 1,354	\$ 1,411	\$ 950
Everett	1,323	1,378	1,233	1,371	1,490	1,639	1,724	1,519
Lakewood	1,553	1,695	1,693	1,876	1,919	1,645	1,921	2,720
Tukwila	1,457	1,452	1,558	1,737	1,767	1,024	1,072	1,106
Other & Corporate	416	520	408	188	248	190	212	245
	\$ 5,908	\$ 6,254	\$ 5,980	\$ 6,296	\$ 6,587	\$ 5,852	\$ 6,340	\$ 6,540

EBITDA

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
Kent	\$ 48	\$ 79	\$ 61	24	\$ (77)	\$ (239)	\$ (359)	\$ (400)
Everett	102	227	76	94	122	142	484	255
Lakewood	631	594	874	411	213	(177)	89	(369)
Tukwila	891	1087	683	803	554	190	225	140
Other & Corporate	(401)	(514)	(412)	(188)	(248)	(111)	(148)	(166)
	\$ 1,271	\$ 1,473	\$ 1,282	\$ 1,144	\$ 564	\$ (195)	\$ 291	\$ (540)

Average tables open / day

	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003
Kent	10	10	10	10	10	10	10	10
Everett	12	12	12	12	11	11	11	11
Lakewood	13	13	13	13	13	15	15	15
Tukwila	15	15	15	15	15	15	15	15
	50	50	50	50	49	51	51	51

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The Washington operations recorded \$2,536 in income from operations for the nine-months ended September 30, 2005, compared to a loss from operations of \$2,525 in the same period in 2004. This significant increase in income from operations is due mainly to the restructuring initiatives the Company implemented upon gaining full ownership of its US subsidiaries in 2004, which improved the efficiency and effectiveness of the Washington operations.

Gaming revenues for the nine-months ended September 30, 2005, increased by 16% compared to the same period in the previous year. This increase is mainly due to the acquisition of the remaining non-controlling interests in the US subsidiaries in July 2004. The US subsidiaries were proportionately consolidated prior to the acquisitions of the non-controlling interests and are now fully consolidated. Gaming revenues for the third quarter of 2005 are at the same level as in 2004. Gaming revenues were down 7% in the third quarter of 2005 compared to the second quarter of 2005.

Since gaining full control of the operations in the third quarter of 2004 and being able to directly apply our gaming experience to the operations and implement restructuring, the Washington operations have improved significantly, with a decrease of 10% in operating expenses in the third quarter of 2005 from the same quarter in the prior year. Operating expenses for the nine-months ended September 30, 2005 decreased by 3% from the same period in the prior year compared to a 14% increase in revenues for the same period.

EBITDA as a percentage of revenue for the nine-months ended September 30, 2005 was 18%, a significant improvement from 3% for the same period last year. These strong results for 2005 reflect the continued growth of our player base in our newer facilities in Kent and Lakewood, the corporate restructuring in the third quarter of 2004 which has reduced expenses, and a general change in business attitude and customer relations that has led to an overall increase in revenues. The Washington casinos do not achieve the same level of EBITDA relative to revenues in BC due to the greater number of competitors, limited size of operations, lower betting limits, limited hours of operations and lack of slot machines.

Human resources, the largest component of the Washington operation's expenses, decreased by 13% in the third quarter of 2005 from the same quarter in the prior year while revenues remained unchanged. Human resources for the nine-months ended September 30, 2005, decreased by 3% from the same period in the prior year, compared to an increase in revenues of 14%. Human resources costs have improved from 61% of revenues in the third quarter last year to 53% of revenues this quarter. Human resources costs for the nine-months ended September 30, 2005, are 53% of revenues compared to 62% for the same period last year.

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(In thousands, except for share and per share information)

LIQUIDITY AND CAPITAL RESOURCES

Financial Position

As at	September 30, 2005	December 31, 2004
Cash and cash equivalents	\$ 58,062	\$ 43,133
Other current assets	60,061	25,880
Property, plant and equipment	319,345	125,352
Due from Provincial Gaming Corporations	220,297	102,065
Other assets	149,441	65,985
	\$ 807,206	\$ 362,415
Current liabilities	\$ 71,195	\$ 41,973
Long-term debt	356,812	154,000
Other long-term liabilities	54,069	12,372
Shareholders' equity	325,130	154,070
	\$ 807,206	\$ 362,415

Total assets at September 30, 2005 have increased by \$444,791 since December 31, 2004, primarily due to the continuing construction of River Rock, expansion at Coquitlam and the acquisitions of Orangeville, MEG and Georgian Downs.

Other current assets have increased mainly due to the increase of \$19,948 for the PGC current receivable. In the nine-months ended September 30, 2005, the Company spent \$120,079 for the capital projects underway at River Rock, Coquitlam and Orangeville, of which BCLC approved FDIF \$116,735 for claims made to August 31, 2005. The increase in amounts due from PGC is primarily due to the addition of the OCI and MD due from NSGC in the amount of \$47,775 (\$15,948 for current portion is included above in "other current assets") and the increase in FDIF receivable of \$77,281 due to the River Rock and Coquitlam projects. The increase in other assets is mainly due to the deposit of \$33,761 for the acquisition of Flamboro and \$51,895 allocated to intangible assets for electronic gaming rights and horseracing licences for Orangeville and Georgian Downs.

In the nine-months ended September 30, 2005, the Company spent \$120,079 for the capital projects underway at River Rock, Coquitlam and Orangeville. Over the same period, BCLC approved \$116,735 in FDIF claims.

Total liabilities have increased by 131% since December 31, 2004, mostly due to the greater use of credit facility by \$53,000, issuance of \$150,000 in Series B Notes to fund acquisitions and capital expansions, and an increase of \$40,080 in the future income tax liability associated with the acquired assets of Orangeville, MEG and Georgian Downs.

Shareholder's equity increased by 111% since December 31, 2004 primarily due to the treasury offering of 3,750,000 common shares in January 2005, the private placement of 3,703,704 special warrants in August 2005, the exercise of stock options and warrants, and net income for the nine months ended September 30, 2005.

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Changes in Cash Position

Cash flows:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2005	2004	2005	2004
Cash inflow from operating activities	\$ 7,674	\$ 7,271	\$ 24,478	\$ 16,657
Cash inflow from financing activities	97,204	88,905	338,107	144,868
Cash outflow from investing activities	(94,266)	(34,008)	(347,365)	(103,919)
Effect of foreign exchange on cash and cash equivalents	(365)	(859)	(291)	(472)
Increase (decrease) in cash	\$ 10,247	\$ 61,309	\$ 14,929	\$ 57,134

The Company's cash and cash equivalents as at September 30, 2005 was \$58,062, an increase of \$14,929, compared to \$43,133 at the end of 2004. Working capital has increased by \$19,888 from \$27,040 at the end of the year to \$46,928 as at September 30, 2005.

The primary financing activities for the nine-months ended September 30, 2005, were two issuances of common shares for net cash proceeds of \$137,916 and the issuance of the \$150,000 Series B Notes. At September 30, 2005, \$53,000 was drawn on the credit facility. In the nine-months ended September 30, 2005, \$177,179 of debt was repaid.

The Company used \$347,365 for investing activities in the nine-months ended September 30, 2005, primarily for the acquisitions of Orangeville, Weinlager, MEG, and Georgian Downs for an aggregate cash amount of \$145,961, a deposit on the acquisition of Flamboro of \$33,761, additions to property, plant and equipment of \$146,570 mainly for the construction of River Rock, Orangeville and the Coquitlam expansion, promissory notes and advances of \$29,869 and \$9,262 to prepay the leases on land presently occupied by River Rock.

Outstanding Share Data

As at September 30, 2005, there were 79,344,620 common shares outstanding as compared to 69,989,689 common shares as at December 31, 2004.

On January 13, 2005, the Company completed an offering of 3,750,000 common shares at \$16.60 per share for gross proceeds of \$62,250. The cost of the offering, net of future income taxes, reduced the gross proceeds by \$1,958.

On August 3, 2005, the Company completed a placement of 3,703,704 special warrants at a price of \$20.25 per Special Warrant for gross proceeds of \$75,000. The cost of the placement, net of future income taxes, reduced the gross proceeds by \$2,291. Each special warrant was convertible to one common share of the Company. By September 30, 2005, all 3,703,704 special warrants had been converted to 3,703,704 common shares.

During the nine-months ended September 30, 2005, 876,227 shares were issued through the exercise of options for gross proceeds of \$2,499.

As at September 30, 2005, there were 5,770,587 stock options outstanding at a weighted average exercise price of \$12.83 and there were no warrants outstanding.

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The book value of each common share at September 30, 2005, was \$4.10 calculated by dividing shareholders' equity by the 79,344,620 common shares outstanding.

Subsequent to September 30, 2005, 44,400 stock options were exercised at prices ranging from \$0.90 to \$9.04 per common share. There were 79,389,020 common shares outstanding as at November 4, 2005.

Future Cash Requirements

The Company believes that its current capital plans and requirements can be funded from existing cash, cash generated from operations, credit and debt facilities, and the proceeds from the exercise of stock options. To the extent that these resources are inadequate, or the Company pursues other business opportunities, the Company may raise additional funds through the expansion of credit lines, public or private debt or equity financing. If additional funds are raised through the issuance of equity securities or the exercise of stock options, the percentage ownership of current shareholders will be reduced and such equity securities may have rights, preferences, or privileges senior to those of the holders of the Company's common stock. No assurance can be given that additional financing will be available, or that it can be obtained on terms favourable to the Company and its shareholders. If adequate funds are not available, the Company may be required to delay, limit, or eliminate some or all of its proposed expansions. The Company believes it will be able to meet all its debt covenants even if current capital plans and requirements are funded from debt.

COMMITMENTS, GUARANTEES, CONTINGENCIES AND LITIGATION

Commitments

Contractual Obligations	Payments Due by Period as at September 30, 2005				
	Less than 1 year	1 - 3 years	4 - 5 years	More than 5 years	Total
Long-term debt	\$ 470	\$ 74,028	\$ 41,159	\$ 241,346	\$ 357,003
Capital lease obligations	213	232	47	-	492
Operating leases and contracts	3,282	4,410	3,354	8,624	19,670
Purchase commitments	125,000	-	-	-	125,000
Total	\$ 128,965	\$ 78,670	\$ 44,560	\$ 249,970	\$ 502,165

The estimated purchase commitments include planned expansions for the construction of the Coquitlam, HEI, Orangeville, MEG and Bear Mountain expansions.

The Nova Scotia Casino Sydney is committed to a lease expiring in 2015 for land upon which the casino is situated. The terms of the lease provide for annual rental payments of \$300 and the Company has the option to extend the term of the lease for one additional term of 30 years.

Guarantees & Letters of Credit

The Company has issued letters of credit to guarantee performance under contracts and gaming cash floats in the aggregate amount of \$27,918 at September 30, 2005.

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Contingencies

As part of the acquisition agreements with Vetter Management Services Ltd., O'Aces LLC and Orangeville, the Company has agreed to make future trailing payments dependent on operations at these locations.

Litigation

On March 22, 2004, the Musqueam Indian Band (the "Band") issued a petition in the Supreme Court of British Columbia (the "Court") against the City of Richmond ("Richmond"), seeking a judicial review of the process that Richmond followed in approving the River Rock Casino Resort. On May 28, 2004 the Band issued a second petition in the Court against Richmond, BCLC, and the Province of British Columbia, seeking a judicial review of the process that was followed in approving of the gaming operations taking place at the River Rock Casino Resort. The petitions were heard during the last week of February and the first week of March 2005.

The Reasons for Judgment were released on July 18, 2005. The Court dismissed all of the Band's complaints concerning the alleged defects in the approval process, except that the Court found that BCLC had failed to meet a duty to consult with the Band when it contemplated moving the casino to its current location, based upon the Band's aboriginal title claim to those lands. No order was made against the Company.

The Band had asked the Court to set aside BCLC's decision to relocate the casino to its current location, and to prohibit BCLC from taking further steps to change the gaming facility. The Court specifically refused to do so. The Court found that it would not be appropriate to make an order that would have the effect of shutting down the casino or otherwise impairing the River Rock Casino Resort.

The time period for appeal of the decision expired on August 17, 2005, without an appeal being filed.

RELATED PARTY TRANSACTIONS

Related party transactions are described in Note 14 of the Interim Financial Statements.

CRITICAL ACCOUNTING ESTIMATES AND PRINCIPLES

Capital Reserve Account ("CRA")

Under the operating agreement with the NSGC, the Company is entitled to reimbursement of certain qualifying capital and operating expenditures. Under these agreements, qualifying expenditures are recorded as a receivable from NSGC and as a reduction in the cost of the related asset or operating expense at the later of the time the expenditure is made by the Company or approval is given by NSGC. The receivable bears interest at prime plus 2% and is reimbursed monthly at the rate of 5% of MEG revenues in the month.

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Facility Development Improvement Fund ("FDIF")

The COSAs at our BC casinos, the existing and expected RCOSAs at our BC racecourses, and the expected BCOSA at our community gaming centre provide for the reimbursement of certain of the Company's qualifying capital and operating expenditures. Under new operational service agreements with BCLC, the FDIF concept has been renamed as the Facilities Development Commission. Under these agreements, qualifying expenditures under the FDIF are recorded as a receivable from BCLC and as a reduction in the cost of the related asset or operating expense at the later of the time the expenditure is made by the Company or approval is given by BCLC.

The FDIF receivable is non-interest bearing and is discounted using a discount rate management believes to be the market rate of interest for a similar instrument with similar terms and conditions. In addition, management estimates the amount of and timing of future reimbursements from BCLC based on current and committed scope of operations. The imputed discount accretes to the FDIF receivable over its term as "Accretive Income" in the statement of income.

The FDIF is reimbursed weekly at the rate of 3% of the win amount from casino gaming activities, 7% of the slot win, 3% of the slot win from the community gaming centre and 5% of the slot win from the racecourse casino. The FDIF receivable is drawn down based on the gaming win at the rates indicated above and is irrevocable on the assumption that the Company continues to operate under valid COSAs, RCOSAs and BCOSA.

Operator's Capital Investment ("OCI") and Mandatory Deferrals ("MD")

Under the operating contract with the NSGC, the Company is entitled to repayment of a portion of its original capital investment, through the OCI and MD, based on certain terms and conditions as defined in the contract.

The OCI and MD receivables accrue interest on the outstanding balance at 12% and prime plus 1% per annum, respectively. The OCI is initially recorded at fair value using a discount rate of 2.91% which management believes to be the market rate of interest for a similar instrument with similar terms and conditions. The MD is recorded at its book value which approximates fair value.

Long-lived Assets and Goodwill Impairment Test

Long-lived assets and goodwill are tested for impairment at least on an annual basis, normally at year end, or when other conditions exist that may indicate that impairment could exist in the carrying value of long-lived assets or goodwill. To identify whether long-lived asset impairment exists, the Company compares the fair market value of undiscounted cash flows expected from the asset's use and eventual disposition against its carrying value. To identify whether goodwill impairment exists, the Company compares the fair value of the reporting unit to which the goodwill relates to the carrying value. When the carrying value exceeds its fair value, the excess over carrying value is charged to operations in the period in which the impairment occurred. The impairment tests had no impact on the Company's results for the period ended September 30, 2005.

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Stock-based compensation

Canadian generally accepted accounting principles require companies that issue equity based compensation to employees, such as options, to record the fair value of the options granted as an operating expense in the statement of income over the expected life of the option. At the date of the option grant, the Company estimates the fair value of the option using the Black-Scholes pricing model. That model takes into account the exercise price of the option, an estimate of the expected life of the option, the current price of the underlying stock, an estimate of the stock's volatility, an estimate of future dividends on the underlying stock and the risk-free rate of return expected for an instrument with a term equal to the expected life of the option. Once the fair value is determined and the period of expensing established, the charge is not adjusted for subsequent changes in the original assumptions.

Intangible Assets

In order to allocate an acquisition's purchase price to the net assets acquired, Canadian generally accepted accounting principles require companies to assign any excess of the purchase price over the fair value of the tangible assets acquired to any intangible assets and then to goodwill. Intangible assets are required to be amortized in the statement of income over the estimated useful life of the intangible asset. Goodwill is not subject to amortization, but is subject to a test of impairment, with any impaired portions expensed in the statement of income.

The identification of intangible assets and the valuation thereof is specialized and highly judgmental. The Company has engaged a business valuator to assist in the purchase price allocation of its acquisitions. The financial statements are prepared on the basis of preliminary assignments of tangible and intangible asset value, and conservative amortization periods. The value assigned to tangible or intangible assets is adjusted for any differences in the tax basis and accounting basis of the asset.

The final valuations may result in changes to the preliminary purchase price allocation and amortization of intangible assets. The Company does not believe any such changes will be material to the financial statements.

DEFINITIONS USED IN THE MD&A

Non-GAAP Measures

The following non-GAAP definitions are used in this MD&A because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that these definitions are not recognized measures under Canadian GAAP, do not have standardized meanings prescribed by GAAP, and should not be construed to be alternatives to net income determined in accordance with GAAP or as indicators of performance or 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 similar titled measures used by other entities.

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EBITDA – means Earnings Before Interest, Taxes, Depreciation and Amortization, stock-based compensation, restructuring costs, accretive income from PGC and non-operating (income) expense. EBITDA is derived from the consolidated statement of income, and is computed as revenues less human resources, marketing and promotion, occupancy costs and operating supplies. EBITDA is a useful measure of cash available prior to debt service, capital expenditures, non-recurring or unusual items and income taxes. A reconciliation of EBITDA to the comparable GAAP measure is shown under “Results of Operations” in this MD&A. In the reported financial results for the first quarter of 2005 and fourth quarter of 2004, accretive income from PGC was included in “other income”, grouped with “Revenues”, and thus was included in EBITDA.

In the current presentation, accretive income from PGC is shown below “Income from Operations”, and thus is not in EBITDA. The nine-months results for 2005 include the restated first quarter of 2005 results for this change in presentation. The change reduced the EBITDA previously reported for the first quarter of 2005 by \$1,424.

Adjusted EBITDA - means EBITDA plus amounts received from the PGC on account of FDIF, OCI, MD, and CRA. The following table reconciles EBITDA to Adjusted EBITDA.

	Three Months Ended September 30,		Nine Months Ended September	
	2005	2004	2005	2004
EBITDA	\$ 19,749	\$ 16,898	\$ 55,760	\$ 37,741
FDIF received	4,119	3,520	12,127	8,584
OCI, MD and CRA received	3,293	-	3,293	-
Adjusted EBITDA	27,161	20,418	71,180	46,325

Other Definitions

Coin-in – means the collective amount of incoming customers are willing to wager on slot or electronic machines against the casino and is commonly computed as the aggregate of the money placed into slots or electronic machines.

Drop – means the collective amount of money customers are willing to wager on table games against the casino, and is commonly computed as the aggregate of the money counted in the drop boxes. Drop is a measure of the customer activity at a casino on table games.

Hold percentage – means the ratio of table win divided by table drop. The hold percentage cannot be directly controlled by a casino and fluctuates with the statistical variations in casino games.

Non-operating (income) expense – means (income) loss from investments, foreign exchange (gain) loss and non-controlling interest.

Operating expenses – means amortization, human resources, stock-based compensation, marketing and promotion, occupancy costs and operating supplies.

Operating income (or income from operations) – means revenues less operating expenses.

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Provincial Gaming Corporations (“PGC”) – means BCLC, NSGC and OLGC.

Revenues – means the sum of the following:

- Casino gaming in BC – gaming revenue is net of commissions paid to BCLC (which are 60% of the win on most table games, 75% of the slot machine win at the casino facilities, and 80% of the slot win at racecourse facilities) and net of accruals for anticipated payouts of progressive slot machine jackpots and progressive table game payouts.
- Bingo and slots at a community gaming centre in BC – gaming revenue is net of commissions paid to BCLC, which are 75% of the win on slots, and 40% to 75% of the weekly bingo win.
- Horseracing in BC – racetrack gaming revenues represent total wagering less amounts returned as winning wagers, provincial and federal taxes, and includes the host track share of wagering on the Company’s races simulcast to and received from other associations.
- Casino gaming in Washington - gaming revenue is net of county gaming taxes at various rates ranging from 10% to 14% for card and progressive jackpot games, 5% on pull-tabs and 2% on amusement games.
- Casino gaming in Nova Scotia – from May 31, 2005 to June 30, 2005, gaming revenue is net of 20% win tax paid to the province of Nova Scotia and 1.5% for the capital replacement reserve to NSGC. From July 1, 2005, gaming revenue is equal to 52.725% of the gaming win.
- Food and beverage revenues – revenues are recorded at the retail price at the time of service. Food and beverage revenues in Nova Scotia are recorded at retail price less 47.275% to NSGC.
- Other income – Consist of ATM commissions, advertising revenues, and other income from ancillary services.

Win – the gaming win is generally the amount wagered on gaming activities, less the payout or prizes to winning customers. Win, as a percentage of the coin-in or drop, can fluctuate with the statistical variations of casino games.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company’s Annual Information Form, can be located on the SEDAR website at www.sedar.com or on the Company’s website at www.gcgaming.com.