



GREAT CANADIAN GAMING CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month & Nine Month Periods Ended
September 30, 2008

(Unaudited – Prepared by Management)

As at November 13, 2008

(Expressed in millions, except for share information)

GREAT CANADIAN GAMING CORPORATION
Interim Consolidated Statements of Financial Position

(Unaudited - Prepared by Management)

(Expressed in millions, except for share information)

		September 30, 2008	December 31, 2007
ASSETS			
CURRENT			
Cash and cash equivalents	Note 4	\$ 75.2	\$ 107.1
Restricted cash		13.3	3.6
Accounts receivable		12.7	13.3
Income taxes receivable		2.4	-
Due from Nova Scotia Gaming Corporation		4.2	17.2
Prepays, deposits and other assets		11.9	12.0
		119.7	153.2
Property, plant and equipment	Notes 5/6	663.9	567.3
Intangible assets	Note 6	183.9	191.5
Goodwill		38.0	37.0
Other assets		3.1	5.0
		\$ 1,008.6	\$ 954.0
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 83.9	\$ 69.5
Income taxes payable		-	3.6
Long-term debt, deferred credits and other liabilities, current		2.3	8.8
		86.2	81.9
Long-term debt	Note 7	385.4	329.4
Derivative liabilities	Note 9	43.9	62.8
Deferred credits, other liabilities and non-controlling interests	Note 5	22.5	2.0
Future income taxes		68.0	67.7
		606.0	543.8
SHAREHOLDERS' EQUITY			
Share capital and contributed surplus	Note 10	337.1	341.3
Accumulated other comprehensive loss		(10.4)	(9.1)
Retained earnings		75.9	78.0
		402.6	410.2
		\$ 1,008.6	\$ 954.0

GREAT CANADIAN GAMING CORPORATION
Interim Consolidated Statements of Earnings

(Unaudited - Prepared by Management)

(Expressed in millions, except for share information)

		Three months ended September 30,		Nine months ended September 30,	
		2008	2007	2008	2007
REVENUES	Note 11	\$ 105.1	\$ 103.2	\$ 307.0	\$ 296.5
EXPENSES					
Human resources		46.2	45.1	136.4	134.5
Property, marketing and administration		29.4	27.2	86.5	78.9
Amortization		11.2	9.9	31.8	28.3
Stock-based compensation		1.4	1.8	5.4	5.2
Restructuring and other	Note 12	0.1	0.6	1.8	0.6
		88.3	84.6	261.9	247.5
EARNINGS FROM OPERATIONS		16.8	18.6	45.1	49.0
Interest and financing costs, net		6.8	5.5	20.9	18.9
Foreign exchange (gain) loss		-	0.3	(0.4)	0.6
		6.8	5.8	20.5	19.5
EARNINGS BEFORE INCOME TAXES		10.0	12.8	24.6	29.5
Income taxes	Note 13	4.0	(0.2)	8.4	5.7
EARNINGS BEFORE NON-CONTROLLING INTERESTS		6.0	13.0	16.2	23.8
Non-controlling interests		0.3	0.4	1.0	1.0
NET EARNINGS		\$ 5.7	\$ 12.6	\$ 15.2	\$ 22.8
EARNINGS PER COMMON SHARE	Note 14				
Basic		\$ 0.07	\$ 0.15	\$ 0.18	\$ 0.26
Diluted		\$ 0.07	\$ 0.15	\$ 0.18	\$ 0.26
WEIGHTED AVERAGE NUMBER OF COMMON SHARES					
Basic		82,614,492	86,433,610	83,391,638	86,502,253
Diluted		82,638,296	86,792,826	83,491,656	86,896,158

GREAT CANADIAN GAMING CORPORATION
Interim Consolidated Statements of Earnings

(Unaudited - Prepared by Management)

(Expressed in millions, except for share information)

Interim Consolidated Statements of Retained Earnings

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Retained earnings, beginning of period	\$ 70.9	\$ 74.5	\$ 78.0	\$ 64.3
Net earnings	5.7	12.6	15.2	22.8
Repurchase of common shares	(0.7)	(5.9)	(17.3)	(5.9)
Retained earnings, end of period	\$ 75.9	\$ 81.2	\$ 75.9	\$ 81.2

Interim Consolidated Statements of Comprehensive Income and Accumulated Other Comprehensive Loss

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Net earnings	\$ 5.7	\$ 12.6	\$ 15.2	\$ 22.8
Other comprehensive income (loss), net of tax				
Changes in fair values of derivatives designated as cash flow hedges, net of income taxes of \$5.3 (2007 - \$9.5) and \$5.8 (2007 - \$21.8)	11.8	(18.3)	13.0	(42.0)
(Gain) Loss on derivatives designated as cash flow hedges transferred to net earnings in the current period, net of income taxes of \$4.7 (2007 - \$8.2) and \$7.6 (2007 - \$21.7)	(10.3)	15.8	(17.0)	41.9
Unrealized effect of foreign currency translation of foreign operations	1.4	(2.2)	2.7	(5.1)
Other comprehensive income (loss)	2.9	(4.7)	(1.3)	(5.2)
Comprehensive income	\$ 8.6	\$ 7.9	\$ 13.9	\$ 17.6

	September 30, 2008	December 31, 2007	September 30, 2007
Accumulated other comprehensive loss comprises:			
Changes in fair values of derivatives designated as cash flow hedges, net of income taxes	\$ (28.4)	\$ (41.4)	\$ (42.0)
Loss on derivatives designated as cash flow hedges transferred to net earnings in the current period, net of income taxes	25.7	42.7	41.9
Unrealized effect of foreign currency translation of foreign operations	(7.7)	(10.4)	(10.4)
Accumulated other comprehensive loss	\$ (10.4)	\$ (9.1)	\$ (10.5)

GREAT CANADIAN GAMING CORPORATION
Interim Consolidated Statements of Cash Flows

(Unaudited - Prepared by Management)

(Expressed in millions, except for share information)

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Cash Flows from Operating Activities				
Net earnings	\$ 5.7	\$ 12.6	\$ 15.2	\$ 22.8
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Amortization	11.2	9.9	31.8	28.3
Stock-based compensation	1.4	1.8	5.4	5.2
Non-cash interest and financing costs	0.5	0.2	2.8	2.2
Future income taxes	2.7	(2.9)	3.4	(4.6)
Other	0.4	0.8	(1.1)	1.2
Changes in non-cash operating working capital	Note 15	(3.5)	13.0	(7.2)
Net cash provided by operating activities		18.4	35.4	50.3
Cash Flows from Investing Activities				
Purchase of property, plant and equipment, net of related accounts payable	(39.5)	(11.0)	(85.1)	(20.8)
Funds received from Nova Scotia Gaming Corporation	6.7	6.0	17.2	14.8
Funds due from Nova Scotia Gaming Corporation for purchases of plant and equipment	(2.5)	(1.0)	(4.2)	(2.8)
Acquisitions related contingent payments	-	(1.3)	(5.9)	(3.9)
Acquisition of Haney Bingo Plex	Note 17	-	(1.0)	-
Restricted cash	(2.8)	(2.6)	(6.6)	(4.1)
Other	-	(0.2)	-	-
Net cash used in investing activities		(38.1)	(10.1)	(16.8)
Cash Flows from Financing Activities				
Proceeds from long-term debt	25.0	-	35.0	402.0
Repayment of long-term debt	(3.5)	(42.3)	(5.6)	(388.2)
Transaction costs	-	-	-	(12.1)
Common shares issued for cash, net of issuance costs	-	0.2	0.2	4.8
Purchase of common shares	(1.6)	(9.0)	(27.1)	(9.0)
Net cash provided by (used in) financing activities		19.9	(51.1)	2.5
Effect of foreign exchange on cash and cash equivalents	0.4	(0.9)	0.9	(2.0)
Net Cash Inflow (Outflow)	0.6	(26.7)	(31.9)	51.0
Cash and cash equivalents, beginning of period	74.6	134.5	107.1	56.8
Cash and cash equivalents, end of period	\$ 75.2	\$ 107.8	\$ 75.2	\$ 107.8
Supplemental Disclosure				
Interest received	\$ 0.5	\$ 1.3	\$ 2.8	\$ 4.5
Interest paid	\$ 10.6	\$ 10.4	\$ 24.6	\$ 17.7
Income taxes paid (received)	\$ 1.4	\$ (7.1)	\$ 10.6	\$ (5.1)

GREAT CANADIAN GAMING CORPORATION

Notes to the Interim Consolidated Financial Statements

For the Three Month and Nine Month Periods Ended September 30, 2008

(Unaudited – Prepared by Management)

(Expressed in millions, except for share information)

1. NATURE OF BUSINESS

Great Canadian Gaming Corporation (the “Company”) is a multi-jurisdictional gaming and entertainment operator with operations in British Columbia, Ontario and Nova Scotia, Canada, and Washington State, United States of America. The Company operates ten casinos, a thoroughbred racetrack that offers slot machines, four standardbred racetracks (two offer slot machines and one offers both slot machines and table games), a community gaming centre, a hotel & conference centre, two show theatres, a bingo hall and various associated food and beverage and entertainment facilities.

2. INTERIM CONSOLIDATED FINANCIAL STATEMENTS – BASIS OF PRESENTATION

These unaudited interim consolidated financial statements include the accounts of the Company and its subsidiaries. The interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and accordingly, certain information and note disclosures normally included in the audited annual consolidated financial statements have been omitted. As a result, these unaudited interim consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2007 (“Annual Financial Statements”).

These unaudited interim consolidated financial statements have been prepared using the same accounting principles as set out in the Annual Financial Statements, with the exception of the changes in accounting policies described in Note 3.

Certain of the prior period’s comparative figures have been reclassified to conform to the current period’s presentation.

3. CHANGES 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 Note 8.
- 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 Note 18.
- 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.

GREAT CANADIAN GAMING CORPORATION
Notes to the Interim Consolidated Financial Statements
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(Unaudited – Prepared by Management)
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3. CHANGES IN ACCOUNTING POLICIES (Continued)

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.

4. CASH AND CASH EQUIVALENTS

	September 30,	December 31,
	2008	2007
Cash in bank	\$ 58.3	\$ 32.5
Cash floats	8.1	11.1
Cash equivalents	8.8	63.5
	\$ 75.2	\$ 107.1

5. RIVER ROCK CANADA LINE PARKING GARAGE

In December 2006, the Company entered into a letter of intent with the South Coast British Columbia Transportation Authority ("TransLink") and Canada Line Rapid Transit Inc. ("Canada Line") to build and operate a 1,200 stall multi-level parking garage at Bridgeport Station, across from the River Rock Casino Resort ("River Rock") in Richmond, British Columbia. On August 22, 2008, the Company entered into definitive agreements for this transaction.

Under the terms of the agreements, the Company will reserve 1,200 parking stalls for Canada Line passengers on weekdays between 5:30am and 7:00pm and 600 stalls for all other times. As compensation for the cost of providing these future parking services, TransLink has agreed to provide the Company with approximately 5 acres of land (with an estimated market value of \$17.2), 2.6 acres of which is being used for the new parking garage, and \$2.5 in cash of which \$1.5 has been received as at September 30, 2008. The Company has received legal title to approximately 3.8 acres of the land. The remaining 1.2 acres will be transferred to the Company once the sub-division has been approved by the local municipality. The Company will also receive from TransLink a \$2.0 cash payment for an option to purchase the portion of the parking garage used by the 1,200 stalls. TransLink may only exercise this option if certain events defined in the agreement occur. Examples of these include the relocation of the River Rock, or the Company failing to provide Canada Line's passengers access to the parking stalls as set out in the agreement.

GREAT CANADIAN GAMING CORPORATION
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For the Three Month and Nine Month Periods Ended September 30, 2008

(Unaudited – Prepared by Management)

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5. RIVER ROCK CANADA LINE PARKING GARAGE (Continued)

This transaction is mainly a non-monetary transaction and the consideration received from TransLink is being treated as compensation for the cost of providing future parking services to Canada Line's passengers. Accordingly, the fair value of the land received of \$17.2 and cash of \$1.5 have been recorded as "Property, Plant and Equipment" and "Cash", respectively, with a corresponding credit to "Deferred credits, other liabilities and non-controlling interests". The amount recorded as a deferred credit will then be recognized on a straight-line basis in earnings starting from November 2009 for a period of 32 years. The portion of land received that is subject to TransLink's purchase option has a cost of \$9.6 and will be recorded as a leasehold interest within "Property, Plant and Equipment" and amortized over its estimated 33-year economic useful life. The remaining \$7.6 of freehold land consideration will not be amortized.

6. CHANGE IN ESTIMATE OF USEFUL LIFE OF NOVA SCOTIA ASSETS

As a result of the Company's continued cooperation with the Nova Scotia Gaming Corporation, the operational performance of its Nova Scotia casinos has improved since April 2008. However, since the original acquisition of this business, the operating environment in Nova Scotia has become more challenging. Unanticipated issues include the unionization of employees at our Halifax casino, the province's weakened tourism base, and the continued negative effect of the province-wide smoking ban. Consequently, in September 2008, the Company revised the estimated remaining useful lives of its building and intangible assets associated with its Nova Scotia casinos so that they coincided with July 1, 2015, the end of the initial term of the related casino operating agreement with the NSGC, rather than July 1, 2025, the end of the Company's optional extension term. The effect of this change in estimate is a \$4.3 increase in the annual non-cash amortization expense (\$2.8 after tax) related to these assets on a prospective basis.

7. LONG-TERM DEBT

	September 30, 2008	December 31, 2007
Term Loan B, net of unamortized transaction costs of \$2.6 (2007 - \$3.0)	\$ 175.2	\$ 164.1
Senior Subordinated Notes and unamortized premium of \$1.7 (2007 - \$1.9) net of unamortized transaction costs of \$5.5 (2007 - \$6.2)	177.1	164.2
Senior Secured Revolving Credit Facility	35.0	-
Hastings Promissory Note	-	2.9
Obligations under capital leases and other debt	0.2	1.3
	387.5	332.5
Less: current portion	2.1	3.1
	\$ 385.4	\$ 329.4

In September 2008, the Company repaid the Hastings Promissory Note.

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For the Three Month and Nine Month Periods Ended September 30, 2008
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7. LONG-TERM DEBT (Continued)

The expected repayments of long-term debt for the five following twelve month periods ended September 30 are as follows:

2009	\$	2.1
2010		2.1
2011		2.1
2012		37.0
2013		2.0
Thereafter		348.6
Total repayments		393.9
Less: unamortized transaction costs and premium		6.4
Total long-term debt (including current portion)		\$ 387.5

The Company has a \$200.0 Senior Secured Revolving Credit Facility (the “Revolving Credit Facility”) of which \$45.7 has been utilized to draw letters of credit to guarantee performance primarily under construction contracts and gaming cash floats (December 31, 2007 - \$32.3). The counter-parties to this Revolving Credit Facility are major financial institutions with minimum “A” credit ratings.

Subsequent to September 30, 2008, the Company committed to borrow an additional \$5.5 from the Revolving Credit Facility.

Subject to acceptance by the Company's lenders and compliance with all operational and financial covenants, the Company has the option to increase the Revolving Credit Facility or issue additional term loans by up to \$150.0 on substantially the same conditions as the existing Revolving Credit Facility and Term Loan B with the exception of certain limitations on the terms and interest rates in comparison to the existing credit facilities.

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8. CAPITAL DISCLOSURES

The Company's capital structure comprises:

- Shareholders' equity;
- Long-term debt and related derivative liabilities;
- the Revolving Credit Facility;
- Cash and cash equivalents; and
- outstanding letters of credit.

The Company's objectives are to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk levels and to manage capital in a manner which balances the interests of equity and debt holders. The Company manages its capital structure in light of changes in economic conditions and the risk characteristics of the Company's operations. Allocations of capital within the Company are subject to return metrics including the weighted average cost of capital. The Company currently plans to use its cash and cash equivalents, cash flows from operations, and established debt facilities to finance its properties' development plans and purchase of common shares.

The Company monitors its capital structure and must comply with certain financial covenants (which are defined in the underlying debt agreements) related to its long-term debt. The Company effectively manages its capital by operating at a level that provides a conservative margin compared to the limits of these covenants.

At September 30, 2008 the Company is in compliance with its financial covenants as shown below:

Covenant test	Related long-term debt	Required ratio	Actual ratio
Total Debt to Adjusted EBITDA ratio	Term Loan B & Revolving Credit Facility	< 5.0	3.1
Senior Debt to Adjusted EBITDA ratio	Term Loan B	< 3.5	1.7
Interest Coverage ratio	Term Loan B	> 2.0	5.1
Fixed Charge Coverage ratio ⁽¹⁾	Senior Subordinated Notes	> 2.0	5.0

⁽¹⁾ Tested on specified events.

As part of the capital structure monitoring process, the Company has independent credit ratings 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.

GREAT CANADIAN GAMING CORPORATION
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(Unaudited – Prepared by Management)
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9. DERIVATIVES

Cross-currency interest rate swaps

In anticipation of issuance of the Company's debt refinancing in February 2007, the Company entered into a series of cross-currency interest rate swaps that effectively converted both the U.S. dollar floating interest rate Term Loan B and the U.S. dollar fixed interest rate Senior Subordinated Notes ("Subordinated Notes") into Canadian dollar fixed interest rate debt (See Note 18 (c)). As at September 30, 2008 the cross-currency interest rate swap agreements are:

Debt	Notional Principal		Interest Rate		Maturity Date
	Receive (USD)	Pay (CAD)	Receive (USD)	Pay (CAD)	
Term Loan B	\$167.4 ⁽¹⁾	\$197.8 ⁽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 September 30, 2008, the cross-currency interest rate swaps have been recorded as a long-term liability at their fair value of \$43.9. 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.

10. SHARE CAPITAL AND CONTRIBUTED SURPLUS

a) *Share capital and contributed surplus*

	Common Shares		Contributed	Share Capital
	Number ⁽¹⁾	Amount	Surplus	And Contributed Surplus
At December 31, 2006	86,147	\$ 321.0	\$ 14.9	\$ 335.9
Stock based compensation	-	-	7.0	7.0
Exercise of incentive stock options	942	10.0	(2.4)	7.6
Common shares purchased	(2,273)	(8.7)	(0.5)	(9.2)
At December 31, 2007	84,816	\$ 322.3	\$ 19.0	\$ 341.3
Stock based compensation	-	-	5.4	5.4
Exercise of incentive stock options	18	0.3	(0.1)	0.2
Common shares purchased	(2,385)	(9.2)	(0.6)	(9.8)
At September 30, 2008	82,449	\$ 313.4	\$ 23.7	\$ 337.1

⁽¹⁾ Share information is presented in thousands of common shares.

The Company is authorized to issue an unlimited number of common shares with no par value. On March 28, 2008, all of the Company's outstanding warrants expired, unexercised.

GREAT CANADIAN GAMING CORPORATION
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For the Three Month and Nine Month Periods Ended September 30, 2008

(Unaudited – Prepared by Management)

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10. SHARE CAPITAL (Continued)

b) Normal course issuer bid

On September 16, 2008, the Company announced its intention to commence a normal course issuer bid for up to 6.2 million of its common shares, representing approximately 10% of the public float of the common shares of the Company. Purchases will be by way of open market purchases through the facilities of the TSX, and conducted at the market price at the time of acquisition. All shares purchased by the Company will be subsequently cancelled.

The Company received approval from the TSX to commence this bid on September 19, 2008. The bid will end on September 18, 2009 or earlier if the number of common shares sought in the issuer bid have been obtained. The Company has reserved the right to terminate the bid earlier if it feels it is appropriate to do so. Pursuant to TSX policies, daily purchases made by the Company will not exceed 65,172 common shares.

During the three months ended September 30, 2008, the Company purchased 223,500 common shares at a cost of \$1.6 and during the nine months ended September 30, 2008, the Company purchased 2,385,400 common shares at a cost of \$27.1. Subsequent to September 30, 2008, the Company purchased an additional 362,400 of its common shares at a cost of \$2.1, bringing its total shares purchased under the latest normal course issuer bid to 529,700 common shares for an aggregate consideration of \$3.2.

The Company can purchase up to an additional 5.7 million if its common shares under the issuer bid through September 18, 2009 or earlier if the number of shares sought in the issuer bid have been obtained.

c) Stock Option Plan

	Options ⁽¹⁾	Weighted-Average Exercise Price
Outstanding at December 31, 2007	6,023	\$ 12.74
Granted	2,048	14.01
Forfeited	(1,163)	17.29
Exercised	(18)	10.80
Outstanding at September 30, 2008	6,890	\$ 12.36

⁽¹⁾ Option information is presented as options for thousands of common shares.

Subsequent to September 30, 2008, 2,139,997 options were forfeited at an average exercise price of \$13.44.

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For the Three Month and Nine Month Periods Ended September 30, 2008

(Unaudited – Prepared by Management)

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11. REVENUES

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Gross table win	\$ 60.6	\$ 57.8	\$ 176.5	\$ 181.9
Gross slot win	142.0	143.1	414.9	403.1
Gross racetrack	38.8	36.8	112.0	103.0
Facility Development Commission	7.2	6.9	22.3	16.9
Hospitality and other revenues	20.2	19.4	59.8	55.7
	268.8	264.0	785.5	760.6
Less:				
Gaming, taxes and other commissions	(130.4)	(129.8)	(382.3)	(376.9)
Racetrack purses	(30.2)	(28.3)	(87.7)	(79.6)
Promotional allowances	(3.1)	(2.7)	(8.5)	(7.6)
Revenues	\$ 105.1	\$ 103.2	\$ 307.0	\$ 296.5

12. RESTRUCTURING AND OTHER

Restructuring and other expenses in the third quarter and first nine months of 2008 primarily related to severance associated with staff reductions made at the Company's Nova Scotia casinos as well as other costs associated with investigating business and acquisition opportunities. Restructuring and other expenses in the third quarter and first nine months of 2007 primarily related to contract termination costs associated with the November 2007 closure of the Company's Casino on Broadway in Vancouver, B.C.

13. INCOME TAXES

The Company's income tax expense is as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Basic federal and B.C. provincial statutory income tax rate	31.00%	34.12%	31.00%	34.12%
Expected income tax provision for the period	\$ 3.1	\$ 4.4	\$ 7.6	\$ 10.1
Effect of:				
Non-deductible stock-based compensation	0.4	0.6	1.6	1.8
Changes in tax rates on future income taxes	0.1	-	(1.1)	(1.0)
Tax rate differential on and adjustments related to prior years' income tax provisions	-	(5.0)	-	(5.0)
Other non-deductible items	0.4	(0.2)	0.3	(0.2)
	\$ 4.0	\$ (0.2)	\$ 8.4	\$ 5.7

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(Unaudited – Prepared by Management)
(Expressed in millions, except for share information)

14. EARNINGS PER COMMON SHARE

The following table sets out the computation of basic and diluted earnings per common share:

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2008	2007	2008	2007
Net earnings (A)	\$ 5.7	\$ 12.6	\$ 15.2	\$ 22.8
Weighted average number of common shares outstanding (B) ⁽¹⁾	82,614	86,434	83,392	86,502
Dilutive adjustment for stock options ⁽¹⁾	24	359	100	394
Diluted weighted-average number of common shares (C) ⁽¹⁾	82,638	86,793	83,492	86,896
Earnings per common share				
Basic (A/B)	\$ 0.07	\$ 0.15	\$ 0.18	\$ 0.26
Diluted (A/C)	\$ 0.07	\$ 0.15	\$ 0.18	\$ 0.26

⁽¹⁾ Share information is presented in thousands of common shares.

The following table summarizes the outstanding stock options and warrants that are not included in the above calculation because their exercise prices are above the average market price of the Company's shares for the period:

	Three Months Ended Sept 30,		Nine Months Ended Sept 30,	
	2008	2007	2008	2007
Options ⁽¹⁾	6,795	4,794	6,354	4,794
Warrants ⁽¹⁾	-	6,206	-	6,206

⁽¹⁾ Information is presented in thousands.

15. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Accounts receivable	\$ 2.1	\$ 0.2	\$ 0.4	\$ 2.8
Income taxes receivable or payable	(0.2)	9.3	(6.0)	14.8
Prepays, deposits and other assets	2.4	3.6	0.1	(2.1)
Accounts payable and accrued liabilities	(7.8)	(0.1)	(1.7)	1.7
	\$ (3.5)	\$ 13.0	\$ (7.2)	\$ 17.2

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16. FACILITY DEVELOPMENT COMMISSION APPROVED AMOUNTS

As at September 30, 2008, the Company had \$357.2 (December 31, 2007 – \$342.3) in Approved Amounts (a term defined in the Company's Casino Operating Service Agreements with British Columbia Lottery Corporation ("BCLC")) to be recovered by future Facility Development Commission ("FDC") receipts. 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.

17. ACQUISITION

On January 31, 2008, the Company acquired the assets and undertakings of Ridge Meadows Bingo Association located in Maple Ridge, British Columbia. 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 facility offers bingo seven days a week and a café. The total cash purchase price for the net assets acquired was \$1.0, of which \$0.9 was attributed to the value of the bingo operating service agreement with BCLC. Potential additional future consideration of up to \$1.3 over ten years may be payable if the BCLC and the District of Maple Ridge approve the upgrading of this facility into a Community Gaming Centre and once slot machines are installed.

18. FINANCIAL INSTRUMENTS

The Company's financial instruments and the types of risks to which their carrying values are exposed are as follows:

Financial instrument	Risks			
	Credit	Liquidity	Market risks	
			Interest rate	Currency
Measured at amortized cost:				
Cash equivalents	x			x
Due from Nova Scotia Gaming Corporation	x			
Long-term debt		x		x
Measured at fair value:				
Cash	x			x
Restricted cash	x			
Accounts receivable	x			x
Accounts payable and accrued liabilities		x		x
Cross-currency interest rate swaps (included in Derivative liabilities)	x	x	x	x

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18. FINANCIAL INSTRUMENTS (Continued)

(a) *Credit risk*

Credit risk is the risk that a party to one of the Company's financial instruments will cause a financial loss to the Company by failing to discharge an obligation. The carrying values of the Company's financial assets, which represent the maximum exposure to credit risk, are as follows:

	September 30,
	2008
Cash	\$ 66.4
Cash equivalents	8.8
Restricted cash	13.3
Accounts receivable	12.7
Due from Nova Scotia Gaming Corporation	4.2
	\$ 105.4

Cash, cash equivalents and restricted cash: Credit risk associated with these assets is minimized substantially by ensuring that these financial assets are placed in the debt instruments of Canadian and U.S. federal governments and well-capitalized financial institutions.

Accounts receivable and Due from Nova Scotia Gaming Corporation: Credit risk associated with these assets is minimized due to their nature. The majority of these receivable balances are due from the Nova Scotia Gaming Corporation (a branch of that province's government), reputable racetrack operators, interest earned from financial institutions and sales tax rebates from the federal government. The provision for doubtful accounts receivable is estimated based on an assessment of individual accounts and the length of time balances have been outstanding.

Cross-currency interest rate swaps: At September 30, 2008, the Company's swaps were in a liability position, mainly because the U.S. dollar has weakened significantly compared to the Canadian dollar since the cross-currency interest rate swap agreements were executed. If the US LIBOR interest rate changes and the Canadian dollar declines compared to the U.S. dollar relative to where it was at the inception of the Company's swaps, the value of these swaps could move to an asset position. The credit risk associated with these cross-currency interest rate swap agreements is mitigated since the counterparties to these swaps are Canadian chartered banks with minimum "A" credit ratings.

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18. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by monitoring its capital structure (See Note 8), regularly monitoring forecast and actual cash flows, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within the Revolving Credit Facility (See Note 7). The Company expects the following maturities of its financial liabilities (including interest) and operating leases and contracts:

	Expected payments by period as at September 30, 2008				
	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	\$ 83.9	-	-	-	\$ 83.9
Payments related to cross-currency interest rate swaps	27.7	55.0	54.5	415.0	552.2
Receipts related to cross-currency interest rate swaps	(22.9)	(45.5)	(45.1)	(373.8)	(487.3)
Term Loan B and Subordinated Notes	22.9	45.5	45.1	373.8	487.3
Revolving Credit Facility	1.6	3.1	35.6	-	40.3
Operating leases and contracts	8.1	12.5	9.0	6.6	36.2
Total	\$ 121.3	\$ 70.6	\$ 99.1	\$ 421.6	\$ 712.6

The expected payments related to the cross-currency interest rate swaps (See Note 9) represent the Canadian dollar fixed interest and principal payments required 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 September 30, 2008 foreign currency exchange rate.

The Term Loan B and the Subordinated Notes (See Note 7) amounts represent interest and principal payments, converted to Canadian dollars at the September 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 September 30, 2008 of 4.30% 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 September 30, 2008. The interest rates applicable at September 30, 2008 to the various drawings, which range between 4.41% and 4.56%, have been applied to all future periods in the above table.

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 Racecourse and commitments to NSGC to fund responsible gaming programs.

The Company believes that it will not encounter difficulty in meeting the obligations associated with its financial liabilities and further believes that if necessary, it would be able to access the capital markets for additional financial resources at prevailing market rates.

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18. FINANCIAL INSTRUMENTS (Continued)

(c) *Market risk*

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates and/or foreign currency exchange rates. With the exception of its cross-currency interest rate swaps, the carrying amounts of the Company's financial instruments are not subject to interest rate risk. The following table sets out a sensitivity analysis of the effect on the carrying amount of the Company's financial instruments (with the exceptions of its long-term debt and cross-currency interest rate swaps described below) that are subject to foreign currency risk by applying reasonably possible changes in foreign currency rates relative to the Company's functional currency, the Canadian dollar:

	Carrying amount September 30, 2008	Foreign Currency Risk ⁽¹⁾			
		-25%		+25%	
		Net earnings	OCI ⁽²⁾	Net earnings	OCI ⁽²⁾
Financial Assets					
Cash	\$ 66.4	\$ (1.1)	\$ (1.5)	\$ 1.1	\$ 1.5
Cash equivalents	8.8	-	(2.1)	-	2.1
Accounts receivable	12.7	(0.2)	-	0.2	-
Financial Liabilities					
Accounts payable and accrued liabilities	(83.9)	0.4	1.3	(0.4)	(1.3)
Total (decrease) increase		\$ (0.9)	\$ (2.3)	\$ 0.9	\$ 2.3

⁽¹⁾Displayed is the effect on the Company's U.S. denominated financial assets and liabilities if the value of the U.S. dollar were to decrease or increase relative to the Canadian dollar by 25% from the actual period end rate.

⁽²⁾OCI - "Other Comprehensive Income".

Long-term debt and cross-currency interest rate swaps

The Company is required to make payments on the Senior Secured Term Loan B and Senior Subordinated Notes in U.S. dollars. The Company has mitigated its exposure to fluctuations in interest rates and foreign currency rates related to its U.S. denominated debt. The Company entered into a series of cross-currency interest rate swaps that effectively converted both the U.S. dollar floating interest rate Senior Secured Term Loan B and the U.S. dollar fixed interest rate Senior Subordinated Notes into Canadian dollar fixed interest rate debt (See Notes 7 and 9). The fair values of the U.S. denominated debt and related cross-currency interest rate swap derivatives fluctuate with changes in market interest rates and foreign exchange rates, but their respective future cash flows do not. Consequently, absent early redemption at the Company's option, the market risks of the U.S. denominated debt and cross-currency interest rate swaps are effectively eliminated.

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18. FINANCIAL INSTRUMENTS (Continued)

(c) *Market risk (Continued)*

Revolving Credit Facility

The Revolving Credit Facility has an interest rate on advanced amounts and a commitment fee on the unused facility that are based on the Total Debt to Adjusted EBITDA ratio (defined in the underlying debt agreement) which is calculated quarterly. The following table summarizes the interest rate and commitment fee on the Revolving Credit Facility that apply, depending on the Company's quarterly Total Debt to Adjusted EBITDA ratio calculated for the most recent trailing twelve months:

Total Debt / Adjusted EBITDA	Margin on Bankers' Acceptances or Eurodollar Rate Advances & Letters of Credit	Margin on Canadian Prime Rate or U.S. Base Rate Advances	Commitment Fee
≥ 4.50	2.25%	1.00%	0.50%
4.00 to < 4.50	1.88%	0.63%	0.40%
3.50 to < 4.00	1.63%	0.38%	0.35%
3.00 to < 3.50	1.38%	0.13%	0.30%
2.50 to < 3.00	1.13%	0.00%	0.25%
2.00 to < 2.50	0.88%	0.00%	0.20%
< 2.00	0.75%	0.00%	0.18%

(d) *Fair values*

The fair values of cash and cash equivalents, restricted cash, accounts receivable, due from Nova Scotia Gaming Corporation, accounts payable and accrued liabilities and cross-currency interest rate swaps approximate their carrying values.

The fair values of the Company's long-term debt instruments total \$340.0 as at September 30, 2008 and are estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same maturity.

The fair values of the Company's cross-currency interest rate swaps at September 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 September 30, 2008.