



GREAT CANADIAN GAMING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Month and Six Month Periods Ended
June 30, 2008

As at August 11, 2008

(Expressed in millions, except for share information)

GREAT CANADIAN GAMING CORPORATION

Management's Discussion & Analysis

For the Three Month and Six Month Periods Ended June 30, 2008

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INTRODUCTION

Basis of Discussion and Analysis

This management's discussion and analysis ("MD&A") of the financial highlights, recent developments, consolidated results of operations, consolidated quarterly results trend, liquidity and capital resources, and other financial information of Great Canadian Gaming Corporation (the "Company", "we", "our") is dated as of August 11, 2008. This MD&A should be read in conjunction with our unaudited interim consolidated financial statements for the three month and six month periods ended June 30, 2008 ("Interim Financial Statements"), our audited consolidated financial statements for the year ended December 31, 2007 ("Annual Financial Statements") and our MD&A for the year-ended December 31, 2007.

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 Annual Financial Statements are omitted. Unless expressly stated otherwise, all financial information is expressed in Canadian dollars.

Capitalized terms are either defined when they first appear, or are defined at the end of this MD&A in the section titled "Other Financial Information – Definitions of Other Terms 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 the 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 earnings determined in accordance with GAAP or as indicators of performance, liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities and accordingly our measures may not be comparable to similarly titled measures used by other entities.

EBITDA as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, stock-based compensation, restructuring and other costs, foreign exchange gain (loss), and non-controlling interests. EBITDA is derived from the consolidated statements of earnings, and can be computed as revenues less human resources expenses and property, marketing and administration expenses. We believe EBITDA is a useful measure because it provides information to both management and investors with respect to the operating and financial performance of the Company. A reconciliation of EBITDA to net earnings under GAAP is shown in the "Consolidated Results of Operations" section in this MD&A.

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

The following non-GAAP measures have common definitions in the gaming industry. Table drop means the collective amount of money customers deposit to purchase casino chips to wager on table games, and is commonly computed as the aggregate of money counted in the table games' drop boxes. Generally, the table drop is an indicator of our gaming business, however over the short-term, the table drop is subject to shifts in customer behavior around buying, retaining and cashing-in of casino

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chips. Table hold is calculated as the table drop plus or minus the net change in casino chip inventory. Table hold percentage is the ratio of table hold divided by table drop. Table hold percentage fluctuates with the statistical variations or volatility inherent in casino games, as well as with changes in customer behavior around buying, retaining and cashing-in of casino chips. Poker rake is the commission we earn from poker games at our casinos, and is calculated as a fixed percentage of the amount wagered by customers on every hand of poker played. Slot coin-in is the aggregate of money customers have placed into slots or electronic machines. Slot win is the slot coin-in less the payout or prizes to winning customers. Slot win per machine per day ("Slot Win/Slot/Day") is the average daily slot win earned per slot machine, and is calculated as the slot win divided by the number of days in the period, divided by the average number of slot machines that operated during the period. Slot win percentage is the ratio of slot win divided by slot coin-in.

Forward-Looking Statements

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

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

The Company cautions that this list of factors is not exhaustive. These factors and other risks and uncertainties are discussed in the Company's continuous disclosure documents filed with the Canadian securities regulatory authorities from time to time, including in the "Risk Factors" section of the Company's Annual Information Form for fiscal 2007, and as identified in the Company's disclosure record on www.sedar.com.

The forward-looking statements contained herein are made as of the date of this 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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FINANCIAL HIGHLIGHTS

	Second Quarter			First Half		
	2008	2007	% Chg	2008	2007	% Chg
Revenues	\$ 101.6	\$ 97.7	4%	\$ 201.9	\$ 193.3	4%
EBITDA ⁽¹⁾	\$ 27.7	\$ 26.8	3%	\$ 54.6	\$ 52.2	5%
Human resources as a % of Revenues before Promotional allowances	43.2%	45.8%		43.5%	45.1%	
EBITDA as a % of Revenues	27.3%	27.4%		27.0%	27.0%	
Net earnings	\$ 4.1	\$ 5.9	(31%)	\$ 9.5	\$ 10.2	(7%)
Earnings per common share:						
Basic	\$ 0.05	\$ 0.07		\$ 0.11	\$ 0.12	
Diluted	\$ 0.05	\$ 0.07		\$ 0.11	\$ 0.12	
Total assets	\$ 960.1	\$ 1,006.0		\$ 960.1	\$ 1,006.0	
Long-term debt, excluding current portion	\$ 347.7	\$ 355.1		\$ 347.7	\$ 355.1	
Derivative liabilities	\$ 61.1	\$ 36.0		\$ 61.1	\$ 36.0	

⁽¹⁾ EBITDA is a non-GAAP measure and is defined in the Introduction - Non-GAAP measures section of this MD&A.

For the three month period ended June 30, 2008 ("second quarter of 2008") and the six month period ended June 30, 2008 ("first half of 2008"), Great Canadian Gaming Corporation ("the Company") continued to record improvements in both revenues and EBITDA.

For the second quarter of 2008, revenues rose to \$101.6, a 4% increase over the second quarter of 2007, while EBITDA rose to \$27.7, a 3% increase over the second quarter of 2007. For the first half of 2008, revenues rose to \$201.9, a 4% increase over the first half of 2007, while EBITDA rose to \$54.6, a 5% increase over the first half of 2007.

The year-over-year revenue increases reflect continued growth at the Company's two largest properties, River Rock Casino Resort ("River Rock") and Boulevard Casino ("Boulevard"). River Rock continued its double-digit growth, improving revenue by 12% over the second quarter of 2007 and 13% over the first half of that year. The revenue growth also reflects the addition of new gaming devices at both Fraser Downs and Hastings Racecourse ("Hastings"), which combined to improve revenue at BC Racinos by 19% over the second quarter of 2007 and 21% over the first half of that year. These increases were partially offset by the absence of revenue from the Casino on Broadway, which the Company closed in November 2007.

The year-over-year EBITDA increases reflect a significant improvement in the performance of the Company's Nova Scotia Casinos, where EBITDA grew by 107% over the second quarter of 2007 due to improved alignment of these casinos' offerings with market demand. River Rock's EBITDA was unchanged, as its higher revenue was offset by increased marketing and entertainment expenses designed to reaffirm its leading position in the market. Boulevard, the Vancouver Island Casinos, Flamboro Downs, and Georgian Downs also generated modest improvements. These increases were partially offset by declines at the BC Racinos and the aforementioned closure of the Casino on Broadway.

For the second quarter of 2008, the Company's EBITDA as a percentage of revenues was 27.3%, a 0.1 percentage point decrease from the second quarter of 2007. For the first half of 2008, this percentage was 27.0%, and consistent with the level achieved in the first half of 2007. This metric was achieved

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despite increased marketing and entertainment expenses intended to mitigate the impact of new competition, low hold percentages that contributed to reduced revenues at both River Rock and Boulevard, and higher human resources expenses associated with the additional gaming capacity at the BC Racinos.

Net earnings for the second quarter of 2008 were \$4.1, a decrease of 31% from the second quarter of 2007. Net earnings for the first half of 2008 were \$9.5, a decrease of 7% from the first half of 2007. These declines can be attributed to increases in items excluded from EBITDA (as described elsewhere in this MD&A) including amortization, stock-based compensation, and restructuring and other costs that were only partly offset by the increases in EBITDA and the effects of corporate income tax rate reductions.

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RECENT DEVELOPMENTS

The following table summarizes the Company's current facility redevelopment projects:

Property	Scope of Project/ Gaming Positions	Estimated Completion Date	Planned or Estimated Total Budget/ Spent to June 30, 2008/ Spent in Q2/08
River Rock Casino Resort	1,200 stall parking garage; 5 storey, 191 room hotel featuring 350 additional parking spaces; 21,000 sq ft of commercial space	Initial 600 stalls in Q3/08 Remaining 950 stalls by Q4/09 New hotel by early 2010	\$118.0/\$32.5/\$12.9
Georgian Downs	550 slot machine expansion	400 new slots installed by Q2/09 Balance to come online by early 2010	\$30.3/\$2.7/\$0.5
Hastings Racecourse	Installation of 600 slots and new food, beverage and entertainment facilities	150 temporary machines installed in Q4/07 600 permanent machines installed by August 15, 2008	\$40.0/\$20.0/\$6.6
View Royal	37,000 sq ft for slots, poker and Racebook; F&B upgrade; entertainment lounge; back-of-house space;	Parking garage: Q4/08 Facility: Q4/09	\$50.0/\$3.3/\$2.2

British Columbia

The Company is developing a new 1,200 space multi-level parking garage adjacent to River Rock that will address that property's current peak-period guest parking shortage. We expect approximately 600 of these spaces to be available to our customers during the third quarter of 2008, with the remainder completed by the fourth quarter of 2009.

In conjunction with the parking garage, the Company is also developing a new five story, 191 room hotel at River Rock. The planned expansion will feature 350 additional parking spaces, 15,000 square feet of street level retail space and 6,000 square feet of office space. The new hotel and related structures and amenities will be built on top of the multi-level parking garage currently under construction. The new facilities, including the Canada Line Bridgeport station, will utilize an enclosed sky bridge to facilitate a full integration with our existing River Rock complex. Construction of the new hotel, additional parking spaces and retail and office space are expected to reach completion in late 2009 or early 2010, prior to the 2010 Vancouver Olympic Games. Construction costs of the new facilities, including the multi-level parking garage, are expected to total approximately \$118.0.

We continue to review opportunities to further develop our flagship River Rock property.

In May 2008, the Company commenced construction on the redevelopment of the View Royal Casino. The redevelopment plans include increasing the existing floor area by approximately 37,000 square feet, or 115%, to accommodate new gaming and hospitality offerings. The Company also entered into an agreement to acquire approximately 1.5 acres of commercial property adjacent to the casino that will generate additional parking capacity. The facility's redevelopment is expected to reach completion prior to the end of 2009.

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In November 2007, the Company introduced 150 slot machines at Hastings. This installation represented the first stage of a redevelopment project that will ultimately house a total of 600 slot machines. The gaming phase of this development will reach completion by August 15, 2008. The complete redevelopment includes an estimated \$40.0 in capital improvements during the initial five-year term of the operating agreement with the City of Vancouver.

In January 2008, the Company purchased for cash consideration of \$1.0 the assets and undertaking of Ridge Meadows Bingo Association. The acquired assets include the Haney Bingo Plex, a 525-seat bingo gaming hall located in downtown Maple Ridge, 45 kilometres east of Vancouver. The agreement also provides for potential additional future consideration of up to \$1.3 over ten years if BCLC and the District of Maple Ridge approve the upgrading of this facility into a Community Gaming Centre and once slot machines are installed.

Since the fourth quarter of 2007, the Company has introduced a new customer service program at each of its British Columbia facilities. This program emphasizes the importance of exceptional customer service, and may generate increases in Property, Marketing, and Administration expenses at all British Columbia facilities.

Ontario

The Company is expanding Georgian Downs to allow OLG to increase that property's slot capacity. Slot machines at Georgian Downs are owned and operated by OLG. The Company will spend an estimated \$30.3 on this redevelopment, while OLG will bear the costs for upgrades to the slot floor, food and beverage offerings, and various back-of-house operations. The Company anticipates that OLG will add 400 machines to Georgian Downs by the second quarter of 2009, and that the balance of the new slot capacity will reach completion in early 2010.

Construction Considerations

As described above, the Company is undertaking several capital projects designed to improve both its facilities and future guest experiences. These necessary developments may have an unquantifiable impact on attendance in the short-term, as the disruption caused by construction may impact facilities' appearances and operations. The Company will make efforts to minimize the disruption and is confident that not only will these redevelopments both increase revenues and allow properties to meet future market demand, but also that any short-term disruption will be more than offset by a corresponding long-term benefit.

On June 19, 2008, construction at the View Royal Casino required the removal of 44 slot machines. 31 machines were subsequently re-installed on July 25, 2008. The balance of the removed machines will not be replaced until the fourth quarter of this year.

Normal Course Issuer Bid

As at June 30, 2008, there were 82,672,426 common shares outstanding as compared to 84,815,476 as at December 31, 2007. The decrease in outstanding common shares was primarily the result of 2,161,900 common shares purchased in the first half of 2008 by the Company at a cost of \$25.5 through our normal course issuer bid announced in July 2007. Subsequent to June 30, 2008, the Company purchased an additional 56,200 common shares at a cost of \$0.5. On July 22, 2008 the Company's normal course issuer bid expired.

As at June 30, 2008, there were 7,027,572 stock options outstanding at a weighted average exercise price of \$12.51. As at August 8, 2008, there were 82,616,226 common shares outstanding and 6,915,485 stock options outstanding.

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CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the consolidated operating results for the three month and six month periods ended June 30, 2008 with comparatives for the prior period.

	Second Quarter			First Half		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 69.3	\$ 69.0	0%	\$ 141.0	\$ 139.7	1%
Racetrack revenues	8.6	8.3	4%	15.7	14.9	5%
Facility Development Commission	7.4	5.0	48%	15.1	10.0	51%
Hospitality and other revenues	19.0	17.8	7%	35.5	33.6	6%
	104.3	100.1	4%	207.3	198.2	5%
Less: Promotional allowances	(2.7)	(2.4)	13%	(5.4)	(4.9)	10%
Revenues	101.6	97.7	4%	201.9	193.3	4%
Human resources	45.1	45.8	(2%)	90.2	89.4	1%
Property, marketing and administration	28.8	25.1	15%	57.1	51.7	10%
	73.9	70.9	4%	147.3	141.1	4%
EBITDA	27.7	26.8	3%	54.6	52.2	5%
Human resources as a % of Revenues before Promotional allowances	43.2%	45.8%		43.5%	45.1%	
EBITDA as a % of Revenues	27.3%	27.4%		27.0%	27.0%	
Amortization	10.6	9.0	18%	20.6	18.4	12%
Stock-based compensation	1.9	2.0	(5%)	4.0	3.4	18%
Restructuring and other	1.4	-		1.7	-	
Interest and financing costs, net	6.6	6.6	0%	14.1	13.4	5%
Other expenses	0.2	0.7	(71%)	0.3	0.9	(67%)
Income taxes	2.9	2.6	12%	4.4	5.9	(25%)
Net earnings	\$ 4.1	\$ 5.9	(31%)	\$ 9.5	\$ 10.2	(7%)
Earnings per common share:						
Basic	\$ 0.05	\$ 0.07		\$ 0.11	\$ 0.12	
Diluted	\$ 0.05	\$ 0.07		\$ 0.11	\$ 0.12	
Weighted average number of common shares (in thousands):						
Basic	83,357	86,672		83,784	86,540	
Diluted	83,443	87,093		83,924	86,959	

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Discussion of Results

Our operating results are discussed in two sections. Revenues, human resources expenses, property, marketing and administration expenses, and EBITDA are discussed on a property or, where appropriate, group of similar properties basis. Items excluded from EBITDA are discussed on a consolidated basis. The following table reconciles the property results to the consolidated results of operations above.

REVENUES and EBITDA

	Second Quarter			First Half		
	2008	2007	% Change	2008	2007	% Change
REVENUES						
Casinos						
River Rock Casino Resort	\$ 29.6	\$ 26.4	12%	\$ 63.2	\$ 56.0	13%
Boulevard Casino	17.4	16.5	5%	34.4	31.4	10%
Vancouver Island Casinos	11.0	10.6	4%	21.7	20.9	4%
Other BC Casinos	1.6	4.2	(62%)	3.3	8.6	(62%)
Nova Scotia Casinos	11.6	11.7	(1%)	22.2	22.7	(2%)
Great American Casinos	6.4	6.6	(3%)	12.3	14.2	(13%)
	77.6	76.0	2%	157.1	153.8	2%
Racinos						
BC Racinos	14.4	12.1	19%	26.5	21.9	21%
Georgian Downs	4.0	4.1	(2%)	7.6	6.9	10%
Flamboro Downs	5.5	5.4	2%	10.5	10.5	0%
	23.9	21.6	11%	44.6	39.3	13%
Corporate & Other	0.1	0.1	0%	0.2	0.2	0%
Total Revenues	\$ 101.6	\$ 97.7	4%	\$ 201.9	\$ 193.3	4%
EBITDA						
Casinos						
River Rock Casino Resort	\$ 9.9	\$ 9.9	0%	\$ 24.8	\$ 21.6	15%
Boulevard Casino	7.5	7.3	3%	14.7	12.8	15%
Vancouver Island Casinos	6.1	5.9	3%	11.5	11.4	1%
Other BC Casinos	0.5	0.9	(44%)	1.0	2.1	(52%)
Nova Scotia Casinos	3.1	1.5	107%	3.9	3.7	5%
Great American Casinos	1.2	1.3	(8%)	2.2	3.1	(29%)
	28.3	26.8	6%	58.1	54.7	6%
Racinos						
BC Racinos	2.6	3.5	(26%)	4.0	5.7	(30%)
Georgian Downs	1.6	1.5	7%	3.2	2.3	39%
Flamboro Downs	2.3	2.0	15%	3.6	3.6	0%
	6.5	7.0	(7%)	10.8	11.6	(7%)
Corporate & Other	(7.1)	(7.0)	(1%)	(14.3)	(14.1)	(1%)
Total EBITDA	\$ 27.7	\$ 26.8	3%	\$ 54.6	\$ 52.2	5%

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Casinos

River Rock Casino Resort ⁽¹⁾

	Second Quarter			First Half		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 19.2	\$ 18.1	6%	\$ 42.4	\$ 39.6	7%
Facility Development Commission	2.8	1.6	75%	6.6	3.4	94%
Hospitality and other revenues	8.3	7.2	15%	15.5	14.1	10%
Revenues before Promotional allowances	30.3	26.9	13%	64.5	57.1	13%
Less: Promotional allowances	(0.7)	(0.5)	40%	(1.3)	(1.1)	18%
Revenues	29.6	26.4	12%	63.2	56.0	13%
Human resources	12.6	11.6	9%	24.6	23.1	6%
Property, marketing and administration	7.1	4.9	45%	13.8	11.3	22%
EBITDA	\$ 9.9	\$ 9.9	0%	\$ 24.8	\$ 21.6	15%
Human resources as a % of Revenues						
before Promotional allowances	41.6%	43.1%		38.1%	40.5%	
EBITDA as a % of Revenues	33.4%	37.5%		39.2%	38.6%	

(1) The results of the Racebook (formerly known as teletheatre) at the River Rock are included in the results of our BC Racinos as it is operated by TBC Teletheatre B.C.

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Average
Table Drop	\$ 136.5	\$ 147.5	\$ 146.0	\$ 121.7	\$ 119.9	\$ 134.2	\$ 122.0	\$ 122.7	
Table Hold	\$ 26.9	\$ 37.3	\$ 30.7	\$ 25.8	\$ 24.2	\$ 32.8	\$ 27.3	\$ 30.7	
Table Hold %	19.7%	25.3%	21.0%	21.2%	20.2%	24.4%	22.4%	25.0%	22.4%
Poker Rake	\$ 1.6	\$ 1.6	\$ 1.7	\$ 1.5	\$ 1.7	\$ 1.9	\$ 2.1	\$ 1.8	
Slot Coin In	\$ 420.8	\$ 401.0	\$ 420.9	\$ 429.3	\$ 400.8	\$ 374.0	\$ 363.4	\$ 378.8	
Slot Win	\$ 29.1	\$ 27.9	\$ 29.7	\$ 30.3	\$ 27.9	\$ 27.3	\$ 27.1	\$ 28.8	
Slot Win/Slot/Day ⁽²⁾	\$ 354	\$ 335	\$ 351	\$ 358	\$ 333	\$ 330	\$ 320	\$ 340	
Slot Win %	6.9%	7.0%	7.1%	7.1%	7.0%	7.3%	7.5%	7.6%	7.2%

(2) Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues for River Rock in the second quarter of 2008 increased by 6% from the second quarter of 2007. This increase was primarily due to improved table drop and slot coin in, and was achieved despite a decrease in table hold percentage. Table drop in the second quarter of 2008 increased by \$16.6, or 14%, compared to the second quarter of 2007. Slot coin-in in the second quarter of 2008 increased by \$20.0, or 5%, compared to the second quarter of 2007. The increased table drop and slot coin-in reflect the benefits of expanded marketing and entertainment campaigns, and a recently implemented customer service program. In comparison to the second quarter of 2007, table hold increased by \$2.7, or 11%, table hold percentage decreased 0.5 percentage points to 19.7%, and slot win increased by \$1.2, or 4%.

Gaming revenues for River Rock in the first half of 2008 increased by 7% compared to the first half of 2007. This increase was primarily due to improved table game and slot performance, and was assisted by both a strong Chinese New Year and an unusually high hold percentage of 25.3% in the first quarter of 2008.

Facility Development Commission ("FDC") revenue increased by 75% for the second quarter and 94% for the first half of 2008, when compared to the second quarter and first half of 2007. These increases resulted from the receipt of \$2.9 in accelerated FDC revenue that River Rock did not receive during the

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first half of 2007.

Hospitality and other revenues increased by 15% in the second quarter and 10% in the first half of 2008, when compared to the second quarter and first half of 2007. These increases were driven by both an increased occupancy rate and improvements to River Rock's hospitality offerings, including the River Rock Conference Centre.

River Rock's average daily revenue per available room was \$149 in the second quarter of 2008 compared to \$127 in the second quarter of 2007. This increase was primarily due to a 7.0 percentage point increase in the average hotel occupancy rate to 85%, coupled with a \$13 increase in the average daily room rate to \$175.

Expenses

Human resources as a percentage of revenues before promotional allowances improved by 1.5 percentage points in the second quarter and 2.4 percentage points in the first half of 2008, when compared to the second quarter and first half of 2007. These improvements were due to the increased revenues generated by the expanded marketing and entertainment campaigns, and the recently implemented customer service program.

Property, marketing and administration expenses increased by 45% in the second quarter and by 22% in the first half of 2008, when compared to the second quarter and first half of 2007. These increases were primarily attributable to increased marketing and entertainment expenditures designed to reduce the impact of new competition, and the recent implementation of a customer service program. Also, the second quarter of 2007 benefited from a property tax credit of \$0.6.

EBITDA

EBITDA was unchanged from the second quarter of 2008 compared to the second quarter of 2007. This was due higher revenues offset by the low table hold percentage, the increases in marketing and entertainment expenditures, and the absence of the property tax credit. EBITDA for the first half of 2008 increased by 15% compared to the first half of 2007, primarily due to River Rock's strong first quarter.

EBITDA as a percentage of revenues for the second quarter of 2008 decreased by 4.1 percentage points compared to the second quarter of 2007, again due to the low table hold percentage, the increases in marketing and entertainment expenditures, and the absence of the property tax credit. EBITDA as a percentage of revenues for the first half of 2008 increased by 0.6 percentage points when compared to the first half of 2007, primarily due to River Rock's strong first quarter.

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Boulevard Casino ⁽¹⁾

	Second Quarter			First Half		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 13.4	\$ 13.4	0%	\$ 26.6	\$ 25.8	3%
Facility Development Commission	2.2	1.3	69%	4.4	2.5	76%
Hospitality and other revenues	2.2	2.1	5%	4.1	3.8	8%
Revenues before Promotional allowances	17.8	16.8	6%	35.1	32.1	9%
Less: Promotional allowances	(0.4)	(0.3)	33%	(0.7)	(0.7)	0%
Revenues	17.4	16.5	5%	34.4	31.4	10%
Human resources	6.5	6.5	0%	13.1	12.7	3%
Property, marketing and administration	3.4	2.7	26%	6.6	5.9	12%
EBITDA	\$ 7.5	\$ 7.3	3%	\$ 14.7	\$ 12.8	15%
Human resources as a % of Revenues before Promotional allowances	36.5%	38.7%		37.3%	39.6%	
EBITDA as a % of Revenues	43.1%	44.2%		42.7%	40.8%	

⁽¹⁾ The results of the Racebook (formerly known as teletheatre) at the Boulevard Casino are included in the results of our BC Racinos as it is operated by TBC Teletheatre B.C.

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Average
Table Drop	\$ 51.8	\$ 50.9	\$ 50.4	\$ 48.6	\$ 50.4	\$ 47.1	\$ 51.4	\$ 51.9	
Table Hold	\$ 9.3	\$ 9.5	\$ 11.2	\$ 9.9	\$ 10.8	\$ 9.5	\$ 11.5	\$ 10.3	
Table Hold %	18.0%	18.7%	22.2%	20.4%	21.4%	20.2%	22.4%	19.8%	20.7%
Poker Rake	\$ 1.2	\$ 1.3	\$ 1.4	\$ 1.2	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.3	
Slot Coin In	\$ 531.4	\$ 515.9	\$ 504.6	\$ 512.1	\$ 493.0	\$ 443.3	\$ 404.7	\$ 405.2	
Slot Win	\$ 35.2	\$ 34.3	\$ 33.8	\$ 35.0	\$ 33.1	\$ 30.7	\$ 28.9	\$ 28.8	
Slot Win/Slot/Day ⁽²⁾	\$ 401	\$ 397	\$ 391	\$ 414	\$ 387	\$ 364	\$ 335	\$ 330	
Slot Win %	6.6%	6.6%	6.7%	6.8%	6.7%	6.9%	7.1%	7.1%	6.9%

⁽²⁾ Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues for Boulevard in the second quarter of 2008 were unchanged from the second quarter of 2007, primarily due to a decrease of 3.4 percentage points in table hold percentage. This is reflected in table hold, which decreased by \$1.5, despite table drop increasing by \$1.4. These decreases offset improvements in slot coin-in, which increased by \$38.4, or 8%, and slot win, which increased by \$2.1, or 6%. The increases in slot coin-in and table drop can be attributed to expanded marketing and entertainment campaigns, improved food and beverage options, and a recently implemented customer service program.

Gaming revenues for the first half of 2008 increased by 3% compared to the first half of 2007. This increase was primarily due to improved slot performance, and achieved despite table hold percentages during the first half of 2008 that were below Boulevard's eight quarter average.

FDC revenue increased by 69% for the second quarter and 76% for the first half of 2008, when compared to the second quarter and first half of 2007. These increases resulted from the receipt of \$1.8 in accelerated FDC revenue that Boulevard did not receive during the first half of 2007.

Hospitality and other revenues increased by 5% in the second quarter and 8% in the first half of 2008, when compared to the second quarter and first half of 2007. These increases reflect increased visitation to the property, which was driven by the factors mentioned above.

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Expenses

Human resources as a percentage of revenues before promotional allowances improved by 2.2 percentage points in the second quarter and 2.3 percentage points in the first half of 2008 compared to the second quarter and first half of 2007. These improvements were due to the increased revenues generated by the expanded marketing and entertainment campaigns, the improved food and beverage options, and the recently implemented customer service program.

Property, marketing and administration expenses increased by 26% in the second quarter and by 12% in the first half of 2008 compared to the second quarter and first half of 2007. These increases were primarily attributable to increased marketing and entertainment expenditures designed to reduce the impact of new competition, sponsorship fees incurred to upgrade a food and beverage option, and the recent implementation of a customer service program.

EBITDA

EBITDA increased by 3% for the second quarter and by 15% for the first half of 2008, when compared to the second quarter and first half of 2007. These increases were primarily attributable to both the accelerated FDC and improved slot performance, and were partially offset by both the low table hold percentage and the increases in marketing and entertainment expenditures.

EBITDA as a percentage of revenues for the second quarter of 2008 decreased by 1.1 percentage points compared to the second quarter of 2007, primarily due to both the low table hold percentage and the increases in marketing and entertainment expenditures. EBITDA as a percentage of revenues for the first half of 2008 increased by 1.9 percentage points compared to the first half of 2007, primarily due to the accelerated FDC.

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Vancouver Island Casinos (View Royal Casino and Nanaimo Casino)

	Second Quarter			First Half		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 9.1	\$ 8.8	3%	\$ 18.1	\$ 17.3	5%
Facility Development Commission	1.0	1.0	0%	2.0	2.0	0%
Hospitality and other revenues	1.1	1.1	0%	2.1	2.1	0%
Revenues before Promotional allowances	11.2	10.9	3%	22.2	21.4	4%
Less: Promotional allowances	(0.2)	(0.3)	(33%)	(0.5)	(0.5)	0%
Revenues	11.0	10.6	4%	21.7	20.9	4%
Human resources	3.5	3.4	3%	7.0	6.8	3%
Property, marketing and administration	1.4	1.3	8%	3.2	2.7	19%
EBITDA	\$ 6.1	\$ 5.9	3%	\$ 11.5	\$ 11.4	1%
Human resources as a % of Revenues before Promotional allowances	31.3%	31.2%		31.5%	31.8%	
EBITDA as a % of Revenues	55.5%	55.7%		53.0%	54.5%	

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Average
Table Drop	\$ 16.3	\$ 16.5	\$ 16.8	\$ 14.9	\$ 15.4	\$ 15.3	\$ 15.5	\$ 16.6	
Table Hold	\$ 3.6	\$ 3.7	\$ 3.8	\$ 3.3	\$ 3.6	\$ 3.7	\$ 3.7	\$ 3.7	
Table Hold %	22.1%	22.4%	22.6%	22.1%	23.4%	24.2%	23.9%	22.3%	23.0%
Slot Coin In	\$ 433.5	\$ 407.8	\$ 404.4	\$ 418.1	\$ 403.9	\$ 393.3	\$ 399.4	\$ 412.0	
Slot Win	\$ 30.9	\$ 30.1	\$ 30.1	\$ 30.8	\$ 30.2	\$ 29.0	\$ 29.2	\$ 30.1	
Slot Win/Slot/Day ⁽¹⁾	\$ 419	\$ 405	\$ 414	\$ 413	\$ 409	\$ 394	\$ 388	\$ 400	
Slot Win %	7.1%	7.4%	7.4%	7.4%	7.5%	7.4%	7.3%	7.3%	7.4%

⁽¹⁾ Slot Win/Slot/Day is an average, presented in dollars.

Revenues, Expenses and EBITDA

Revenues at the Company's Vancouver Island Casinos increased by 4% in the second quarter and 4% in the first half of 2008, when compared to the second quarter and first half of 2007. These modest improvements remain within the relatively consistent quarterly levels of table drop and slot coin-in we have experienced in the region during the past two years, and provide further evidence that both the Vancouver Island Casinos are capacity constrained and therefore limited in terms of the additional revenues they can generate. The Company's current initiatives to alleviate these constraints are described in the "Recent Developments" section of this MD&A.

Property, marketing and administration expenses increased by \$0.1 in the second quarter and \$0.5 in the first half of 2008, when compared to the second quarter and first half of 2007. These increases were primarily due to the continued implementation of a new customer service program.

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Other BC Casinos (Chances Gaming Entertainment in Dawson Creek, Haney Bingo Plex, and Casino on Broadway)

	Second Quarter			First Half		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 1.2	\$ 3.6	(67%)	\$ 2.4	\$ 7.4	(68%)
Facility Development Commission	0.1	0.4	(75%)	0.2	0.7	(71%)
Hospitality and other revenues	0.3	0.3	0%	0.7	0.8	(13%)
Revenues before Promotional allowances	1.6	4.3	(63%)	3.3	8.9	(63%)
Less: Promotional allowances	-	(0.1)	(100%)	-	(0.3)	(100%)
Revenues	1.6	4.2	(62%)	3.3	8.6	(62%)
Human resources	0.7	2.6	(73%)	1.4	5.2	(73%)
Property, marketing and administration	0.4	0.7	(43%)	0.9	1.3	(31%)
EBITDA	\$ 0.5	\$ 0.9	(44%)	\$ 1.0	\$ 2.1	(52%)

Human resources as a % of Revenues

before Promotional allowances

43.8% 60.5%

42.4% 58.4%

EBITDA as a % of Revenues

31.3% 21.4%

30.3% 24.4%

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Average
Table Drop	\$ -	\$ -	\$ 14.7	\$ 30.9	\$ 32.1	\$ 33.3	\$ 31.0	\$ 29.6	
Table Hold	\$ -	\$ -	\$ 3.1	\$ 6.1	\$ 5.7	\$ 6.6	\$ 6.2	\$ 5.3	
Table Hold %			21.1%	19.7%	17.8%	19.8%	20.0%	17.9%	19.2%
Poker Rake	\$ -	\$ -	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.4	\$ 0.4	
Slot Coin In	\$ 54.2	\$ 60.6	\$ 59.1	\$ 66.6	\$ 70.0	\$ 63.4	\$ 55.6	\$ 54.0	
Slot Win	\$ 3.1	\$ 3.3	\$ 3.1	\$ 3.7	\$ 3.9	\$ 3.7	\$ 3.1	\$ 3.3	
Slot Win/Slot/Day ⁽¹⁾	\$ 227	\$ 242	\$ 225	\$ 268	\$ 286	\$ 274	\$ 242	\$ 278	
Slot Win %	5.7%	5.4%	5.2%	5.6%	5.6%	5.8%	5.6%	6.1%	5.6%

⁽¹⁾ Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues for the Company's Other BC Casinos decreased by 62% in the second quarter and 62% in the first half of 2008, when compared to the second quarter and first half of 2007. These decreases were primarily due to the permanent closure of the Casino on Broadway in November, 2007.

Decreases in slot coin-in and slot win at Chances Gaming Entertainment in Dawson Creek ("Chances Dawson Creek") during the second quarter and first half of 2008 compared to same periods in 2007 also contributed to the overall decline in gaming revenue at the Company's Other BC Casinos. These decreases are primarily due to the introduction of competition from a new community gaming centre in Fort St. John, British Columbia, which is approximately 72 kilometres from Chances Dawson Creek. The Company anticipates that new commercial developments around the Dawson Creek area will eventually offset this impact.

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Expenses

Human resources expenses decreased by 73% in the second quarter and 73% in the first half of 2008, when compared to the second quarter and first half of 2007. Property, marketing and administration expenses decreased by 43% in the second quarter and 31% in the first half of 2008, compared to the second quarter and first half of 2007. These reductions were due to the Casino on Broadway closure.

EBITDA

EBITDA for the Company's Other BC Casinos decreased by \$0.4, or 44%, in the second quarter, and by \$1.1, or 52%, in the first half of 2008, when compared to the second quarter and first half of 2007. These decreases were due to the Casino on Broadway closure.

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Nova Scotia Casinos (Casino Nova Scotia Halifax and Casino Nova Scotia Sydney)

	Second Quarter			First Half		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 10.7	\$ 10.8	(1%)	\$ 20.7	\$ 21.1	(2%)
Hospitality and other revenues	1.6	1.6	0%	2.9	2.9	0%
Revenues before Promotional allowances	12.3	12.4	(1%)	23.6	24.0	(2%)
Less: Promotional allowances	(0.7)	(0.7)	0%	(1.4)	(1.3)	8%
Revenues	11.6	11.7	(1%)	22.2	22.7	(2%)
Human resources	4.9	5.7	(14%)	10.4	10.7	(3%)
Property, marketing and administration	3.6	4.5	(20%)	7.9	8.3	(5%)
EBITDA	\$ 3.1	\$ 1.5	107%	\$ 3.9	\$ 3.7	5%
Human resources as a % of Revenues before Promotional allowances	39.8%	46.0%		44.1%	44.6%	
EBITDA as a % of Revenues	26.7%	12.8%		17.6%	16.3%	

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Average
Table Drop	\$ 11.8	\$ 10.9	\$ 12.6	\$ 13.9	\$ 13.5	\$ 13.0	\$ 14.9	\$ 17.0	
Table Hold	\$ 2.2	\$ 2.0	\$ 2.4	\$ 2.8	\$ 2.8	\$ 2.5	\$ 2.9	\$ 3.2	
Table Hold %	18.6%	18.3%	19.0%	20.1%	20.7%	19.2%	19.5%	18.8%	19.4%
Poker Rake	\$ 0.5	\$ 0.6	\$ 0.4	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.4	\$ 0.5	
Slot Coin In	\$ 232.5	\$ 218.8	\$ 223.3	\$ 276.9	\$ 234.3	\$ 217.7	\$ 247.7	\$ 288.8	
Slot Win	\$ 17.6	\$ 16.7	\$ 17.5	\$ 21.6	\$ 17.6	\$ 16.6	\$ 18.9	\$ 21.9	
Slot Win/Slot/Day ⁽¹⁾	\$ 198	\$ 175	\$ 181	\$ 223	\$ 184	\$ 175	\$ 195	\$ 222	
Slot Win %	7.6%	7.6%	7.8%	7.8%	7.5%	7.6%	7.6%	7.6%	7.7%

⁽¹⁾ Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Revenues for the Nova Scotia casinos decreased by 1% in the second quarter and 2% in the first half of 2008, when compared to the second quarter and first half of 2007. These decreases were due to increased competition in Sydney and anti-gaming messages produced by the Nova Scotia Department of Health Promotion and Protection.

Table drop decreased by \$1.7, or 13%, and table hold decreased by \$0.6, or 21%, in the second quarter of 2008, when compared to the second quarter of 2007. Slot coin-in was consistent between the second quarter of 2008 and the second quarter of 2007.

Expenses and Operational Improvements

At the beginning of the second quarter of 2008, the Company implemented significant operational changes at its Nova Scotia casinos. These changes, which resulted in \$1.0 of associated restructuring charges, sought to better align the Nova Scotia casinos' offerings with their markets' demands. In pursuit of this objective, the Company adjusted gaming capacity at both locations, reduced staff by more than 20%, and scaled back the operating hours of the Halifax Casino.

Human resources as a percentage of revenues before promotional allowances improved by 6.2 percentage points in the second quarter and 0.5 percentage points in the first half of 2008 compared to the second quarter and first half of 2007. These improvements resulted from the reductions in staff.

Property, marketing and administration expenses decreased by 20% in the second quarter and 5% in the first half of 2008, compared to the second quarter and first half of 2007. These decreases can be attributed to the reduced scope of the Nova Scotia casinos.

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EBITDA

EBITDA for the Nova Scotia casinos increased by \$1.6, or 107%, in the second quarter, and by \$0.2, or 5%, in the first half of 2008, when compared to the second quarter and first half of 2007. These increases resulted from the ongoing rightsizing of the facilities, and improved alignment of their offerings to market demands.

Union Certification Update

On November 1, 2007, the Nova Scotia Labour Relations Board ("NSLRB") issued an order effective September 7, 2007, certifying the Service Employees International Union, Local 902, as the bargaining agent for the bargaining unit consisting of all full-time and regular part-time employees of Casino Nova Scotia Halifax excluding office and clerical workers (including finance and marketing employees), human resource employees, management information services employees, surveillance employees, security employees, supervisors and those above the rank of supervisor. Bargaining for the first collective agreement commenced during February 2008 and is ongoing.

On January 18, 2008, the NSLRB issued an order effective December 21, 2007, certifying the Service Employees International Union, Local 902, as the bargaining agent for a second bargaining unit consisting of all full-time and regular part-time security employees of Casino Nova Scotia Halifax excluding supervisors and those above the rank of supervisor. A judicial review of the NSLRB decision was held on April 21, 2008, and the earlier NSLRB decision was upheld. Casino Nova Scotia is appealing that provincial Supreme Court decision that allows security guards at its Halifax location to unionize. In court documents filed July 9, 2008, lawyers for the casino argued the court applied the wrong standard of review when it upheld an earlier NSLRB decision.

Bargaining for the first collective agreement commenced on June 23, 2008.

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Great American Casinos

	Second Quarter			First Half		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 5.4	\$ 5.7	(5%)	\$ 10.5	\$ 12.2	(14%)
Hospitality and other revenues	1.1	1.2	(8%)	2.3	2.5	(8%)
Revenues before Promotional allowances	6.5	6.9	(6%)	12.8	14.7	(13%)
Less: Promotional allowances	(0.1)	(0.3)	(67%)	(0.5)	(0.5)	0%
Revenues	6.4	6.6	(3%)	12.3	14.2	(13%)
Human resources	3.4	3.6	(6%)	6.7	7.5	(11%)
Property, marketing and administration	1.8	1.7	6%	3.4	3.6	(6%)
EBITDA	\$ 1.2	\$ 1.3	(8%)	\$ 2.2	\$ 3.1	(29%)
Human resources as a % of Revenues before Promotional allowances	52.3%	52.2%		52.3%	51.0%	
EBITDA as a % of Revenues	18.8%	19.7%		17.9%	21.8%	

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Average
Table Drop	\$ 26.1	\$ 24.9	\$ 23.3	\$ 23.3	\$ 26.0	\$ 24.4	\$ 24.5	\$ 22.1	
Table Hold	\$ 6.1	\$ 5.8	\$ 5.8	\$ 5.8	\$ 5.9	\$ 6.3	\$ 6.2	\$ 5.4	
Table Hold %	23.4%	23.3%	24.9%	24.9%	22.7%	25.8%	25.3%	24.4%	24.3%
Poker Rake	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	

Revenues and EBITDA

Revenues at the Company's Great American Casinos decreased by 3% in the second quarter and 13% in the first half of 2008, when compared to the second quarter and first half of 2007. These declines were due to increases in the value of the Canadian dollar relative to the U.S. dollar of 8% in the second quarter of 2008, when compared to the second quarter of 2007, and 12% in first half of 2008, when compared to the first half of 2007.

In U.S. dollar terms, revenues increased 2% in the second quarter and decreased 3% in the first half of 2008, when compared to the second quarter and first half of 2007. These changes were primarily due to corresponding increases and decreases in the table hold percentages during these periods.

EBITDA decreased by \$0.1 in the second quarter and decreased by \$0.9 in the first half of 2008, when compared to the second quarter and first half of 2007. These changes were primarily due to the above-mentioned revenue variances resulting from changes in the value of the Canadian dollar relative to the U.S. dollar. The Company will continue its efforts to improve the efficiency of these operations, including the use of cost-efficient targeted marketing initiatives.

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Racinos

BC Racinos (Fraser Downs Racetrack and Casino, Hastings Racecourse and TBC Teletheatre B.C.)

	Second Quarter			First Half		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 4.3	\$ 3.0	43%	\$ 8.8	\$ 5.6	57%
Facility Development Commission	1.3	0.7	86%	1.9	1.4	36%
Racetrack revenues	7.1	6.6	8%	12.8	12.0	7%
Hospitality and other revenues	2.0	2.0	0%	3.5	3.3	6%
Revenues before Promotional allowances	14.7	12.3	20%	27.0	22.3	21%
Less: Promotional allowances	(0.3)	(0.2)	50%	(0.5)	(0.4)	25%
Revenues	14.4	12.1	19%	26.5	21.9	21%
Human resources	6.2	4.2	48%	11.7	7.7	52%
Property, marketing and administration	5.6	4.4	27%	10.8	8.5	27%
EBITDA	\$ 2.6	\$ 3.5	(26%)	\$ 4.0	\$ 5.7	(30%)
Human resources as a % of Revenues						
before Promotional allowances	42.2%	34.1%		43.3%	34.5%	
EBITDA as a % of Revenues	18.1%	28.9%		15.1%	26.0%	

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Average
Table Drop	\$ 4.7	\$ 4.2	\$ 1.8	-	-	-	-	-	-
Table Hold	\$ 1.0	\$ 1.0	\$ 0.3	-	-	-	-	-	-
Table Hold %	21.3%	23.8%	16.7%	-	-	-	-	-	-
Slot Coin-In	\$ 214.9	\$ 224.2	\$ 222.3	\$ 209.7	\$ 207.3	\$ 185.6	\$ 173.5	\$ 169.6	
Slot Win	\$ 15.8	\$ 17.1	\$ 16.8	\$ 15.8	\$ 15.5	\$ 13.7	\$ 13.0	\$ 13.2	
Slot Win/Slot/Day ⁽¹⁾	\$ 266	\$ 283	\$ 293	\$ 391	\$ 390	\$ 349	\$ 323	\$ 331	
Slot Win %	7.4%	7.6%	7.6%	7.5%	7.5%	7.4%	7.5%	7.8%	7.5%

⁽¹⁾ Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues at the Company's BC Racinos increased by 43% in the second quarter and 57% in the first half of 2008, when compared to the second quarter and first half of 2007. These increases were primarily due to the additional gaming capacity installed at Fraser Downs and Hastings in the fourth quarter of 2007, and were offset by the impact of a provincial wide smoking ban at Fraser Downs. This smoking ban, which took effect on April 1, 2008, forced the closure of that property's smoking permitted slot room, and thus had an impact on visitation.

Racetrack revenues increased by 8% in the second quarter and 7% in the first half of 2008, when compared to the second quarter and first half of 2007. These improvements can be attributed to increased revenues generated by TBC Teletheatre B.C., which opened two new Racebook locations in Metro Vancouver during the first quarter of 2008.

Expenses

Human resources expenses increased by \$2.0, or 48%, in the second quarter and \$4.0, or 52%, in the first half of 2008, when compared to the second quarter and first half of 2007. These increases resulted from the additional gaming capacity installed at Fraser Downs and Hastings in the fourth quarter of 2007, which introduced new gaming staff and infrastructure to both properties.

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Human resources as a percentage of revenues before promotional allowances increased by 8.1 percentage points in the second quarter and 8.8 percentage points in the first half of 2008 compared to the second quarter and first half of 2007. These increases resulted from the additional human resource costs associated with the new gaming capacity, which has yet to reach maturation.

Property, marketing and administration expenses increased by \$1.2, or 27%, in the second quarter and \$2.3, or 27%, in the first half of 2008, when compared to the second quarter and first half of 2007. These increases were due to expanded marketing programs intended to promote the new gaming product, and higher property lease costs at both Fraser Downs and Hastings.

EBITDA

EBITDA at the BC Racinos decreased by \$0.9, or 26%, in the second quarter and \$1.7, or 30%, in the first half of 2008, when compared to the second quarter and first half of 2007. This was primarily due to increases in both human resources and property, marketing, and administration expenses, which both grew in conjunction with the new gaming capacity.

EBITDA as a percentage of revenues decreased by 10.8 percentage points in the second quarter and 10.9 percentage points in the first half of 2008, when compared to the second quarter and first half of 2007. These metrics are expected to improve as demand for the new gaming offerings matures, and as further experience with these operations allows for better management of their expenses. As evidence of this, EBITDA as a percentage of revenues improved by 5.8 percentage points from the first to second quarters of 2008.

Operational Improvements

Both Fraser Downs and Hastings are in the process of introducing new gaming products to their respective markets, and their second quarter and first half of 2008 results reflect the ramp-up periods that typically accompany this process. However, the Company is taking steps to accelerate these maturation periods.

At Fraser Downs, the Company will alter the format of the gaming floor, which is expected to both enhance customer experience and reduce operating costs. This change should begin its implementation by the end of the third quarter of 2008. At Hastings, the Company has already begun a targeted marketing initiative related to the upcoming increase in slot capacity at that property.

Hastings Union Collective Bargaining

A collective agreement between Hastings Entertainment Inc. and UNITE HERE!, Local 40, with a term covering April 1, 2005 through March 31, 2008, governs wages and working conditions of employees engaged in the food and beverage dispensing at the Hastings Park Racecourse. On August 2, 2008, the parties reached a new collective agreement with a term covering April 1, 2008 through December 31, 2010. This new agreement was ratified by the union's members on August 9, 2008.

A collective agreement between Hastings Entertainment Inc. and Canadian Office and Professional Employees Union, Local 378, with a term covering August 1, 2005 through July 31, 2008, governs wages and working conditions of employees of Hastings Entertainment Inc., Hastings Park Racecourse employed at Exhibition Park except those excluded by the Code, employed by Hastings Entertainment Inc. Notice to commence collective bargaining for a renewal collective agreement has not yet been received.

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Georgian Downs

	Second Quarter			First Half		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 2.6	\$ 2.4	8%	\$ 5.0	\$ 4.4	14%
Racetrack revenues	0.5	0.6	(17%)	0.9	0.7	29%
Hospitality and other revenues	1.1	1.1	0%	2.0	1.8	11%
Revenues before Promotional allowances	4.2	4.1	2%	7.9	6.9	14%
Less: Promotional allowances	(0.2)	-		(0.3)	-	
Revenues	4.0	4.1	(2%)	7.6	6.9	10%
Human resources	1.0	1.0	0%	1.8	1.7	6%
Property, marketing and administration	1.4	1.6	(13%)	2.6	2.9	(10%)
EBITDA	\$ 1.6	\$ 1.5	7%	\$ 3.2	\$ 2.3	39%
Human resources as a % of Revenues before Promotional allowances	23.8%	24.4%		22.8%	24.6%	
EBITDA as a % of Revenues	40.0%	36.6%		42.1%	33.3%	

Revenues

Revenues at Georgian Downs decreased by 2% in the second quarter and increased by 10% in the first half of 2008, when compared to the second quarter and first half of 2007. During the first half of 2007, Georgian Downs' horse racing contract with the Ontario Harness Horse Association ("OHHA") expired without being renewed, resulting in a temporary cessation of live and simulcast racing at the property. This resulted in significantly lower customer visitation and lower gaming revenues during the first half of 2007.

Expenses

Human resources expenses as a percentage of revenues in the second quarter and first half of 2008 improved modestly when compared to the second quarter and first half of 2007. Property, marketing and administration expenses in the second quarter and first half of 2008 decreased modestly when compared to the second quarter and first half of 2007.

EBITDA

EBITDA at Georgian Downs increased by \$0.1, or 7%, in the second quarter and \$0.9, or 39%, in the first half of 2008, when compared to the second quarter and first half of 2007. These increases were primarily due to the prior year's temporary cessation of live racing.

The Company continues to pursue opportunities to improve visitation, and introduced a new player rewards program during the second quarter of 2008. This program is expected to both attract and retain guests, and will also be offered to our online and phone wagering customers.

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Flamboro Downs

	Second Quarter			First Half		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 3.5	\$ 3.2	9%	\$ 6.6	\$ 6.3	5%
Racetrack revenues	1.0	1.1	(9%)	2.0	2.2	(9%)
Hospitality and other revenues	1.1	1.1	0%	2.1	2.1	0%
Revenues before Promotional allowances	5.6	5.4	4%	10.7	10.6	1%
Less: Promotional allowances	(0.1)	-		(0.2)	(0.1)	100%
Revenues	5.5	5.4	2%	10.5	10.5	0%
Human resources	1.7	1.8	(6%)	3.5	3.6	(3%)
Property, marketing and administration	1.5	1.6	(6%)	3.4	3.3	3%
EBITDA	\$ 2.3	\$ 2.0	15%	\$ 3.6	\$ 3.6	0%
Human resources as a % of Revenues before Promotional allowances	30.4%	33.3%		32.7%	34.0%	
EBITDA as a % of Revenues	41.8%	37.0%		34.3%	34.3%	

Revenues, Expenses, and EBITDA

Revenues, expenses, and EBITDA for the second quarter and first half of 2008 all remained relatively consistent with the second quarter and first half of 2007.

The Company continues to pursue opportunities to improve visitation, and introduced a new player rewards program during the second quarter of 2008. This program is expected to both attract and retain guests, and will also be offered to our online and phone wagering customers.

On June 1, 2008, a labour issue forced the temporary closure of the Brantford Casino, a competitor located 37 km away from Flamboro Downs. This issue, which has yet to reach resolution, has positively impacted Flamboro Downs' visitation, and contributed to the modest improvements in its gaming revenues.

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Corporate & Other

	Second Quarter			First Half		
	2008	2007	% Chg	2008	2007	% Chg
Revenues	\$ 0.1	\$ 0.1	0%	\$ 0.2	\$ 0.2	0%
Human resources	4.6	5.4	(15%)	9.8	10.4	(6%)
Property, marketing and administration	2.6	1.7	53%	4.7	3.9	21%
EBITDA	\$ (7.1)	\$ (7.0)	(1%)	\$ (14.3)	\$ (14.1)	(1%)

EBITDA

EBITDA from Corporate & Other was consistent in both the second quarters and first halves of 2008 and 2007.

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Discussion of Items Excluded from EBITDA

Amortization

Amortization increased by \$1.6 in the second quarter and by \$2.2 in the first half of 2008 relative to the second quarter and first half of 2007 primarily as a result of the increased amortization of property, plant and equipment arising from the property redevelopments completed in the last twelve months as well as increased amortization of the intangible asset associated with Hastings since the installation of slot machines in November 2007.

Stock-Based Compensation

Stock-based compensation decreased by \$0.1 or 5% in the second quarter of 2008 compared to 2007 primarily due to the reduction in the value of non-employee stock options. Stock-based compensation increased by \$0.6 or 18% in the first six months of 2008 compared to the same period in 2007 primarily due to the granting of the annual employee stock options two months earlier in 2008 than in 2007.

Restructuring and Other

Restructuring and other expenses in the first half of 2008 primarily related to severance associated with staffing reductions at the Casino Nova Scotia as well as other costs associated with investigating business and acquisition opportunities.

Interest and Financing Costs, net

In February 2007, as part of our debt refinancing we entered into an undrawn \$200.0 Senior Secured Revolving Credit Facility ("Revolving Credit Facility"), a US\$170.0 Senior Secured Term Loan B ("Term Loan B") and US\$170.0 Senior Subordinated Notes ("Subordinated Notes") as described in our Annual Financial Statements. As the Term Loan B and Subordinated Notes are denominated in U.S. dollars and our revenues are primarily in Canadian dollars, the Company entered into cross-currency interest rate swap agreements to effectively convert this debt into Canadian dollar fixed interest rate debt.

Interest and financing costs, net of interest income remained consistent in the second quarter of 2008 compared to the second quarter of 2007. In the second quarter of 2008, the Company incurred \$0.6 less interest expense than the second quarter of 2007 as a result of the \$41.7 repayment of the Flamboro Promissory Note in July 2007 and did not experience a \$0.7 write-down of its derivative asset as occurred in the second quarter of 2007. However, the Company earned \$1.3 less interest income in the first quarter of 2008 compared to the first quarter of 2007 due primarily to a lower average level of short-term investments.

Interest and financing costs, net of interest income increased by \$0.7 in the first half of 2008 compared to the first half of 2007. This was primarily due to a \$1.0 higher write-down of the fair value of our embedded derivative arising from the early redemption option on our Subordinated Notes (as described in our Annual Financial Statements), \$0.5 higher amortization of deferred transaction costs related to the debt refinancing completed February 2007 and \$1.4 lower interest income due to a lower average level of short-term investments. These increases in interest and financing costs, net of interest income were offset by \$0.6 less interest expense as a result of the repayment of the \$41.7 Flamboro Promissory Note in July of 2007 and the first quarter of 2007's relatively higher costs associated with our former Bridge Credit Facility that was obtained in September 2006 and repaid in February 2007.

Other Expenses

Other expenses, including foreign exchange gains and non-controlling interest, in the second quarter of 2008 and first half of 2008 decreased relative to the second quarter and first half of 2007 primarily due to an increased non-cash foreign exchange gain arising from a strengthening of the Canadian dollar relative to the U.S. dollar over these periods.

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Income Taxes

Income taxes increased \$0.3 in the second quarter of 2008 compared to the second quarter of 2007. The increase is primarily the result of the substantively enacted federal corporate income tax rate reductions during the second quarter of 2007 that reduced the second quarter of 2007 income tax expense and the provision for future income taxes by \$1.0. This increase is offset by lower federal and B.C. corporate income tax rates applicable to lower 2008 earnings before income taxes.

Income taxes decreased \$1.5 in the first half of 2008 compared to the first half of 2007. The decrease is primarily the result of lower earnings before income taxes resulting in decreased income taxes by \$0.7, and lower federal and B.C. provincial corporate income tax rates in 2008 compared to 2007, resulting in decreased income taxes by \$0.5. The first halves of 2008 and 2007 include the benefits of non-cash future income tax recoveries of \$1.2 and \$1.0, respectively, due to decreases in substantively enacted corporate income tax rates.

Net Earnings

Net earnings for the second quarter of 2008 were \$4.1, a decrease of 31% from the second quarter of 2007, primarily related to increases in amortization expense and Casino Nova Scotia restructuring costs that were only partly offset by increased EBITDA and reduced corporate income tax rates. The second quarter of 2007 also included the benefit of a future income tax recovery due to decreases in substantively enacted corporate income tax rates.

Net earnings for the first half of 2008 were \$9.5, a decrease of 7% from the first half of 2007, primarily related to increases in amortization, stock-based compensation, and restructuring and other costs primarily associated with Casino Nova Scotia, that were only partly offset by increased EBITDA and reduced corporate income tax rates. The first halves of 2008 and 2007 also included the benefits of the future tax recoveries, mentioned above, due to decreases in substantively enacted corporate tax rates in those periods.

CONSOLIDATED QUARTERLY RESULTS TREND

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006
Revenues	\$ 101.6	\$ 100.3	\$ 100.7	\$ 103.2	\$ 97.7	\$ 95.6	\$ 98.1	\$ 100.2
EBITDA	\$ 27.7	\$ 26.9	\$ 27.9	\$ 30.9	\$ 26.8	\$ 25.4	\$ 25.4	\$ 27.0
EBITDA as a % of Revenues	27.3%	26.8%	27.7%	29.9%	27.4%	26.6%	25.9%	26.9%
Net earnings (loss)	\$ 4.1	\$ 5.4	\$ 13.0	\$ 12.6	\$ 5.9	\$ 4.3	\$ (11.5)	\$ (14.1)
Earnings (loss) per common share:								
Basic	\$ 0.05	\$ 0.06	\$ 0.15	\$ 0.15	\$ 0.07	\$ 0.05	\$ (0.13)	\$ (0.16)
Diluted	\$ 0.05	\$ 0.06	\$ 0.15	\$ 0.15	\$ 0.07	\$ 0.05	\$ (0.13)	\$ (0.16)

The second quarter of 2008 showed continued progress towards our goals of driving revenue growth and operating efficiencies at both the site and head office levels. Revenues in the second quarter of 2008 increased by 4% and EBITDA increased by 3% as compared to the second quarter of 2007. This translated to a consistent EBITDA as a percentage for revenues for the second quarter of 2008 of 27.3% compared to 27.4% in the second quarter of 2007. EBITDA and EBITDA as a percentage of revenues benefited from operational changes at the Nova Scotia Casinos, but these improvements were offset by increased expenses at the BC Racinos related to their introduction of new gaming offerings and reduced table hold percentages at both River Rock and Boulevard.

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LIQUIDITY AND CAPITAL RESOURCES

Financial Position

	As at June 30, 2008	As at December 31, 2007	%
Cash and cash equivalents	\$ 74.6	\$ 107.1	(30%)
Due from Nova Scotia Gaming Corporation	8.4	17.2	(51%)
Other current assets	40.6	28.9	40%
Property, plant and equipment	608.7	567.3	7%
Other long-term assets	227.8	233.5	(2%)
	\$ 960.1	\$ 954.0	1%
Current liabilities	89.3	81.9	9%
Long-term debt, excluding current portion	347.7	329.4	6%
Other long-term liabilities	129.0	132.5	(3%)
Shareholders' equity	394.1	410.2	(4%)
	\$ 960.1	\$ 954.0	1%

Cash and cash equivalents have decreased since December 31, 2007 primarily due to the purchase of property, plant and equipment associated with development projects at existing properties and the purchase of the Company's common shares that were partially offset by cash generated from operations and a \$10.0 borrowing under the Company's Revolving Credit Facility. Cash equivalents at June 30, 2008 comprised \$8.3 invested in U.S. federal treasury bills. As at June 30, 2008, the Company had no exposure to asset backed commercial paper or sub-prime mortgage-backed investments.

The amounts due from Nova Scotia Gaming Corporation decreased since December 31, 2007 due to the collection of outstanding amounts.

Other current assets increased since December 31, 2007 due to a \$5.5 increase in restricted cash related to ongoing construction and an increase in prepaid expenses relating to property tax payments.

The additions to property, plant and equipment in first half of 2008 were primarily related to improvements of our existing properties.

Current liabilities have increased since December 31, 2007, primarily due to increases in accounts payable and accrued liabilities related to ongoing property redevelopments partially offset by a decrease in income taxes payable and a trailing payment relating to a past acquisition.

For both June 30, 2008 and December 31, 2007, long-term debt, excluding current portion, consisted primarily of the Company's Term Loan B and Subordinated Notes. This balance increased since December 31, 2007 primarily due to the weakening of the Canadian dollar's effect on the underlying U.S. dollar debt and a \$10.0 borrowing under our Revolving Credit Facility made in June 2008.

Other long-term liabilities have decreased since December 31, 2007 due primarily to decreases in the Company's derivative liabilities, which represents the fair value of the Company's cross-currency interest rate swaps as at June 30, 2008, and reductions in our future income tax liabilities as a result of substantively enacted corporate income tax rate reductions during the first quarter of 2008.

The Company's Shareholders' equity decreased primarily due to the purchase and cancellation of its

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common shares pursuant to its normal course issuer bid announced in July 2007, the effect of which was only partly offset by the period's net earnings addition to retained earnings.

Changes in Cash Flows

	Second Quarter			First Half		
	2008	2007	% Chg	2008	2007	% Chg
Cash inflow from operating activities	\$ 9.2	\$ 20.7	(56%)	\$ 31.9	\$ 36.9	(14%)
Cash outflow from investing activities	(29.2)	(5.6)	(421%)	(47.5)	(6.7)	(609%)
Cash (outflow) inflow from financing activities	(3.9)	-		(17.4)	48.6	
Effect of foreign exchange on cash and cash equivalents	-	(1.1)	100%	0.5	(1.1)	
(Decrease) increase in cash	\$ (23.9)	\$ 14.0		\$ (32.5)	\$ 77.7	

The decrease in the cash inflow from operating activities in the second quarter of 2008 relative to the second quarter of 2007 was primarily due to increases in non-cash operating working capital, that primarily related to the timing of the settlement of various receivables and payables. The decrease in the cash inflow from operating activities in the first half of 2008 relative to the first half of 2007 was also primarily due to increases in non-cash operating working capital that occurred for primarily the same reasons and which were only partly offset by increased EBITDA.

The increases in the cash outflow from investing activities in the second quarter and first half of 2008 relative to the second quarter and first half of 2007 were primarily due to the significant construction projects that were in progress in the second quarter and first half of 2008. These included the additional multi-level parking garage at River Rock, the phase two Hastings redevelopment, the View Royal redevelopment and the Georgian Downs redevelopment. The main construction project underway in the second quarter and first half of 2007 was the River Rock Conference Centre (opened in July 2007).

Cash outflow from financing activities in the second quarter and first half of 2008 primarily relates to the purchase of the Company's common shares offset by the proceeds from our borrowings under the Revolving Credit Facility. Cash inflows from financing activities in the first half of 2007 related to net cash inflows from the debt refinancing that was completed in that period.

Capital Resources

Long-Term Debt and Equity

	June 30, 2008	December 31, 2007
Term Loan B, net of unamortized transaction costs of \$2.7 (2007 - \$3.0)	\$ 168.2	\$ 164.1
Senior Subordinated Notes and unamortized premium of \$1.7 (2007 - \$1.9) net of unamortized transaction costs of \$5.7 (2007 - \$6.2)	169.4	164.2
Senior Secured Revolving Credit Facility	10.0	-
Hastings Promissory Note	2.6	2.9
Obligations under capital leases and other debt	0.5	1.3
	350.7	332.5
Less: current portion	3.0	3.1
	\$ 347.7	\$ 329.4

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The Company and its debt facilities are rated as follows:

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

⁽¹⁾ Standard & Poor's initial rating of the Company's Senior Subordinated Notes was B+ as of January 19, 2007. On March 19, 2008, Standard & Poor's upgraded this rating to BB.

On June 26, 2008 the Company borrowed \$10.0 under its Revolving Credit Facility. On July 15, 2008 the Company borrowed an additional \$15.0 under the Revolving Credit Facility.

Cross-Currency Interest Rate and Currency Swap Agreements & Hedge Accounting

We have entered into cross-currency interest rate swap agreements with major Canadian financial institutions to effectively convert both the \$170.0 U.S. dollar floating interest rate Term Loan B and the \$170.0 U.S. dollar fixed interest rate Subordinated Notes into Canadian dollar fixed interest rate debt.

The cross-currency interest rate agreements as at June 30, 2008 are as follows:

Debt	Notional Principal		Interest Rate		Maturity Date
	Receive (USD)	Pay (CAD)	Receive (USD)	Pay (CAD)	
Term Loan B	\$167.9 ⁽¹⁾	\$198.3 ⁽¹⁾	US LIBOR+1.50%	6.1%	February 13, 2014
Subordinated Notes	\$170.0	\$201.1	7.25%	6.6%	February 15, 2015

⁽¹⁾ The Term Loan B cross currency interest rate swap's notional principal reduces by 0.25% of the original principal of \$170.0 USD quarterly to match the scheduled principal reductions on the Term Loan B.

As at June 30, 2008, the cross-currency interest rate swaps have been recorded as long-term derivative liabilities at their fair value of \$61.1 (December 31, 2007 - \$62.8). The Company has evaluated these cross-currency interest rate swaps and designated them as effective hedges of the cash flows associated with the Term Loan B and the Subordinated Notes. The Company has applied hedge accounting to these swaps as it believes hedge accounting best represents the economic substance of the underlying transactions. Accordingly, the changes in fair values of the swaps, net of income taxes, have been recorded in other comprehensive income.

The fair values of our cross-currency interest rate swaps at June 30, 2008 were determined based on a discounted cash flow model. This model makes assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and the U.S. at June 30, 2008.

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Outstanding Share Data

As at June 30, 2008, there were 82,672,426 common shares outstanding as compared to 84,815,476 as at December 31, 2007. The decrease in outstanding common shares was primarily the result of 2,161,900 common shares purchased in the first half of 2008 by the Company at a cost of \$25.5 through our normal course issuer bid announced in July 2007. Subsequent to June 30, 2008, the Company purchased an additional 56,200 common shares at a cost of \$0.5. On July 22, 2008 the Company's normal course issuer bid expired.

On August 8, 2008, the Company's Board of Directors authorized the Company to request approval from the TSX for another normal course issuer bid for up to 10% of the public float of the Company. If the normal course issuer bid is approved, purchases will be by way of open market purchases through facilities of the TSX and conducted at the market price at the time of the acquisition. All shares purchased by the Company would be subsequently cancelled.

As at June 30, 2008, there were 7,027,572 stock options outstanding at a weighted average exercise price of \$12.51. As at August 8, 2008, there were 82,616,226 common shares outstanding and 6,915,485 stock options outstanding.

Capital Spending and Development

The majority of our capital expenditures on gaming operations in British Columbia and Nova Scotia are eligible for reimbursement by the provincial gaming authorities. During the second quarter and first half of 2008 our capital expenditures net of related accounts payable totaled \$26.6 and \$45.6 respectively. Maintenance capital expenditures primarily related to company-wide property upgrades and information technology. Development capital expenditures are primarily related to the ongoing construction costs associated with the multi-level parking garage at River Rock, the building costs for our redevelopment at Hastings Racecourse, the Georgian Downs redevelopment and construction at View Royal. For the remaining six months of 2008, we estimate approved development capital expenditures will total approximately \$65.0 and expected maintenance expenditures will total approximately \$10.0.

As at June 30, 2008, the Company has \$351.0 (December 31, 2007 – \$342.3) in Approved Amounts (a term defined in the Company's casino operating service agreements with the BCLC) to be recovered by future FDC payments. Approved Amounts have not been recorded in the consolidated statements of financial position. Since FDC is earned as a fixed percentage of gaming win, subject to the Company incurring sufficient Approved Amounts, recovery of Approved Amounts requires that our operating agreements with BCLC remain in good standing.

Contingencies

We have issued letters of credit to guarantee performance, primarily under construction contracts and gaming cash floats in the aggregate amount of \$44.6 at June 30, 2008 (December 31, 2007 - \$32.3). As part of certain acquisition agreements including those entered into on the acquisition of Bear Mountain Community Gaming Centre (now "Chances Dawson Creek") and Haney Bingo Plex, we have agreed to make future contingent payments dependent on operations at these locations.

Litigation

In 2005, as part of the acquisition of Georgian Downs, the Company entered into an agreement that provided a consultant a deemed contribution for a notional equity interest in Georgian Downs as consideration for certain consulting services for its operations in the Province of Ontario. The notional equity interest entitled the consultant to future remuneration depending on the operating results of

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

The Company is involved in various other disputes, claims and litigation. Management believes the amount of the ultimate liability for these will not materially affect the financial position of the Company.

Guarantees and Indemnifications

The Company may provide guarantees and indemnifications in conjunction with transactions in the normal course of operations. These are recorded as liabilities when reasonable estimates of the obligations can be made. Guarantees and indemnifications that the Company has provided include obligations to indemnify:

- directors and officers of the Company and its subsidiaries for potential liability while acting as a director or officer of the Company, together with various expenses associated with defending and settling such suits or actions due to association with the Company, the risk of which is mitigated by the Company's directors' and officers' liability insurance;
- certain vendors of acquired companies or property for obligations that may or may not have been known at the date of the transaction;
- certain financial institutions for costs that they may incur as a result of representations made in our debt and equity offering documents;
- lessors of leased properties for personal injury claims that may arise at the facilities we operate; and
- Mayfield Canada Inc. for certain claims that may arise related to their former employees.

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Commitments

The Company expects the following maturities of its financial liabilities (including interest) and operating leases and contracts:

	Expected payments by period as at June 30, 2008				
	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	\$ 86.1	-	-	-	\$ 86.1
Payments related to cross-currency interest rate swaps	27.7	55.0	54.6	425.0	562.3
Receipts related to cross-currency interest rate swaps	(21.8)	(43.2)	(42.9)	(366.5)	(474.4)
Term Loan B and Subordinated Notes	21.8	43.2	42.9	366.5	474.4
Revolving Credit Facility	0.5	0.9	10.5	-	11.9
Other long-term debt	1.1	1.5	1.0	-	3.6
Operating leases and contracts	5.8	9.6	7.3	21.6	44.3
Total	\$ 121.2	\$ 67.0	\$ 73.4	\$ 446.6	\$ 708.2

The expected payments related to the cross-currency interest rate swaps represent the Canadian dollar fixed interest and principal payments we are required to make under these contracts.

The expected receipts related to the cross-currency interest rate swaps represent the U.S. dollar interest and principal payments due on the Term Loan B and Subordinated Notes, converted to Canadian dollars at the June 30, 2008 foreign currency exchange rate.

The Term Loan B and the Subordinated Notes amounts represent interest and principal payments, converted to Canadian dollars at the June 30, 2008 foreign currency exchange rate. Similarly, as the Term Loan B bears interest at a floating rate (U.S. LIBOR plus 1.50%), the interest rate applicable at June 30, 2008 of 4.19% has been applied to all future periods in the above table. The Subordinated Notes bear interest at a fixed rate of 7.25%.

The Revolving Credit Facility amounts represent expected interest and principal payments of the Company's drawings at June 30, 2008. The interest rate applicable at June 30, 2008 of 4.55% has been applied to all future periods in the above table.

Other long-term debt amounts include the interest and principal payments of the Hastings Promissory Note and the Company's capital leases and other debt. The Hastings Promissory Note accrues interest at a rate of 6.00%.

Operating leases and contracts include property leases for our head office, a ground lease with the City of Surrey, BC for Fraser Downs, a ground lease with the City of Sydney, NS for our Casino Nova Scotia Sydney, an operating agreement with the City of Vancouver, BC for Hastings and commitments to NSGC to fund responsible gaming programs.

Future Cash Requirements

We believe that our current approved capital plans and operational requirements can be funded from existing cash, cash generated from operations, our existing credit and debt facilities, and proceeds from the exercise of stock options. If we have increased cash requirements and do not want to delay, limit, or eliminate some of our plans, we may raise additional funds through the refinancing of existing debt or the issuance of hybrid debt-equity securities or additional equity securities. If we raise additional funds through the issuance of equity securities or the exercise of stock options, the current shareholders'

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ownership percentages will be reduced and such equity securities may have rights, preferences, or privileges senior to our common shares.

OTHER FINANCIAL INFORMATION

Related Party Transactions

The following table summarizes the Company's related party transactions:

Consolidated Statements of Earnings	Second Quarter		First Half	
	2008	2007	2008	2007
Human Resources				
Amounts for dealer training services provided by a company controlled by a director of the Company	\$ 0.2	\$ 0.3	\$ 0.4	\$ 0.5

This related party transaction was recorded at the exchange amount, which is the amount of consideration paid or received as established and agreed to by the related parties.

Change in Accounting Policies

On January 1, 2008, the Company adopted the following new accounting standards of the Canadian Institute of Chartered Accountants ("CICA"):

Handbook Section 1535 - Capital Disclosures. The new standard requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes for managing capital, and has been applied retrospectively without prior period restatement. The required disclosure is set out in our Interim Financial Statements.

Handbook Sections 3862 - Financial Instruments Disclosures, and 3863 - Financial Instruments Presentation, which replaced Section 3861. These new standards require incremental disclosure of risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The transitional provisions of these standards provide that the incremental disclosures need not be presented for the comparative period in the year that these standards are adopted. The required disclosure is set out in our Interim Financial Statements.

Handbook Section 3031 – Inventories, which replaced Section 3030. This new standard gives guidance on measurement and disclosure of inventories and has been applied retrospectively without prior period restatement. The change in accounting policy had no material impact on the Company's consolidated financial statements at January 1, 2008.

Recent Accounting Pronouncement

In February 2008, the CICA issued a new accounting standard entitled Goodwill and Intangible Assets, Section 3064. The new section replaced the existing guidance on goodwill and other intangible assets and research and development costs. The new section provides additional guidance on measuring the cost of goodwill and intangible assets. The standard is effective for interim and annual financial statements for fiscal years beginning on or after October 1, 2008. The Company will apply the new accounting standards at the beginning of its 2009 fiscal year. This new accounting standard is not expected to have a material impact on the Company's consolidated financial statements.

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Transition to International Financial Reporting Standards

The Canadian Institute of Chartered Accountants has announced a plan which requires the transition to International Financial Reporting Standards ("IFRS") as replacement guidance for the Canadian generally accepted accounting principles ("GAAP") currently employed by Canadian publicly accountable enterprises. The changeover will occur no later than fiscal years beginning January 1, 2011. As a result of this announcement, the Company has started to plan and prepare for the coming changes in financial reporting requirements. The Company expects its first financial statements presented in accordance with IFRS will be for the three-month period ended March 31, 2011.

The Company has started determining the potential effect of the changeover by:

- Researching and documenting expected differences between its current accounting policies that are in accordance with Canadian GAAP and those to be adopted under IFRS;
- Considering financial statement presentation and disclosure options available to the Company upon initial changeover to IFRS;
- Developing a timeline for key milestones on the changeover project including completing the initial review and impact assessment by the end of 2008 to enable a more detailed disclosure of our changeover plans in the fourth quarter and annual 2008 MD&A;
- Raising awareness of the change with accounting staff and the Audit & Risk Committee of the Company's Board;
- Considering the impacts on the Company's financial reporting systems, performance metrics, staff training, and internal/external communications; and
- Considering the benefits and costs of early adoption.

The calculation of the Company's debt covenants will not be directly affected by the changeover as they are structured to use the GAAP that was effective as at the date of the agreements, which was February 14, 2007. The Company's financial reporting systems will be developed to manage both external reporting requirements and covenant calculations.

The changeover will affect the presentation and valuations of balances and transactions presented in the Company's interim and annual consolidated financial statements and related notes; however the Company is currently too early in its changeover process to provide a quantification of those effects.

Critical Accounting Estimates

Our reported financial position and results of operations are dependent on our selection of accounting policies that are based on Canadian generally accepted accounting principles and accounting estimates that underlie the preparation of our consolidated financial statements. Our consolidated financial statements contain a summary of our significant accounting policies and accounting estimates. Estimates by their nature are subject to risks, uncertainties and assumptions, which could cause our financial position and operating results to differ materially from those presented in our consolidated financial statements. Future changes in accounting estimates will be applied on a prospective basis.

The critical accounting estimates that we believe are the most judgmental or are material to our consolidated financial statements are those relating to business combinations, long-lived asset and goodwill impairment, stock-based compensation, income taxes, contingencies and the fair value of our derivatives.

There have been no changes to our commentary, methods, or estimates on these critical accounting estimates compared to those presented in our MD&A for the year ended December 31, 2007.

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Financial Instruments and Other Instruments

The Company's risk management strategy is to minimize exposure to currencies other than the Canadian dollar and, with the exception of revolving lines of credit, to fix substantially all of its floating interest rate debt. The financial instruments that give rise or may give rise to the most significant exposure to foreign currency and floating interest rate risk are the Term Loan B, the Subordinated Notes, and the Revolving Credit Facility.

The Company entered into a series of cross-currency interest rate swaps to hedge the currency and interest rate risks associated with the Term Loan B and the Subordinated Notes. Refer to the "Capital Resources" section of this MD&A for information on our long-term debt and the hedging activities used to manage the foreign currency and interest rate risks associated therewith.

Definitions of Other Terms Used in the MD&A

Racebook – an off-racetrack wagering facility (previously described as a teletheatre).

Revenues – means the sum of the following:

- Casino gaming in BC – gaming revenue is net of commissions paid to BCLC (commissions are 60% of the win on most table games and 75% of the slot machine win) and is 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 (commissions are 75% of the win on slots, and 40% to 75% of the weekly bingo win) and is net of prizes.
- Horse racing in BC and Ontario – racino 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 other associations.
- Casino gaming in Washington – gaming revenue is net of county gaming taxes at various rates ranging from 10% to 13% for card and progressive jackpot games, 5% on pull-tabs and 2% on amusement games.
- Casino gaming in Nova Scotia – gaming revenue is equal to 52.725% of the gaming win.
- Slot commissions in Ontario – slot machine commissions represent 10% of the win from slot machines, all of which are operated by OLG.
- Facility Development Commission ("FDC") – revenues earned from BCLC as a fixed percentage of gross gaming win, subject to the Company incurring sufficient Approved Amounts (a defined term in the casino operating service agreements and generally consists of approved capital and operating expenditures related to the development or improvement of gaming properties). Specifically, BCLC's program permits a 3% FDC commission on gross gaming win from casinos, racetracks and community gaming centres and provides an additional, accelerated 2% of gross gaming win towards site-specific reimbursements of new gaming redevelopments.
- Hospitality and other revenues:
 - 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

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the 47.275% revenue retained by the NSGC.

- Hotel revenues – revenues are recognized as services are performed.
- Other revenues – ATM commissions, theatre revenues, advertising revenues, and other income from ancillary services.
- Promotional allowances – the retail value of promotional allowances furnished to guests without charge, which have been included in food and beverage revenues, are deducted.

Win – the amount wagered on gaming activities, less the payout or prizes to winning customers. Win, as a percentage of the slot 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 Financial Statements and Annual Information Form, can be located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

Shareholders of the Company may obtain a copy of the Company's TSX Form 12 Notice of Intention to Make a Normal Course Issuer Bid as filed with and as accepted by the TSX, at no charge, by contacting the Company.

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SUPPLEMENTAL FINANCIAL INFORMATION

Consolidated Quarterly Results Trend

	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
Gaming Revenues					
River Rock Casino Resort	\$ 19.2	\$ 23.1	\$ 21.1	\$ 19.0	\$ 18.1
Boulevard Casino	13.4	13.3	13.8	13.7	13.4
Vancouver Island Casinos	9.1	9.0	9.0	8.8	8.8
Other BC Casinos	1.2	1.2	2.1	3.7	3.6
Nova Scotia Casinos	10.7	10.0	10.6	12.9	10.8
Great American Casinos	5.4	5.1	5.1	5.4	5.7
BC Racinos	4.3	4.6	3.8	3.1	3.0
Georgian Downs	2.6	2.3	2.4	2.6	2.4
Flamboro Downs	3.5	3.1	2.6	3.3	3.2
Corporate & Other	-	-	-	0.3	-
	69.4	71.7	70.5	72.8	69.0
Racetrack Revenues					
BC Racinos	7.1	5.8	6.0	7.0	6.6
Georgian Downs	0.5	0.4	0.4	0.6	0.6
Flamboro Downs	1.0	1.0	0.9	0.9	1.1
	8.6	7.2	7.3	8.5	8.3
Facility Development Commission					
River Rock Casino Resort	2.8	3.8	1.8	1.7	1.6
Boulevard Casino	2.2	2.2	2.2	3.2	1.3
Vancouver Island Casinos	1.0	1.0	1.0	1.0	1.0
Other BC Casinos	0.1	0.1	0.2	0.3	0.4
BC Racinos	1.3	0.5	0.8	0.7	0.7
	7.4	7.6	6.0	6.9	5.0
Hospitality and Other Revenues					
River Rock Casino Resort	8.3	7.2	9.1	6.9	7.2
Boulevard Casino	2.2	1.9	2.4	2.1	2.1
Vancouver Island Casinos	1.1	1.1	1.0	1.1	1.1
Other BC Casinos	0.3	0.3	0.3	0.5	0.3
Nova Scotia Casinos	1.6	1.4	1.5	1.7	1.6
Great American Casinos	1.1	1.1	1.2	1.1	1.2
BC Racinos	2.0	1.5	1.8	2.2	2.0
Georgian Downs	1.1	0.9	1.1	1.0	1.1
Flamboro Downs	1.1	1.0	1.1	1.1	1.1
Corporate & Other	0.1	0.1	0.1	-	0.1
	18.9	16.5	19.6	17.7	17.8
Promotional Allowances	(2.7)	(2.7)	(2.7)	(2.7)	(2.4)
Revenues	\$ 101.6	\$ 100.3	\$ 100.7	\$ 103.2	\$ 97.7
EBITDA					
River Rock Casino Resort	\$ 9.9	\$ 14.8	\$ 12.4	\$ 10.2	\$ 9.9
Boulevard Casino	7.5	7.2	8.7	9.1	7.3
Vancouver Island Casinos	6.1	5.6	5.9	5.9	5.9
Other BC Casinos	0.5	0.4	0.5	1.1	0.9
Nova Scotia Casinos	3.1	0.9	0.5	3.4	1.5
Great American Casinos	1.2	0.9	1.1	1.2	1.3
BC Racinos	2.6	1.5	2.7	3.6	3.5
Georgian Downs	1.6	1.3	1.4	1.6	1.5
Flamboro Downs	2.3	1.4	1.1	1.7	2.0
Corporate & Other	(7.1)	(7.1)	(6.4)	(6.9)	(7.0)
	\$ 27.7	\$ 26.9	\$ 27.9	\$ 30.9	\$ 26.8

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Presentation of Gross Revenues

Gross revenues, a non-GAAP measure, is revenue on the consolidated statements of earnings plus the portion of gaming win and other revenues retained by BCLC and NSGC, gaming taxes paid to Washington State, accruals for payouts of progressive games, payments to horse racing purse pools and promotional allowances. Gross revenues include slot commissions in Ontario, which represent 10% of the win from slot machines operated by the OLG. A reconciliation of gross revenues to revenues is presented below.

	Second Quarter			First Half		
	2008	2007	%Chg	2008	2007	%Chg
Gross table win	\$ 52.8	\$ 57.5	(8%)	\$ 115.9	\$ 124.1	(7%)
Gross slot win	137.9	133.9	3%	272.9	260.0	5%
Gross racetrack	40.9	36.0	14%	73.2	66.2	11%
FDC revenues	7.4	5.0	48%	15.1	10.0	51%
Hospitality and other revenues	21.1	19.2	10%	39.6	36.3	
Gross revenues (a non-GAAP measure)	260.1	251.6	3%	516.7	496.6	4%
Less:						
Gaming, taxes and other commissions	(123.5)	(123.8)	(0%)	(251.9)	(247.1)	2%
Racetrack purses	(32.3)	(27.7)	17%	(57.5)	(51.3)	12%
Promotional allowances	(2.7)	(2.4)	13%	(5.4)	(4.9)	10%
Revenues	\$ 101.6	\$ 97.7	4%	\$ 201.9	\$ 193.3	4%