



GREAT CANADIAN GAMING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended
December 31, 2008

As at March 9, 2009

(Expressed in millions, except for share information)

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INTRODUCTION

Basis of Discussion and Analysis

This management's discussion and analysis ("MD&A") of Great Canadian Gaming Corporation (the "Company", "we", "our") is dated as of March 9, 2009. This MD&A should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2008 and 2007 ("Annual Financial Statements").

The Annual Financial Statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). 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 revenues and 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 or in other jurisdictions.

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.

To arrive at adjusted net earnings, the Company removes items of note, net of income taxes, from net earnings. The items of note relate to items that management does not believe are indicative of underlying business performance. Items of note may vary from time to time and may include: the effect of voluntary forfeitures of employee stock options, the reduction of management bonus accruals, future income tax recoveries due to changes in statutory tax rates, restructuring and other expenses, former debt redemption costs and significant asset impairments. We believe adjusted net earnings provides the reader with a better understanding of the Company's underlying business performance. A reconciliation between net earnings (loss) and adjusted net earnings is presented in the Financial Highlights section of 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").

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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 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 Information

This MD&A contains certain "forward-looking information" within the meaning of applicable securities legislation. Forward-looking information is based on the Company's current expectations, estimates, projections and assumptions that were made by the Company in light of its historical trends. All information that addresses expectations or projections about the future, including information about the Company's strategy for growth, expected future expenditures, costs, operating and financial results and expected impact of future commitments, is forward-looking information. Such information is not a guarantee of future performance and involves a number of risks and uncertainties. Although forward-looking information is based on information and assumptions which the Company believes are current, reasonable and complete, these statements are subject to a number of factors that could cause actual results to vary materially from those expressed or implied by its forward-looking information.

Such factors may include, but are not limited to: terms of operational service agreements with lottery corporations; pending, proposed or unanticipated regulatory or policy changes; 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 some Crown land on which we conduct our operations; future or current legal proceedings; construction disruptions; financial covenants associated with credit facilities and long-term debt; credit, liquidity and market risks associated with our financial instruments; interest and exchange rate fluctuations; non-realization of cost reductions and synergies; demand for new products and services; fluctuations in operating results; and economic uncertainty and financial market volatility.

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 2008, and as identified in the Company's disclosure record on SEDAR at www.sedar.com.

The forward-looking information in documents incorporated by reference speak only as of the date of those documents. Readers are cautioned not to place undue reliance on the forward-looking information, as there can be no assurance that the plans, intentions, or expectations upon which they are based will occur. The Company undertakes no obligation to publicly revise forward-looking information to reflect subsequent events or circumstances. The forward-looking information contained herein is made as of the date hereof and is expressly qualified in its entirety by cautionary statements in this MD&A.

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FINANCIAL HIGHLIGHTS

	Fourth Quarter			Twelve Months of			
	2008	2007	% Chg	2008	2007	% Chg	2006 % Chg
Revenues	\$ 96.7	\$ 100.7	(4%)	\$ 403.7	\$ 397.2	2%	\$ 385.2 3%
EBITDA ⁽¹⁾	\$ 23.6	\$ 27.9	(15%)	\$ 107.7	\$ 111.0	(3%)	\$ 98.2 13%
Human resources as a % of Revenues before Promotional allowances	42.8%	43.6%		43.1%	44.1%		45.2%
EBITDA as a % of Revenues	24.4%	27.7%		26.7%	27.9%		25.5%
Net earnings (loss)	\$ (1.7)	\$ 13.0		\$ 13.5	\$ 35.8	(62%)	\$ (18.6)
Earnings (loss) per common share:							
Basic	\$ (0.02)	\$ 0.15		\$ 0.16	\$ 0.42		\$ (0.22)
Diluted	\$ (0.02)	\$ 0.15		\$ 0.16	\$ 0.41		\$ (0.22)
Total assets				\$ 1,024.0	\$ 957.4	7%	\$ 940.7 2%
Long-term debt, excluding current portion				\$ 440.0	\$ 329.4	34%	\$ 390.3 (16%)
Derivative liabilities				\$ 23.4	\$ 62.8	(63%)	\$ -

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

For the twelve month period ended December 31, 2008 ("twelve months of 2008") Great Canadian Gaming Corporation ("the Company") reported revenues of \$403.7, a 2% increase from the twelve months of 2007, while EBITDA declined to \$107.7, a 3% decrease from the twelve months of 2007. The revenues increase for the twelve months of 2008 reflects the continued strength of the Company's flagship property, the River Rock Casino Resort ("River Rock"), and the addition of new gaming devices at both Fraser Downs Racetrack and Casino ("Fraser Downs") and Hastings Racecourse ("Hastings").

The EBITDA decline for the twelve months of 2008 was primarily due to a challenging three month period ended December 31, 2008 ("fourth quarter of 2008"), which generated revenues of \$96.7, a 4% decrease from the fourth quarter of 2007, and EBITDA of \$23.6, a 15% decrease from the fourth quarter of 2007. The fourth quarter of 2008 was impacted by three factors:

Heavy snowfall: British Columbia, where 73% of the Company's 2008 revenues were generated, witnessed heavy snowfall from December 13, 2008 until the end of the year. This snowfall had an adverse impact on visitation, and was a major factor in reducing gaming revenues in British Columbia by 18% when compared to December 2007.

Evolving competitive landscape: In November 2008, one of the Company's competitors completed an enhancement of their flagship property. Historically, the completion of a redevelopment generates a temporary increase in visitation, and this enhancement caused the Company's market share within British Columbia to decrease from 49% in October to 45% in November and 44% in December. The Company anticipates that this metric will soon return to prior levels, and preliminary results from the first two months of 2009 support this belief.

Declines in consumer spending due to a weakening economy: The presence of the two preceding factors makes it difficult to isolate the impact of the weakening economy on the Company's business during the fourth quarter of 2008. However, during October 2008, a period prior to both the change in competitive environment and the heavy snowfall, the Company recorded same-store sales that were consistent with those recorded in October 2007. The Company believes that consumer spending declined during November and December of 2008, and that that this trend will likely continue in 2009.

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The revenues reduction caused by the above factors had a significant impact on the Company's EBITDA, which declined at all British Columbia properties for the fourth quarter of 2008, when compared to the fourth quarter of 2007. EBITDA was also impacted by increased marketing expenditures in the quarter, which were designed to reduce the impact of the new competition. The EBITDA decline was somewhat offset by improvements at the Company's properties in Ontario and Nova Scotia, as well as the reduction of an accrual related to management bonuses.

For the fourth quarter of 2008, the Company's EBITDA as a percentage of revenues was 24.4%, a 3.3 percentage point decrease from the fourth quarter of 2007. For the twelve months of 2008, this percentage was 26.7%, a 1.2 percentage point decline from the level achieved in the twelve months of 2007. This metric was also significantly impacted by the factors mentioned above.

Net earnings decreased \$14.7 in the fourth quarter of 2008 and \$22.3 in the twelve months of 2008 compared to the fourth quarter and twelve months of 2007, respectively. The current and prior year's net earnings included some items of note, the after-tax effects of which are summarized in the following table:

	Fourth quarter			Twelve months of				
	2008	2007	% Chg	2008	2007	% Chg	2006	% Chg
Net earnings (loss)	\$ (1.7)	\$ 13.0		\$ 13.5	\$ 35.8		\$ (18.6)	
Items of note, net of tax								
Stock-based compensation - voluntary forfeiture of stock options	5.8	-		5.8	-		-	
Reduction of management bonus	(2.1)	-		(2.1)	-		-	
Restructuring and other expenses	1.0	0.3		2.2	0.7		7.0	
Future income tax recoveries due to decreases in enacted statutory tax	(0.5)	(10.5)		(1.6)	(11.5)		(5.2)	
Other future tax changes	-	2.0		-	(3.0)		-	
Former debt redemption costs	-	-		-	-		20.4	
Hastings goodwill impairment	-	-		-	-		9.9	
Adjusted net earnings ⁽¹⁾	\$ 2.5	\$ 4.8	(49%)	\$ 17.8	\$ 22.0	(19%)	\$ 13.5	63%

⁽¹⁾ A non-GAAP measure

After adjusting for the above items of note, the Company's adjusted net earnings decreased 49% for the fourth quarter of 2008 and decreased by 19% for the twelve months of 2008 when compared to the fourth quarter and twelve months of 2007.

For the twelve months of 2007, net earnings increased to \$35.8 from a net loss of \$18.6 recorded for the twelve months of 2006. This increase is mainly the result of the \$32.1 after-tax affect of the items of note from 2006 and the \$13.8 after-tax effect of the items of note from 2007 summarized in the table above, as well as improved operating results driven by revenue growth and operational efficiencies. For the twelve months of 2007, our revenues increased 3% to \$397.2 and EBITDA increased 13% to \$111.0 compared to the twelve months of 2006. The \$12.0 revenue increase resulted primarily from our B.C. casino and Racino properties that included the introduction of table games at Fraser Downs and slot machines at Hastings. The \$12.8 EBITDA increase resulted primarily from the same reasons revenues increased and a continued focus on improving operating efficiencies.

Total assets increased \$66.6 in 2008 compared to 2007 primarily due to a \$136.7 increase in property, plant and equipment net of amortization that was financed by a \$63.5 decrease in cash and cash equivalents and a \$6.6 reduction in other assets.

Long-term debt, excluding current portion increased \$110.6 in 2008 compared to 2007 primarily due to the \$76.5 increase in the values of the U.S. dollar denominated Senior Secured Term Loan B and Senior

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Subordinated Notes that arose from the foreign currency translation effect of the increased U.S. dollar relative to the Canadian dollar and an additional \$34.1 of net borrowings of long-term debt. The \$76.5 increase in the values of the Senior Secured Term Loan B and Senior Subordinated Notes was effectively hedged by the change in value of our cross-currency interest rate swaps.

Total assets increased \$16.7 in 2007 compared to 2006 primarily due to a \$50.3 increase in cash and cash equivalents caused by cash generated from operations that was partly offset by decreases in the amounts due from Nova Scotia Gaming Corporation, intangible assets, and current and future income taxes receivable.

Long-term debt, excluding current portion decreased \$60.9 in 2007 compared to 2006 primarily due to the repayment of the \$41.7 Flamboro Promissory Note in 2007 and the debt-refinancing that took place in that year which effectively converted the Company's Canadian dollar denominated long-term debt into U.S. dollar denominated debt. The year-end 2007 value of the Company's U.S. dollar denominated long-term debt decreased compared to the previous year's Canadian dollar denominated long-term debt due to the foreign currency translation effect of the decreased U.S. dollar relative to the Canadian dollar in 2007.

BUSINESS DESCRIPTION

General

Great Canadian Gaming Corporation is a multi-jurisdictional gaming and entertainment operator with operations in British Columbia ("BC"), Ontario and Nova Scotia, Canada, and Washington State, United States of America ("Washington"). We operate ten casinos, a thoroughbred racetrack that offers slot machines, four standardbred racetracks (two offer slot machines and one offers both slot machines and table games), a community gaming centre, a hotel & conference centre, two show theatres, a bingo hall and various associated food and beverage and entertainment facilities. In Canada we operate our casinos in managed markets with high barriers to entry and under long-term agreements as partners with provincial lottery corporations. Under our operating agreements in BC and Nova Scotia we are reimbursed for the majority of our capital projects. As of December 31, 2008 the Company had approximately 5,300 employees.

Information on the Canadian and Washington State gaming industries, regulatory environment and our operating agreements in these jurisdictions are included in our Annual Information Form located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

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The Company's principal operating entities as at December 31, 2008 are:

Entity	Ownership interest at December 31, 2008 and 2007
Flamboro Downs Limited	100%
Georgian Downs Limited	100%
Great American Gaming Corporation	100%
Great Canadian Casinos Inc.	100%
Great Canadian Entertainment Centres Ltd.	100%
Hastings Entertainment Inc.	100%
Metropolitan Entertainment Group	100%
Orangeville Raceway Limited	100%
TBC Teletheatre B.C.	50% ⁽¹⁾

⁽¹⁾ On March 18, 2005, the Company increased its ownership interest in TBC to 50% and effectively controlled and consolidated its operating results from that date.

Business Strategy

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

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

Complete the build out of and grow our current assets. The provincial Crown corporations responsible for gaming have been taking steps to limit the number of gaming facilities in our markets, providing incumbent facilities' operators like us with opportunities to improve penetration. As a result of significant capital investment since 2003, we have many assets that are new or newly-renovated and are well positioned to capture benefits in the form of increased revenues and improved profitability. Subject to Crown corporation approval, we may also seek ways to expand the gaming products and services we offer at our facilities.

Look for appropriate expansion opportunities. The gaming industry in Canada, in its current form with large-scale, commercial casinos, is relatively new compared to that in the United States. We believe there are still growth opportunities in Canada. Our primary focus will continue to be the optimization of our existing properties, but we may also consider further expansion opportunities and additional acquisition opportunities.

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Operations

The following table summarizes our Canadian casino operations as at December 31, 2008:

Facility and Location	Year Built/ Renovated	Additional Facilities and Activities	Slot Machines	Table Games	Operating Agreements Expiry Date ⁽¹⁾
British Columbia					
River Rock Casino Resort, Richmond, B.C.	Casino: 2004 Hotel & Theatre: 2005 Conference Centre: 2007	202 room hotel, 950 seat show theatre, 7 dining options, conference facilities, pool/spa, Racebook ⁽²⁾ , marina	888	100	June 23, 2014/ June 23, 2024
Boulevard Casino, Coquitlam, B.C.	Casino: 2005 Theatre: 2006	1,100 seat show theatre, 4 dining options, Racebook ⁽²⁾	939	81	November 16, 2015/ November 16, 2025
View Royal Casino, Victoria, B.C.	2001	1 dining option	436	18	February 28, 2011/ February 28, 2021
Nanaimo Casino, Nanaimo, B.C.	1997	1 dining option	394	8	February 28, 2011/ February 28, 2021
Chances Gaming Entertainment, Dawson Creek, B.C.	2006	Bingo, 1 dining option, Racebook ⁽²⁾	150	-	June 30, 2016/ June 30, 2026
Hastings Racecourse (Thoroughbred Racing), Vancouver, B.C.	2008	3 dining options, concession, Racebook ⁽²⁾	600	-	October 28, 2012/ October 28, 2027
Fraser Downs Racetrack and Casino ⁽³⁾ (Standardbred Racing), Surrey, B.C.	2005	4 dining options, Racebook ⁽²⁾	457	8	March 31, 2014/ March 31, 2024
TBC Teletheatre B.C. ⁽²⁾	various	20 Racebooks ⁽²⁾	-	-	-
Haney Bingo Plex Maple Ridge, B.C.	1985	525 seat bingo hall, concession	-	-	May 1, 2011/ May 1, 2016
Ontario					
Georgian Downs (Standardbred Racing), Innisfil, Ontario	2001	4 dining options, concession	455 ⁽⁴⁾	-	November 30, 2021/ November 30, 2026
Flamboro Downs (Standardbred Racing), Flamborough, Ontario	2001	4 dining options, entertainment lounge, conference facility	802 ⁽⁴⁾	-	October 10, 2010/ October 10, 2015
Nova Scotia					
Casino Nova Scotia Halifax ⁽⁵⁾ , Halifax, Nova Scotia	2006	2 dining options, entertainment lounge, conference facility	634	32	July 1, 2015/ July 1, 2025 ⁽⁵⁾
Casino Nova Scotia Sydney ⁽⁵⁾ , Sydney, Nova Scotia	2006	1 dining option, lounge	310	10	July 1, 2015/ July 1, 2025 ⁽⁵⁾
			6,065	257	

⁽¹⁾ Subject to renewal terms, at the option of Company, for ten years in BC and NS. Subject to renewal terms, at the option of the OLG, for five years in ON.

⁽²⁾ We own or hold an interest in 20 Racebooks in British Columbia. We own and operate three Racebooks; one at each of Hastings Racecourse, Fraser Downs Racetrack and Casino, and Sandown Racetrack. The remaining 17 Racebooks, including those at River Rock Casino Resort, Boulevard Casino, and Chances Gaming Entertainment are operated by TBC Teletheatre B.C. We own a 50% interest in TBC Teletheatre B.C. and the remaining 50% interest is held by two horsemen's associations, the British Columbia Standardbred Association and the Horsemen's Benevolent and Protective Association.

⁽³⁾ Our Orangeville subsidiary operates Fraser Downs Racetrack and Casino as well as Sandown Racetrack in North Saanich, B.C.

⁽⁴⁾ Slot machines at Georgian Downs and Flamboro Downs are owned and operated by OLG.

⁽⁵⁾ The Casino Nova Scotia Halifax and Casino Nova Scotia Sydney operate under a single operating agreement.

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The following table summarizes our racetrack operations and the number of actual live race days in 2007 and 2008 as well as those expected for 2009:

Name	Location	Live Race Days		
		2007	2008	2009 Expected
Hastings Racecourse	Vancouver, BC	68	71	76
Fraser Downs Racetrack and Casino	Surrey, BC	105	110	110
Georgian Downs	Innisfil, ON	93	108	108
Flamboro Downs	Flamborough, ON	225	225	225
		491	514	519

All of our racetrack operations are outfitted for simulcast wagering. This allows patrons to place wagers on live horse racing events from around the world.

British Columbia

Regulatory

In British Columbia, gaming activities are managed and conducted by the BCLC. BCLC in turn engages service providers, such as the Company, to operate the gaming activities pursuant to operational services agreements. The Company earns a commission based on the gaming win, but a significant portion of that gaming win is retained by BCLC. According to BCLC's annual report, the BCLC provides its share of the gaming win to the Province of British Columbia, which then dedicates the funds to many areas including: the general revenue fund, the Health Special Account for health care expenditures, and disbursements to charitable organizations.

Since 1997, when BCLC assumed responsibility for casino games and introduced slot machines in the BC marketplace, the casino business has experienced double-digit growth and is now BCLC's largest revenue stream. BCLC's priority remains to upgrade existing casino facilities with higher quality properties sized to fit the marketplace and providing a more diverse entertainment experience for players. We believe the market and regulatory environment favours the incumbent service suppliers in the province.

BCLC's strategy is to continue to develop casino properties that provide players with an exceptional entertainment experience and position casino gaming as a major tourism attraction where market demand allows. BCLC is also working closely with service provider partners to provide players with tournaments and services that provide entertaining gaming experiences. As well, the Facility Development Commission ("FDC") component of the operational services agreements encourages service providers such as the Company to receive additional commissions by investing capital in improving or redeveloping their gaming facilities.

According to BCLC's annual report for its fiscal year ended March 31, 2008, the Company had 38% of the province's slot machines and 46% of the province's table games. The Company's share of the province's total win from slot machines and table games was 41%.

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Seasonality

While the Company's BC casinos operate year-round, its racetracks are subject to seasonal variations due to planned limited live racing seasons. Live racing at Hastings operates from late-April to early-November. Live racing at Fraser Downs operates from mid-September to late-June. Slot machines and Racebooks at both locations operate year-round.

While Metro Vancouver and Vancouver Island, where our BC casinos are located, do not generally experience harsh weather during the summer or winter months like the rest of Canada, extreme weather conditions can have a negative impact on short-term attendance at our BC casinos.

Ontario

Regulatory

In Ontario, gaming activities are managed and conducted by the OLG. The OLG operates three different gaming models: commercial casinos (four sites); racetrack slots and charity casinos (17 racetrack sites and six charity casino sites); and lotteries and bingo. In Ontario, the Company operates two racetracks, with slot operations run by OLG pursuant to siteholder agreements. The Company earns a siteholder payment based on the win generated from the OLG slot machines, but a substantial portion of that win is retained by the OLG. According to the OLG website, it directs gaming proceeds to provincial hospitals, sport, recreational and cultural activities, and to charitable organizations and non-profit corporations through the Ontario Trillium Foundation, and other government priority programs such as health care and education.

The mandate for the OLG, as set out in its 2005-06 Annual Report, is to focus on social responsibility in gaming and to ensure the competitiveness of Ontario's gaming industry.

Seasonality

The Company's Ontario racetracks operate year-round and are typically subject to seasonal variations associated with extreme weather conditions.

Nova Scotia

Regulatory

In Nova Scotia, gaming activities are managed and conducted by the NSGC. The NSGC operates two different gaming models: commercial casinos, of which we operate the only two in the province, and video lottery terminals, which are permitted in licensed liquor establishments, curling clubs and on First Nations' land. The Company is a service supplier to the NSGC and earns a commission based on our casinos' revenue, but a significant portion of the revenues are retained by NSGC. According to the NSGC's website, revenues retained by it are directed to the provincial government's programs and services including investments in infrastructure, hospitals, and schools as well as community outreach and prevention programs.

Seasonality

The gaming industry in Nova Scotia has historically peaked during the summer months, primarily as a result of the influx of tourists and weather conditions. As a result, revenues in these months are normally higher than in others.

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Washington State

The following table summarizes our Washington gaming operations as at December 31, 2008:

Name	Location	Table Games
Great American Casino Everett	Everett, WA	15
Great American Casino Kent	Kent, WA	14
Great American Casino Lakewood	Lakewood, WA	15
Great American Casino Tukwila	Tukwila, WA	15
		<hr/>
		59

Regulatory

In Washington State, gaming operations are regulated by the Washington State Gambling Commission ("WSGC") and fall into three categories: charitable, commercial and tribal. The Company operates four commercial card rooms in the Greater Seattle area.

The commercial gaming environment in Washington State is highly regulated but does not have the significant barriers to entry associated with our Canadian operations. Washington State card room operations are conducted pursuant to house banked card room licenses which limit the number of table games to fifteen per location. These card room licenses must be renewed annually with WSGC, and the Company's renewals have historically been granted automatically by the WSGC.

MAJOR DEVELOPMENTS

The Canadian economy is currently undergoing a period of weakness, and witnessing commensurate declines in consumer spending. The Company believes that this decline impacted its results for the fourth quarter of 2008, and that this impact will continue until the economy begins a recovery. Given this economic uncertainty, the Company is taking aggressive steps to reduce its expenses throughout this economic period. Operating hours have been adjusted at several properties, and all discretionary spending is under review. Additionally, all properties have had their staffing levels reduced. These reductions, which as of February 28, 2009 had resulted in the termination of 430 employees, generated \$1.4 of associated restructuring charges in the fourth quarter of 2008 and \$5.7 in the first quarter of 2009. The Company continues to investigate opportunities to further improve the efficiency of its operations.

The Company has also elected to take a very conservative approach to capital deployment. Certain projects have had their timelines revised, and additional revisions may be deemed necessary if the Company's markets display further evidence of vulnerability to the economic environment.

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

(\$ in millions)

Property	Development Project	Est. Completion Date	Est. Total Budget	Spend (Accrual Basis)		
				To December 31, 2008	In fourth quarter 2008	Est. for 2009
River Rock Casino Resort	Hotel footings and infrastructure; 1,200 stall parking garage; 21,000 sq ft of commercial space; 320 hotel and casino parking spaces (\$90.0)	600 stalls completed in September '08, balance by November '09	\$169.0	\$80.7	\$22.5	\$36.0
	New gaming capacity; upgraded VIP facilities; enhanced F&B offerings; atrium renovation (\$34.0)	Some upgraded VIP facilities complete January '09, balance by January '10				
	Additional new gaming capacity; additional upgraded VIP facilities (\$17.0)	Pending revision				
	5 storey, 191 room hotel tower (\$28.0)	Pending revision				
Georgian Downs	550 slot machines of new gaming capacity	400 new slots installed in Q3/09, balance in Q2/10	\$30.3	\$10.3	\$3.8	\$17.1
Hastings Racecourse	Installation of 600 slot machines and amenity upgrades	All slots installed in Q3/08	\$40.0	\$31.0	\$0.8	\$0.1
View Royal Casino	560 stall parking garage; new gaming capacity (\$25.0)	Parking garage completed in December '08, new gaming capacity in first half of '09	\$50.0	\$22.0	\$7.0	\$3.0
	Further new gaming capacity; amenity upgrades (\$25.0)	Pending revision				

British Columbia

Development Pipeline Revisions

The Company has decided to revise the timelines of three of its current development projects: The third hotel tower at River Rock, which had a construction cost of approximately \$28.0, the casino enhancement at View Royal, which had a construction cost of approximately \$25.0, and a portion of the enhancement of the existing River Rock Casino Resort, which had a construction cost of approximately \$17.0. All of these projects will be completed as originally scoped, but at a later date than originally anticipated. New timelines for their completion will be announced once greater clarity is available around future market conditions.

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River Rock Casino Resort

The Company is currently developing several enhancements to the River Rock Casino Resort. These enhancements are designed to capitalize on the increased traffic generated by the Canada Line, Vancouver's new mass transit system that is expected to open in 2009, and will position River Rock to further build upon its leading position in the Vancouver market. The enhancements include room for additional gaming capacity at the facility, should the anticipated increase in traffic warrant it, as well as upgrades to the property's amenities and VIP offerings. A portion of the upgraded VIP offerings reached completion in January of 2009. The balance of this project should reach completion by January of 2010, at a cost of approximately \$30.0.

In 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 River Rock in Richmond, British Columbia. On August 22, 2008, the Company entered into definitive agreements for this transaction.

The first 600 stalls of this parking garage were completed in September 2008 and are currently available for use. The remaining 600 stalls are expected to reach completion by November 2009, at which time the agreed parking services for Canada Line passengers will commence.

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 as at June 2008), 2.6 acres of which is being used for the new parking garage, and \$2.5 in cash. As at December 31, 2008 the Company has received legal title to approximately 3.8 acres of the land and the remaining 1.2 acres will be transferred to the Company once its 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.

The new parking garage will address River Rock's existing weekend and evening parking shortage, in addition to providing additional capacity for future patron demand. As at December 31, 2008, BCLC has approved \$17.9 of this parking facility's incurred capital expenditures to date for accelerated FDC reimbursement. The Company will also receive incremental revenue from the operation of the parking garage during the hours the stalls are dedicated to Canada Line passengers. The additional 2.4 acres of land to be received will provide the Company future opportunities for new development in a style and function that is complementary to the existing River Rock facility.

The Company is also developing approximately 320 additional parking spaces and 21,000 square feet of commercial space. These facilities, including the Canada Line Bridgeport station, will connect directly to the existing River Rock complex using an enclosed sky bridge. The additional parking spaces and commercial space are expected to reach completion by January of 2010, prior to the 2010 Vancouver Olympic Games.

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View Royal Casino

In May 2008, the Company commenced the redevelopment of the View Royal Casino, including the construction of a 560 stall parking garage. The Company also entered into an agreement to acquire approximately 1.5 acres of commercial property adjacent to the casino, which will create 160 stalls of additional surface parking capacity. The parking garage reached completion on December 31, 2008. The Company also plans to increase View Royal's slot gaming capacity by approximately 33% within the first half of 2009, subject to BCLC approval. As at December 31, 2008, BCLC has approved approximately \$5.7 of this development's incurred capital expenditures to date for accelerated FDC reimbursement. The anticipated cost of this development is \$25.0 million.

Hastings Racecourse

On August 15, 2008, the Company completed the installation of 600 slot machines at Hastings Racecourse, and thus the gaming component of that facility's redevelopment. The complete redevelopment includes an estimated \$40.0 in capital improvements during the initial five-year term of Hastings' operating agreement with the City of Vancouver.

Haney Bingo Plex

In January 2008, the Company purchased the assets and undertakings of Ridge Meadows Bingo Association for cash consideration of \$1.0, of which \$0.9 was attributed to the value of the bingo operating service agreement with BCLC. 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 upgrade of this facility into a Community Gaming Centre and once slot machines are installed.

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 during the third quarter of 2009, and that the balance of the new slot capacity will reach completion in early 2010.

In addition, through supplemental agreements, the OLG has extended the term and guaranteed the Company's 10% slot machine revenue share through to November 30, 2021. The supplemental agreements include a provision for extension until November 30, 2026, at OLG's discretion. With an extension of its siteholder agreement for the property secured, the Company is moving forward with drafting a master plan for further development at Georgian Downs.

Nova Scotia

In April of 2008, the Company implemented significant operational changes at its Nova Scotia casinos. These changes were intended to better align the Nova Scotia casinos' offerings with their markets' demands, and included adjusting the gaming capacity at both locations, reducing staff, and scaling back the operating hours of the Halifax Casino.

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Washington State

On July 24, 2008, the Great American Casino in Everett, Washington moved to a temporary facility to accommodate the remodeling of its permanent location, where it returned on November 18, 2008.

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 disruption will be more than offset by a corresponding long-term benefit.

Normal Course Issuer Bid

On July 23, 2007, the Company commenced a normal course issuer bid which ended on July, 22, 2008. The Company received approval from the TSX to commence another issuer bid on September 19, 2008. This 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. The current normal course issuer bid allows the Company to purchase up to 6.2 million of its common shares representing approximately 10% of the public float of the common shares in 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.

During the three months ended December 31, 2008, the Company purchased 362,400 common shares at a cost of \$2.1 and during the twelve months ended December 31, 2008, the Company purchased 2,747,800 common shares at a cost of \$29.2.

The Company can purchase up to an additional 5.7 million of 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.

MARKET UPDATE

British Columbia

In December 2007, the Starlight Casino opened in New Westminster, replacing the Royal City Star riverboat casino, which closed in December 2007. In November 2008, the Grand Villa Casino Burnaby opened, replacing the Burnaby Casino, which closed in November 2008. Although the Company's properties are not in the same cities as these casinos, a targeted marketing campaign has been introduced to minimize any short-term impact that their openings may have had on the existing River Rock (Richmond), Boulevard (Coquitlam), Hastings (Vancouver) and Fraser Downs (Surrey) properties.

In February 2008, a community gaming centre opened in Courtenay, which is 109 kilometres north of Nanaimo and 215 kilometres north of View Royal. This community gaming centre houses approximately 75 slot machines. In October 2008, a community gaming centre opened in Langley, which is 5 kilometres east of Fraser Downs. This community gaming centres currently houses approximately 50 slot machines. Both these community gaming centres lack the table games offered by our full-service casinos.

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Ontario

There have been no significant gaming market developments affecting the Company's operations in Ontario. The Company operates two live horse racing facilities (with slots operated by OLG) that are located within a one hour drive of the Greater Toronto Area ("GTA"). The GTA has a population of approximately 5.9 million, or about 42% of the province of Ontario. In Ontario, direct competitors within a two hour drive of the GTA are Casino Niagara (slot machines and table games), Niagara Fallsview Casino Resort (slot machines and table games), Casino Rama (slot machines and table games), Woodbine Racetrack (thoroughbred racing, simulcast betting and slot machines), Brantford Charity Casino (slot machines and table games), Great Blue Heron Charity Casino (slot machines and table games), Mohawk Racetrack (standardbred racing, simulcast betting and slot machines), Grand River Raceway (standardbred racing, slot machines and simulcast betting) and Ajax Downs (quarterhorse racing, slot machines and simulcast betting).

Nova Scotia

Since 2007, the Company has witnessed increased competition in the Sydney gaming market due to the expansion of and the allowance for smoking at the Membertou Entertainment Complex operated by the Membertou First Nation. The Membertou Entertainment Complex is 3 kilometres south-west of the Casino Nova Scotia Sydney facility.

Washington State

The Company's house-banked card rooms in Washington State compete with Tribal gaming facilities, which possess the ability to offer a broader array of gaming options such as slot machines, electronic gaming devices, and table games with higher betting limits. The Company believes its properties in Washington State appeal to local customers that are not regularly attracted to the Tribal gaming facilities.

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CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes the consolidated operating results for the three month and twelve month periods ended December 31, 2008 with comparatives for the prior period.

	Fourth Quarter			Twelve Months of		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 67.0	\$ 70.5	(5%)	\$ 282.3	\$ 283.0	0%
Racetrack revenues	6.9	7.3	(5%)	31.2	30.7	2%
Facility Development Commission	7.1	6.0	18%	29.4	22.9	28%
Hospitality and other revenues	18.7	19.6	(5%)	72.3	70.9	2%
	99.7	103.4	(4%)	415.2	407.5	2%
Less: Promotional allowances	(3.0)	(2.7)	11%	(11.5)	(10.3)	12%
Revenues	96.7	100.7	(4%)	403.7	397.2	2%
Human resources	42.7	45.1	(5%)	179.0	179.6	0%
Property, marketing and administration	30.4	27.7	10%	117.0	106.6	10%
	73.1	72.8	0%	296.0	286.2	3%
EBITDA	23.6	27.9	(15%)	107.7	111.0	(3%)
Human resources as a % of Revenues before Promotional allowances	42.8%	43.6%		43.1%	44.1%	
EBITDA as a % of Revenues	24.4%	27.7%		26.7%	27.9%	
Amortization	11.5	11.8		43.3	40.1	
Stock-based compensation	6.1	1.8		11.6	7.0	
Restructuring and other	1.4	0.4		3.2	1.0	
Interest and financing costs, net	6.8	5.9		27.7	24.8	
Other expenses	(0.1)	0.1		0.4	1.7	
Income taxes	(0.4)	(5.1)		8.0	0.6	
Net earnings (loss)	\$ (1.7)	\$ 13.0		\$ 13.5	\$ 35.8	
Earnings (loss) per common share:						
Basic	\$ (0.02)	\$ 0.15		\$ 0.16	\$ 0.42	
Diluted	\$ (0.02)	\$ 0.15		\$ 0.16	\$ 0.41	
Weighted average number of common shares (in thousands):						
Basic	82,108	85,410		83,069	86,227	
Diluted	82,108	85,927		83,096	86,642	

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Discussion of Results

The Company's 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

	Fourth Quarter			Twelve Months of		
	2008	2007	% Change	2008	2007	% Change
REVENUES						
Casinos						
River Rock Casino Resort	\$ 28.0	\$ 31.3	(11%)	\$ 122.2	\$ 114.5	7%
Boulevard Casino	17.4	17.9	(3%)	69.5	68.0	2%
Vancouver Island Casinos	10.1	10.8	(6%)	42.4	42.3	0%
Other BC Casinos	1.4	2.6	(46%)	6.2	15.6	(60%)
Nova Scotia Casinos	11.0	11.3	(3%)	46.3	47.6	(3%)
Great American Casinos	6.9	6.1	13%	25.4	26.6	(5%)
	74.8	80.0	(6%)	312.0	314.6	(1%)
Racinos						
BC Racinos	13.2	12.2	8%	54.3	46.8	16%
Georgian Downs	3.8	3.9	(3%)	15.6	15.0	4%
Flamboro Downs	4.7	4.5	4%	21.1	20.2	4%
	21.7	20.6	5%	91.0	82.0	11%
Corporate & Other	0.2	0.1	100%	0.7	0.6	17%
Total Revenues	\$ 96.7	\$ 100.7	(4%)	\$ 403.7	\$ 397.2	2%
EBITDA						
Casinos						
River Rock Casino Resort	\$ 8.8	\$ 12.4	(29%)	\$ 45.7	\$ 44.2	3%
Boulevard Casino	7.5	8.7	(14%)	30.2	30.6	(1%)
Vancouver Island Casinos	5.5	5.9	(7%)	22.7	23.2	(2%)
Other BC Casinos	0.2	0.5	(60%)	1.7	3.7	(54%)
Nova Scotia Casinos	2.7	0.5	440%	10.8	7.6	42%
Great American Casinos	0.6	1.1	(45%)	3.5	5.4	(35%)
	25.3	29.1	(13%)	114.6	114.7	0%
Racinos						
BC Racinos	1.4	2.7	(48%)	7.5	12.0	(38%)
Georgian Downs	1.5	1.4	7%	6.2	5.3	17%
Flamboro Downs	1.6	1.1	45%	7.3	6.4	14%
	4.5	5.2	(13%)	21.0	23.7	(11%)
Corporate & Other	(6.2)	(6.4)	3%	(27.9)	(27.4)	(2%)
Total EBITDA	\$ 23.6	\$ 27.9	(15%)	\$ 107.7	\$ 111.0	(3%)

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Casinos

River Rock Casino Resort⁽¹⁾

	Fourth Quarter			Twelve Months of		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 18.5	\$ 21.1	(12%)	\$ 82.4	\$ 79.7	3%
Facility Development Commission	2.7	1.8	50%	12.2	6.9	77%
Hospitality and other revenues	7.6	9.1	(16%)	30.5	30.1	1%
Revenues before Promotional allowances	28.8	32.0	(10%)	125.1	116.7	7%
Less: Promotional allowances	(0.8)	(0.7)	14%	(2.9)	(2.2)	32%
Revenues	28.0	31.3	(11%)	122.2	114.5	7%
Human resources	11.9	11.8	1%	49.0	46.4	6%
Property, marketing and administration	7.3	7.1	3%	27.5	23.9	15%
EBITDA	\$ 8.8	\$ 12.4	(29%)	\$ 45.7	\$ 44.2	3%
Human resources as a % of Revenues						
before Promotional allowances	41.3%	36.9%		39.2%	39.8%	
EBITDA as a % of Revenues	31.4%	39.6%		37.4%	38.6%	

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

	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Average
Table Drop	\$ 137.8	\$ 134.3	\$ 136.5	\$ 147.5	\$ 146.0	\$ 121.7	\$ 119.9	\$ 134.2	\$ 122.0	
Table Hold	\$ 27.8	\$ 33.3	\$ 26.9	\$ 37.3	\$ 30.7	\$ 25.8	\$ 24.2	\$ 32.8	\$ 27.3	
Table Hold %	20.2%	24.8%	19.7%	25.3%	21.0%	21.2%	20.2%	24.4%	22.4%	22.2%
Poker Rake	\$ 1.5	\$ 1.5	\$ 1.6	\$ 1.6	\$ 1.7	\$ 1.5	\$ 1.7	\$ 1.9	\$ 2.1	
Slot Coin-In	\$ 351.1	\$ 413.7	\$ 420.8	\$ 401.0	\$ 420.9	\$ 429.3	\$ 400.8	\$ 374.0	\$ 363.4	
Slot Win	\$ 24.8	\$ 28.3	\$ 29.1	\$ 27.9	\$ 29.7	\$ 30.3	\$ 27.9	\$ 27.3	\$ 27.1	
Slot Win/Slot/Day ⁽²⁾	\$ 308	\$ 341	\$ 354	\$ 335	\$ 351	\$ 358	\$ 333	\$ 330	\$ 320	
Slot Win %	7.1%	6.8%	6.9%	7.0%	7.1%	7.1%	7.0%	7.3%	7.5%	7.1%

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

Revenues

Gaming revenues for River Rock in the fourth quarter of 2008 decreased by 12% from the fourth quarter of 2007. This decrease was due to heavy snowfall in December of 2008, a decline in consumer spending due to economic uncertainty, and disruption from construction at the property, which reduced River Rock's slot capacity during the fourth quarter. Evidence of the heavy snowfall's impact is visible in gaming revenues for that month, which decreased by 23% when compared to the month of December 2007, and by 6% when compared to the average of the months of October and November 2008.

Table drop in the fourth quarter of 2008 decreased by \$8.2, or 6%, when compared to the fourth quarter of 2007. Slot coin-in in the fourth quarter of 2008 decreased by \$69.8, or 17%, compared to the fourth quarter of 2007. In comparison to the fourth quarter of 2007, table hold decreased by \$2.9, or 9%, table hold percentage decreased 0.8 percentage points to 20.2%, and slot win decreased by \$4.9, or 16%.

Gaming revenues for River Rock in the twelve months of 2008 increased by 3% compared to the twelve months of 2007. This increase was primarily due to both improved table game performance and a strong Chinese New Year.

FDC revenues increased by 50% for the fourth quarter and 77% for the twelve months of 2008, when

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compared to the fourth quarter and twelve months of 2007. These increases resulted from the receipt of \$5.0 in accelerated FDC revenues that River Rock did not receive during the twelve months of 2007.

Hospitality and other revenues decreased by 16% in the fourth quarter of 2008, when compared to the fourth quarter of 2007. This decrease was due to both heavy snowfall and disruption from construction at the property, which necessitated the closure or temporary relocation of several food and beverage outlets. Hospitality and other revenues increased by 1% for the twelve months of 2008, when compared to the twelve months of 2007. This increase was due to both the growing popularity of the River Rock Hotel and additions to the property's hospitality offerings, including the River Rock Conference Centre.

River Rock's average daily revenue per available room ("REVPAR") was \$129 in the fourth quarter of 2008, compared to \$128 in the fourth quarter of 2007. This was primarily due to a \$6 increase in the average daily room rate to \$168, and occurred despite a 2.5 percentage point decrease in the average hotel occupancy rate to 76.5%. This decrease was due to both heavy snowfall and disruption from construction at the property, which has also reduced River Rock's number of available rooms by 20, to 202.

Expenses

Human resources as a percentage of revenues before promotional allowances increased by 4.4 percentage points in the fourth quarter of 2008, when compared to the fourth quarter of 2007, but decreased by 0.6 percentage points for the twelve months of 2008, when compared to the twelve months of 2007. The increase in the fourth quarter was due to the reduced revenues in the fourth quarter of 2008, and a wage scale increase implemented earlier in the year.

Property, marketing and administration expenses increased by 3% in the fourth quarter and by 15% in the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. These increases can be attributed to increased marketing expenditures designed to reduce the impact of new competition.

EBITDA

EBITDA decreased by 29% for the fourth quarter of 2008, when compared to the fourth quarter of 2007. This decrease was primarily due to the reduced revenues in the fourth quarter of 2008, and the lack of a commensurate decrease in human resources expenses. EBITDA for the twelve months of 2008 increased by 3%, when compared to the twelve months of 2007. This increase was primarily due to the addition of accelerated FDC, and was partially offset by increased marketing expenditures.

EBITDA as a percentage of revenues decreased by 8.2 percentage points for the fourth quarter and 1.2 percentage points for the twelve months of 2008, when compared to the twelve months of 2007. These decreases were due to both the reduced revenues in the fourth quarter of 2008 and increased marketing expenditures, and were partially offset by the addition of accelerated FDC.

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Boulevard Casino ⁽¹⁾

	Fourth Quarter			Twelve Months of		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 13.1	\$ 13.8	(5%)	\$ 53.4	\$ 53.3	0%
Facility Development Commission	2.1	2.2	(5%)	8.8	7.9	11%
Hospitality and other revenues	2.5	2.4	4%	8.7	8.3	5%
Revenues before Promotional allowances	17.7	18.4	(4%)	70.9	69.5	2%
Less: Promotional allowances	(0.3)	(0.5)	(40%)	(1.4)	(1.5)	(7%)
Revenues	17.4	17.9	(3%)	69.5	68.0	2%
Human resources	6.3	6.4	(2%)	26.1	25.5	2%
Property, marketing and administration	3.6	2.8	29%	13.2	11.9	11%
EBITDA	\$ 7.5	\$ 8.7	(14%)	\$ 30.2	\$ 30.6	(1%)
Human resources as a % of Revenues						
before Promotional allowances	35.6%	34.8%		36.8%	36.7%	
EBITDA as a % of Revenues	43.1%	48.6%		43.5%	45.0%	

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

	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Average
Table Drop	\$ 50.9	\$ 52.7	\$ 51.8	\$ 50.9	\$ 50.4	\$ 48.6	\$ 50.4	\$ 47.1	\$ 51.4	
Table Hold	\$ 10.5	\$ 10.2	\$ 9.3	\$ 9.5	\$ 11.2	\$ 9.9	\$ 10.8	\$ 9.5	\$ 11.5	
Table Hold %	20.6%	19.4%	18.0%	18.7%	22.2%	20.4%	21.4%	20.2%	22.4%	20.3%
Poker Rake	\$ 1.4	\$ 1.3	\$ 1.2	\$ 1.3	\$ 1.4	\$ 1.2	\$ 1.4	\$ 1.4	\$ 1.4	
Slot Coin-In	\$ 470.5	\$ 521.7	\$ 531.4	\$ 515.9	\$ 504.6	\$ 512.1	\$ 493.0	\$ 443.3	\$ 404.7	
Slot Win	\$ 31.6	\$ 35.1	\$ 35.2	\$ 34.3	\$ 33.8	\$ 35.0	\$ 33.1	\$ 30.7	\$ 28.9	
Slot Win/Slot/Day ⁽²⁾	\$ 366	\$ 406	\$ 401	\$ 397	\$ 391	\$ 414	\$ 387	\$ 364	\$ 335	
Slot Win %	6.7%	6.7%	6.6%	6.6%	6.7%	6.8%	6.7%	6.9%	7.1%	6.8%

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

Revenues, Expenses and EBITDA

Gaming revenues at Boulevard decreased by 5% for the fourth quarter and were unchanged in the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. The decrease in the fourth quarter of 2008 was due to heavy snowfall in December of 2008, increased competition, and a decline in consumer spending due to economic uncertainty. Evidence of the heavy snowfall's impact is visible in gaming revenues for that month, which decreased by 19% when compared to the month of December 2007, and by 15% when compared to the average of the months of October and November 2008.

FDC revenues decreased by 5% for the fourth quarter of 2008, when compared to the fourth quarter of 2007. This decrease was due to the reduced gaming revenues. FDC revenues increased by 11% for the twelve months of 2008, when compared to the twelve months of 2007. This increase was due to an additional quarter's accelerated FDC contribution.

Property, marketing and administration expenses increased by 29% for the fourth quarter and by 11% for the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. These increases were primarily due to increased marketing expenditures designed to reduce the impact of new competition.

EBITDA decreased by 14% for the fourth quarter and by 1% for the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. These decreases were due to both the reduced revenues in the fourth quarter of 2008 and increased marketing expenditures, and were partially offset by the addition of accelerated FDC.

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Vancouver Island Casinos (View Royal Casino and Nanaimo Casino)

	Fourth Quarter			Twelve Months of		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 8.2	\$ 9.0	(9%)	\$ 35.1	\$ 35.1	0%
Facility Development Commission	1.3	1.0	30%	4.3	4.0	8%
Hospitality and other revenues	0.9	1.0	(10%)	4.0	4.2	(5%)
Revenues before Promotional allowances	10.4	11.0	(5%)	43.4	43.3	0%
Less: Promotional allowances	(0.3)	(0.2)	50%	(1.0)	(1.0)	0%
Revenues	10.1	10.8	(6%)	42.4	42.3	0%
Human resources	3.2	3.5	(9%)	13.8	13.7	1%
Property, marketing and administration	1.4	1.4	0%	5.9	5.4	9%
EBITDA	\$ 5.5	\$ 5.9	(7%)	\$ 22.7	\$ 23.2	(2%)
Human resources as a % of Revenues before Promotional allowances	30.8%	31.8%		31.8%	31.6%	
EBITDA as a % of Revenues	54.5%	54.6%		53.5%	54.8%	

	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Average
Table Drop	\$ 13.2	\$ 15.2	\$ 16.3	\$ 16.5	\$ 16.8	\$ 14.9	\$ 15.4	\$ 15.3	\$ 15.5	
Table Hold	\$ 3.4	\$ 3.6	\$ 3.6	\$ 3.7	\$ 3.8	\$ 3.3	\$ 3.6	\$ 3.7	\$ 3.7	
Table Hold %	25.8%	23.7%	22.1%	22.4%	22.6%	22.1%	23.4%	24.2%	23.9%	23.3%
Slot Coin-In	\$ 392.1	\$ 429.4	\$ 433.5	\$ 407.8	\$ 404.4	\$ 418.1	\$ 403.9	\$ 393.3	\$ 399.4	
Slot Win	\$ 27.5	\$ 30.3	\$ 30.9	\$ 30.1	\$ 30.1	\$ 30.8	\$ 30.2	\$ 29.0	\$ 29.2	
Slot Win/Slot/Day ⁽¹⁾	\$ 371	\$ 418	\$ 419	\$ 405	\$ 414	\$ 413	\$ 409	\$ 394	\$ 388	
Slot Win %	7.0%	7.1%	7.1%	7.4%	7.4%	7.4%	7.5%	7.4%	7.3%	7.3%

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

Revenues, Expenses and EBITDA

Revenues at the Company's Vancouver Island Casinos decreased by 6% for the fourth quarter and were unchanged for the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. The decrease in the fourth quarter of 2008 was due to heavy snowfall in December of 2008, disruption from construction at View Royal, and a decline in consumer spending due to economic uncertainty. These factors had a similar impact on EBITDA.

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

	Fourth Quarter			Twelve Months of		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 1.0	\$ 2.1	(52%)	\$ 4.6	\$ 13.2	(65%)
Facility Development Commission	0.1	0.2	(50%)	0.4	1.2	(67%)
Hospitality and other revenues	0.3	0.3	0%	1.3	1.6	(19%)
Revenues before Promotional allowances	1.4	2.6	(46%)	6.3	16.0	(61%)
Less: Promotional allowances	-	-		(0.1)	(0.4)	(75%)
Revenues	1.4	2.6	(46%)	6.2	15.6	(60%)
Human resources	0.7	1.6	(56%)	2.8	9.3	(70%)
Property, marketing and administration	0.5	0.5	0%	1.7	2.6	(35%)
EBITDA	\$ 0.2	\$ 0.5	(60%)	\$ 1.7	\$ 3.7	(54%)

Human resources as a % of Revenues

before Promotional allowances **50.0%** 61.5% **44.4%** 58.1%

EBITDA as a % of Revenues **14.3%** 19.2% **27.4%** 23.7%

	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Average
Table Drop	-	-	-	-	\$ 14.7	\$ 30.9	\$ 32.1	\$ 33.3	\$ 31.0	
Table Hold	-	-	-	-	\$ 3.1	\$ 6.1	\$ 5.7	\$ 6.6	\$ 6.2	
Table Hold %					21.1%	19.7%	17.8%	19.8%	20.0%	19.5%
Poker Rake	-	-	-	-	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.4	
Slot Coin-In	\$ 51.6	\$ 58.5	\$ 54.2	\$ 60.6	\$ 59.1	\$ 66.6	\$ 70.0	\$ 63.4	\$ 55.6	
Slot Win	\$ 3.0	\$ 3.3	\$ 3.1	\$ 3.3	\$ 3.1	\$ 3.7	\$ 3.9	\$ 3.7	\$ 3.1	
Slot Win/Slot/Day ⁽¹⁾	\$ 217	\$ 239	\$ 227	\$ 242	\$ 225	\$ 268	\$ 286	\$ 274	\$ 242	
Slot Win %	5.8%	5.6%	5.7%	5.4%	5.2%	5.6%	5.6%	5.8%	5.6%	5.6%

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

Revenues, Expenses, and EBITDA

Revenues, expenses, and EBITDA for the Company's Other BC Casinos decreased for both the fourth quarter and twelve months of 2008, when compared to the fourth quarter and twelve months 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 fourth quarter and twelve months of 2008 compared to same periods in 2007 also contributed to the overall decline. These decreases are due to both competition and a weakening economy in the Dawson Creek area.

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

	Fourth Quarter			Twelve Months of		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 10.1	\$ 10.6	(5%)	\$ 42.9	\$ 44.6	(4%)
Hospitality and other revenues	1.5	1.5	0%	6.2	6.1	2%
Revenues before Promotional allowances	11.6	12.1	(4%)	49.1	50.7	(3%)
Less: Promotional allowances	(0.6)	(0.8)	(25%)	(2.8)	(3.1)	(10%)
Revenues	11.0	11.3	(3%)	46.3	47.6	(3%)
Human resources	4.3	6.0	(28%)	19.4	22.3	(13%)
Property, marketing and administration	4.0	4.8	(17%)	16.1	17.7	(9%)
EBITDA	\$ 2.7	\$ 0.5	440%	\$ 10.8	\$ 7.6	42%

Human resources as a % of Revenues

before Promotional allowances

37.1% 49.6%

39.5% 44.0%

EBITDA as a % of Revenues

24.5% 4.4%

23.3% 16.0%

	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Average
Table Drop	\$ 11.3	\$ 12.3	\$ 11.8	\$ 10.9	\$ 12.6	\$ 13.9	\$ 13.5	\$ 13.0	\$ 14.9	
Table Hold	\$ 2.3	\$ 2.4	\$ 2.2	\$ 2.0	\$ 2.4	\$ 2.8	\$ 2.8	\$ 2.5	\$ 2.9	
Table Hold %	20.4%	19.5%	18.6%	18.3%	19.0%	20.1%	20.7%	19.2%	19.5%	19.5%
Poker Rake	\$ 0.5	\$ 0.4	\$ 0.5	\$ 0.6	\$ 0.4	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.4	
Slot Coin-In	\$ 219.9	\$ 258.2	\$ 232.5	\$ 218.8	\$ 223.3	\$ 276.9	\$ 234.3	\$ 217.7	\$ 247.7	
Slot Win	\$ 16.5	\$ 20.2	\$ 17.6	\$ 16.7	\$ 17.5	\$ 21.6	\$ 17.6	\$ 16.6	\$ 18.9	
Slot Win/Slot/Day ⁽¹⁾	\$ 198	\$ 238	\$ 198	\$ 175	\$ 181	\$ 223	\$ 184	\$ 175	\$ 195	
Slot Win %	7.5%	7.8%	7.6%	7.6%	7.8%	7.8%	7.5%	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 3% for the fourth quarter and by 3% for the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. These decreases were due to a weakening economy in Nova Scotia, increased competition in Sydney, and anti-gaming messages produced by the Nova Scotia Department of Health Promotion and Protection.

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 were intended to better align the Nova Scotia casinos' offerings with their markets' demands, and included adjusting the gaming capacity at both locations, reducing staff, and scaling back the operating hours of the Halifax Casino.

Human resources as a percentage of revenues before promotional allowances improved by 12.5 percentage points for the fourth quarter and by 4.5 percentage points for the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. These improvements were due to the staff reductions.

Property, marketing and administration expenses decreased by 17% for the fourth quarter and by 9% for the twelve months of 2008, compared to the fourth quarter and twelve months of 2007. These decreases were due to the reduced scope of the Nova Scotia casinos.

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EBITDA

EBITDA for the Nova Scotia casinos increased for both the fourth quarter and twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. These increases resulted from the improved alignment of the Nova Scotia casinos' offerings to market demand.

Union Certification Update

On November 1, 2007, the Labour Relations Board of Nova Scotia 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, 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 concluded on August 21, 2008. The collective agreement has been established for a 48-month duration covering February 01, 2008 through January 31, 2012, and provides modest wage increases during this period.

On January 18, 2008, the Labour Relations Board of Nova Scotia 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. Bargaining for the first collective agreement commenced on June 23, 2008 and concluded on January 9, 2009. The collective agreement has been established for a 36-month duration covering January 9, 2009 through January 31, 2012, and provides modest wage increases during this period.

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Great American Casinos

Results in US Dollars

	Fourth Quarter			Twelve Months of		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 4.8	\$ 5.2	(8%)	\$ 20.4	\$ 21.1	(3%)
Hospitality and other revenues	1.1	1.2	(8%)	4.3	4.5	(4%)
Revenues before Promotional allowances	5.9	6.4	(8%)	24.7	25.6	(4%)
Less: Promotional allowances	(0.3)	(0.2)	50%	(1.0)	(0.8)	25%
Revenues	5.6	6.2	(10%)	23.7	24.8	(4%)
Human resources	3.3	3.4	(3%)	13.3	13.3	0%
Property, marketing and administration	1.8	1.7	6%	7.1	6.4	11%
EBITDA	\$ 0.5	\$ 1.1	(55%)	\$ 3.3	\$ 5.1	(35%)

Human resources as a % of Revenues

before Promotional allowances	55.9%	53.1%	53.8%	52.0%
EBITDA as a % of Revenues	8.9%	17.7%	13.9%	20.6%

(in US dollars)	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Average
Table Drop	\$ 26.0	\$ 24.9	\$ 25.8	\$ 24.7	\$ 23.1	\$ 23.1	\$ 25.7	\$ 24.2	\$ 24.3	
Table Hold	\$ 5.5	\$ 5.8	\$ 6.0	\$ 5.7	\$ 5.7	\$ 5.7	\$ 5.8	\$ 6.2	\$ 6.1	
Table Hold %	21.2%	23.3%	23.3%	23.1%	24.7%	24.7%	22.6%	25.6%	25.1%	23.7%
Poker Rake	\$ -	\$ -	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	

Revenues in Canadian dollars	\$ 6.9	\$ 6.1	13%	\$ 25.4	\$ 26.6	(5%)
EBITDA in Canadian dollars	\$ 0.6	\$ 1.1	(45%)	\$ 3.5	\$ 5.4	(35%)

Revenues and EBITDA in US Dollars

Revenues at the Company's Great American Casinos decreased by 10% for the fourth quarter and by 4% for the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. These decreases were due to table hold percentage, which declined for both periods, and heavy snowfall in the fourth quarter of 2008.

EBITDA decreased by \$0.6, or 55%, for the fourth quarter and by \$1.8, or 35%, for the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. On July 24, 2008, the Great American Casino in Everett, Washington moved to a temporary facility to accommodate the remodeling of its permanent location, where it returned on November 18, 2008. The EBITDA decline can be attributed to both costs related to this temporary relocation and increased marketing efforts.

The changing value of the Great American Casinos' functional currency, the US dollar, in comparison to the Company's reporting currency, the Canadian dollar, had a noticeable impact on the reported results of the American casinos. The average value of the U.S. dollar increased 23% against the Canadian dollar during the fourth quarter of 2008 as compared to the fourth quarter of 2007. For the twelve months of 2008 the average value of the US dollar was 1% weaker than the average value of 2007.

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Racinos

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

	Fourth Quarter			Twelve Months of		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 4.8	\$ 3.8	26%	\$ 18.6	\$ 12.5	49%
Facility Development Commission	0.9	0.8	13%	3.7	2.9	28%
Racetrack revenues	5.8	6.0	(3%)	25.4	25.0	2%
Hospitality and other revenues	2.1	1.8	17%	7.9	7.3	8%
Revenues before Promotional allowances	13.6	12.4	10%	55.6	47.7	17%
Less: Promotional allowances	(0.4)	(0.2)	100%	(1.3)	(0.9)	44%
Revenues	13.2	12.2	8%	54.3	46.8	16%
Human resources	6.0	5.1	18%	24.3	17.4	40%
Property, marketing and administration	5.8	4.4	32%	22.5	17.4	29%
EBITDA	\$ 1.4	\$ 2.7	(48%)	\$ 7.5	\$ 12.0	(38%)
Human resources as a % of Revenues before Promotional allowances	44.1%	41.1%		43.7%	36.5%	
EBITDA as a % of Revenues	10.6%	22.1%		13.8%	25.6%	

	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Average
Table Drop	\$ 5.6	\$ 4.8	\$ 4.7	\$ 4.2	\$ 1.8	-	-	-	-	-
Table Hold	\$ 1.3	\$ 1.3	\$ 1.0	\$ 1.0	\$ 0.3	-	-	-	-	-
Table Hold %	23.2%	27.1%	21.3%	23.8%	16.7%	-	-	-	-	23.2%
Slot Coin-In	\$ 235.0	\$ 239.4	\$ 214.9	\$ 224.2	\$ 222.3	\$ 209.7	\$ 207.3	\$ 185.6	\$ 173.5	
Slot Win	\$ 17.7	\$ 18.5	\$ 15.8	\$ 17.1	\$ 16.8	\$ 15.8	\$ 15.5	\$ 13.7	\$ 13.0	
Slot Win/Slot/Day ⁽¹⁾	\$ 184	\$ 234	\$ 266	\$ 283	\$ 293	\$ 391	\$ 390	\$ 349	\$ 323	
Slot Win %	7.5%	7.7%	7.4%	7.6%	7.6%	7.5%	7.5%	7.4%	7.5%	7.5%

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

Revenues

Gaming revenues at the Company's BC Racinos increased by 26% for the fourth quarter and by 49% for the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. These increases were primarily due to the additional gaming capacity installed at both Fraser Downs and Hastings in the fourth quarter of 2007 and third quarter of 2008, respectively, and were partially offset by both new competition and the impact of a province wide Tobacco Control Act at Fraser Downs. The Tobacco Control Act, 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 decreased by 3% for the fourth quarter of 2008, when compared to the fourth quarter of 2007. This was due to both a decline in consumer spending due to economic uncertainty and poor weather in December of 2008. Racetrack revenues increased by 2% for the twelve months of 2008, when compared to the twelve months of 2007. This increase 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 \$0.9, or 18%, for the fourth quarter and \$6.9, or 40%, for the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. These increases resulted from the additional gaming capacity installed at both Fraser Downs and Hastings,

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which introduced new gaming staff and infrastructure to both properties.

Human resources as a percentage of revenues before promotional allowances increased by 3.0 percentage points for the fourth quarter and by 7.2 percentage points for the twelve months of 2008 compared to the fourth quarter and twelve months 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 \$1.4, or 32%, for the fourth quarter and by \$5.1, or 29%, for the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. These increases were due to expanded marketing programs and higher property lease costs at both Fraser Downs and Hastings.

EBITDA

EBITDA at the BC Racinos decreased by \$1.3, or 48%, for the fourth quarter and by \$4.5 or 38%, in the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. These decreases were due to increases in both human resources and property, marketing, and administration expenses, which grew in conjunction with the new gaming capacity at Fraser Downs and Hastings.

EBITDA as a percentage of revenues decreased by 11.5 percentage points for the fourth quarter and by 11.8 percentage points for the twelve months of 2008, when compared to the fourth quarter and twelve months 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.

Operational Improvements

Both Fraser Downs and Hastings have recently introduced new gaming products to their respective markets, and their fourth quarter and twelve months of 2008 results reflect the ramp-up periods that typically accompany this process. However, the Company is taking steps to accelerate these maturation periods.

On August 15, 2008, the Company completed the development of Hastings' permanent gaming facility, and installed an additional 450 slot machines. In conjunction with this increase in slot capacity, the Company has begun a targeted marketing initiative to increase visitation. The Company is also aggressively investigating opportunities to reduce costs at this facility during its ramp-up period.

On September 15, 2008, the Company altered the format of Fraser Downs' gaming floor. Gaming capacity at the facility, which had previously been divided, was moved to a single area, and reduced to 459 slot machines and 8 table games. This new format is designed to both enhance customer experience and reduce operating costs, without creating a negative impact on either slot coin-in or table drop.

Hastings 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." Bargaining for a new collective agreement commenced in April 2008 and concluded on August 9, 2008. The collective agreement has been renewed for a 33-month duration covering April 1, 2008 through December 31, 2010, and provides modest wage increases during this period.

A collective agreement between Hastings Entertainment Inc. and Canadian Office and Professional Employees Union (COPE), 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." Bargaining for a new collective agreement commenced on November 14, 2008, and is ongoing.

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Georgian Downs

	Fourth Quarter			Twelve Months of		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 2.4	\$ 2.4	0%	\$ 10.1	\$ 9.4	7%
Racetrack revenues	0.4	0.4	0%	1.9	1.7	12%
Hospitality and other revenues	1.2	1.1	9%	4.3	3.9	10%
Revenues before Promotional allowances	4.0	3.9	3%	16.3	15.0	9%
Less: Promotional allowances	(0.2)	-		(0.7)	-	
Revenues	3.8	3.9	(3%)	15.6	15.0	4%
Human resources	0.9	0.9	0%	3.8	3.6	6%
Property, marketing and administration	1.4	1.6	(13%)	5.6	6.1	(8%)
EBITDA	\$ 1.5	\$ 1.4	7%	\$ 6.2	\$ 5.3	17%
Human resources as a % of Revenues before Promotional allowances	22.5%	23.1%		23.3%	24.0%	
EBITDA as a % of Revenues	39.5%	35.9%		39.7%	35.3%	

Revenues, Expenses, and EBITDA

Revenues at Georgian Downs decreased by 3% for the fourth quarter and increased by 4% for the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. During the first quarter 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 quarter of 2007, and is partially responsible for the increase in revenues for the twelve months of 2008 when compared to the twelve months of 2007. EBITDA at Georgian Downs increased by \$0.1 for the fourth quarter and increased by \$0.9 for the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007.

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Flamboro Downs

	Fourth Quarter			Twelve Months of		
	2008	2007	% Chg	2008	2007	% Chg
Gaming revenues	\$ 3.0	\$ 2.6	15%	\$ 13.1	\$ 12.2	7%
Racetrack revenues	0.7	0.9	(22%)	3.9	4.0	(3%)
Hospitality and other revenues	1.1	1.1	0%	4.4	4.3	2%
Revenues before Promotional allowances	4.8	4.6	4%	21.4	20.5	4%
Less: Promotional allowances	(0.1)	(0.1)	0%	(0.3)	(0.3)	0%
Revenues	4.7	4.5	4%	21.1	20.2	4%
Human resources	1.5	1.7	(12%)	6.9	7.0	(1%)
Property, marketing and administration	1.6	1.7	(6%)	6.9	6.8	1%
EBITDA	\$ 1.6	\$ 1.1	45%	\$ 7.3	\$ 6.4	14%
Human resources as a % of Revenues						
before Promotional allowances	31.3%	37.0%		32.2%	34.1%	
EBITDA as a % of Revenues	34.0%	24.4%		34.6%	31.7%	

Revenues, Expenses, and EBITDA

Revenues at Flamboro Downs increased by 4% for the fourth quarter and by 4% for the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. 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 reached resolution on July 30, 2008, positively impacted Flamboro Downs' visitation, and partially contributed to the modest improvements in its gaming revenues. EBITDA increased by \$0.5 for the fourth quarter and by \$0.9 for the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007.

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Corporate & Other

	Fourth Quarter			Twelve Months of		
	2008	2007	% Chg	2008	2007	% Chg
Revenues	\$ 0.2	\$ 0.1	100%	\$ 0.7	\$ 0.6	17%
Human resources	3.5	4.8	(27%)	18.7	20.1	(7%)
Property, marketing and administration	2.9	1.7	71%	9.9	7.9	25%
EBITDA	\$ (6.2)	\$ (6.4)	3%	\$ (27.9)	\$ (27.4)	(2%)

EBITDA

EBITDA from Corporate & Other increased by \$0.2, or 3%, in the fourth quarter and decreased by \$0.5, or 2%, in the twelve months of 2008, when compared to the fourth quarter and twelve months of 2007. The increase in the fourth quarter was due to staffing reductions and the reduction of an accrual related to management bonuses, and were partially offset by legal fees relating to both union negotiations and the Company's dispute with a former consultant in Ontario. The decrease in the twelve months of 2008 was mainly due to the aforementioned legal fees.

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Discussion of Items Excluded from EBITDA

Amortization

Amortization decreased by \$0.3 in the fourth quarter 2008 as compared to the fourth quarter of 2007 due to a \$0.9 increase in gain on investments that was only partly offset by \$0.5 increase in amortization expense. The \$0.5 increase in amortization expense was primarily due to the reduced estimated useful life of the Nova Scotia casinos assets described below and the amortization of the intangible asset associated with Hastings since the installation of slot machines in November 2007. These increases were partly offset by reduced amortization from certain fully amortized assets and the closure of the Casino on Broadway in November 2007. Amortization increased by \$3.2 in the twelve months of 2008 relative to the twelve months of 2007. This is a result of the increased amortization of property, plant and equipment arising from the property redevelopments completed in the last twelve months, and the aforementioned reduced estimated useful life of the Nova Scotia casinos assets and increased amortization of the Hastings intangible asset.

As a result of the Company's continued cooperation with the NSGC, the operational performance of our Nova Scotia casinos has improved since 2008. However, since our original acquisition of this business, the operating environment in Nova Scotia has become more challenging. Unanticipated issues included 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. We will continue to collaborate with the NSGC to further improve the operational results of the Nova Scotia casinos.

Stock-Based Compensation

Stock-based compensation increased by \$4.3 in the fourth quarter of 2008 compared to 2007 and increased by \$4.6 in the twelve months of 2008 compared to the same period in 2007. These increases are primarily due to the \$5.8 unvested portion of stock-based compensation related to the voluntary forfeiture of 2.3 million stock options during the fourth quarter of 2008. These forfeitures are required to be recorded as an expense with an offsetting entry to contributed surplus, resulting in no effect on total shareholders' equity. This increase was partly offset by a reduction in the value of non-employee stock options during the fourth quarter and twelve months of 2008 since those are recorded at market value.

Restructuring and Other

Restructuring and other expenses in the fourth quarter of 2008 primarily related to severance costs associated with staff reductions made at the Company's head office location. Restructuring and other expenses for the twelve months of 2008 include the fourth quarter severance charges, as well as earlier costs relating to staff reductions made at the Company's Nova Scotia casinos and the costs associated with investigating business and acquisition opportunities. Restructuring and other expenses for the fourth quarter and twelve months of 2007 primarily related to severance and lease termination costs associated with the closure of the Company's Casino on Broadway in Vancouver, B.C.

Interest and Financing Costs, net

In February 2007, as part of our debt refinancing we entered into a US\$170.0 Senior Secured Term Loan B ("Term Loan B"), a \$200.0 Senior Secured Revolving Credit Facility ("Revolving Credit Facility"), 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.

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Interest and financing costs, net of interest income increased by \$0.9 in the fourth quarter of 2008 compared to the fourth quarter of 2007. This increase was primarily the result of \$1.0 lower interest income earned in the fourth quarter of 2008 compared to the fourth quarter of 2007 due to a lower average level of short-term investments partially offset by the interest paid on new Revolving Credit Facility debt outstanding in the quarter.

Interest and financing costs, net of interest income increased by \$2.9 for the twelve months of 2008 compared to the twelve months of 2007. This was primarily due to \$3.5 lower interest income that resulted from a lower average level of short-term investments during the year, a \$0.9 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), and \$0.7 greater amortization of debt refinancing costs relating to our debt refinancing mentioned above. 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 Flamboro Promissory Note in July of 2007 and the absence of \$1.6 in underwriting fees and amortized debt refinancing transaction costs related to our former bridge credit facility.

Other Expenses

Other expenses, including foreign exchange gains and losses and non-controlling interest, in the fourth quarter and twelve months of 2008 decreased relative to the fourth quarter and twelve months of 2007 primarily due to a strengthening of the U.S. dollar relative to the Canadian dollar during the fourth quarter and twelve months of 2008 compared to a strengthening of the Canadian dollar relative to the U.S. dollar in the prior year's periods.

Income Taxes

Income taxes increased \$4.7 in the fourth quarter and \$7.4 in the twelve months of 2008, compared to the fourth quarter and twelve months of 2007, respectively. The following table reconciles the expected income tax provision to the actual income tax expense (recovery) for each period presented:

	Fourth Quarter		Twelve Months of	
	2008	2007	2008	2007
Basic federal and provincial statutory income tax rate	31.00%	34.12%	31.00%	34.12%
Expected income tax provision for the period	\$ (0.5)	2.8	\$ 7.1	12.9
Effect of:				
Non-deductible stock-based compensation	1.8	0.5	3.5	2.3
Changes in tax rates on future income taxes	(0.2)	(10.5)	(1.3)	(11.5)
Change in valuation allowance on future income tax assets	(1.6)	-	(1.6)	-
Tax rate differential on and adjustments related to prior years' income tax provisions	-	2.0	-	(3.0)
Other items	0.1	0.1	0.3	(0.1)
Income tax expense (recovery)	\$ (0.4)	\$ (5.1)	\$ 8.0	\$ 0.6

As described above, the increases were primarily the result of non-cash future income tax recoveries arising from decreases in enacted tax rates in the fourth quarter and twelve months of 2007. The \$2.0 non-cash future income tax expense and \$3.0 non-cash future income tax recoveries that arose in the fourth quarter of 2007 and twelve months of 2007, respectively, are the result of tax rate differentials on and adjustments related to prior years' income tax provisions. These increases were offset by lower earnings before income taxes for the fourth quarter and twelve months of 2008 compared to the fourth quarter and twelve months of 2007.

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Net Earnings (Loss)

The \$14.6 decrease in net earnings for the fourth quarter of 2008 compared to the fourth quarter of 2007 was primarily related to decreased EBITDA and increases in income taxes, stock-based compensation expense, restructuring and other costs, and interest and financing costs, net.

The \$22.3 decrease in net earnings for the twelve months of 2008 compared to the twelve months of 2007 was primarily related to decreased EBITDA and increases in income taxes, stock-based compensation, amortization, interest and financing costs, net and restructuring and other charges.

CONSOLIDATED QUARTERLY RESULTS TREND

	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Revenues	\$ 96.7	\$ 105.1	\$ 101.6	\$ 100.3	\$ 100.7	\$ 103.2	\$ 97.7	\$ 95.6
EBITDA	\$ 23.6	\$ 29.5	\$ 27.7	\$ 26.9	\$ 27.9	\$ 30.9	\$ 26.8	\$ 25.4
EBITDA as a % of Revenues	24.4%	28.1%	27.3%	26.8%	27.7%	29.9%	27.4%	26.6%
Net earnings (loss)	\$ (1.7)	\$ 5.7	\$ 4.1	\$ 5.4	\$ 13.0	\$ 12.6	\$ 5.9	\$ 4.3
Earnings (loss) per common share:								
Basic	\$ (0.02)	\$ 0.07	\$ 0.05	\$ 0.06	\$ 0.15	\$ 0.15	\$ 0.07	\$ 0.05
Diluted	\$ (0.02)	\$ 0.07	\$ 0.05	\$ 0.06	\$ 0.15	\$ 0.15	\$ 0.07	\$ 0.05

Revenues for the fourth quarter of 2008 decreased by 4% and EBITDA decreased by 15%, when compared to the fourth quarter of 2007. This translated to a 3.3 percentage point decrease in EBITDA as a percentage of revenues for the fourth quarter of 2008 compared to the fourth quarter of 2007. During the twelve months of 2008, revenues, EBITDA, and EBITDA as a percentage of revenues benefited from continued growth at River Rock and operational changes at the Nova Scotia casinos. These improvements were offset by increased expenses associated with the ramp-up of the additional gaming capacity at the BC Racinos and by heavy snowfall, new competition, and a weakening economy.

LIQUIDITY AND CAPITAL RESOURCES

The Company manages the risks of the weakening Canadian economy by closely monitoring its capital structure and operating costs, regularly monitoring forecast and actual cash flows, taking a conservative approach to capital investment, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within its Revolving Credit Facility.

At December 31, 2008, the Company had:

- No exposure to asset backed commercial paper or sub-prime mortgage-backed investments;
- Relatively low levels of receivables of which the majority of these are due from sales tax rebates from the federal and provincial governments, the Nova Scotia Gaming Corporation (a branch of that province's government) and other provincial gaming corporations, racetrack operators, and financial institutions;
- Low exposure to foreign currency exchange rate movements since it has cross-currency interest rate swaps that hedge the cash flows associated with its U.S. dollar denominated Term Loan B and Subordinated Notes and has relatively low levels of foreign denominated assets and liabilities;

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- \$117.1 of available credit on its Revolving Credit Facility;
- Additional debt capacity within the limitations established by the covenants on its existing credit and debt facilities; and
- Counterparties to its existing debt and credit facilities and cross-currency interest rate swaps that are primarily major financial institutions that have minimum grade "A" credit ratings.

Financial Position

	As at December 31, 2008	As at December 31, 2007	%
Cash and cash equivalents	\$ 43.6	\$ 107.1	(59%)
Due from Nova Scotia Gaming Corporation	3.7	17.2	(78%)
Other current assets	35.0	28.9	21%
Property, plant and equipment	704.0	567.3	24%
Other long-term assets	237.7	236.9	0%
	\$ 1,024.0	\$ 957.4	7%
Current liabilities	77.1	81.9	(6%)
Long-term debt (excluding current portion)	440.0	329.4	34%
Other long-term liabilities	114.2	135.9	(16%)
Shareholders' equity	392.7	410.2	(4%)
	\$ 1,024.0	\$ 957.4	7%

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. These decreases were partially offset by cash generated from operations and \$38.0 borrowed from the Company's Revolving Credit Facility. As at December 31, 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. The Mandatory Deferral was fully repaid in September 2008, so the receivable balance represents amounts receivable for capital replacements.

Other current assets increased since December 31, 2007 due to a \$7.0 increase in restricted cash related to ongoing construction holdback payables and an increase in income taxes receivable, offset by a \$2.9 decrease in prepaids, deposits and other assets.

The additions to property, plant and equipment in 2008 were primarily related to improvements of our existing properties as described in the Major Developments section of this MD&A.

Current liabilities have decreased since December 31, 2007, primarily due to a decrease in income taxes payable and a trailing payment relating to a past acquisition, partially offset by increases in accounts payable and accrued liabilities that were primarily related to ongoing capital improvements of our existing properties.

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As at December 31, 2007 long-term debt, excluding current portion consisted primarily of the Company's Term Loan B and Subordinated Notes. This balance increased by \$76.5 during the twelve months of 2008 primarily due to the weakening of the Canadian dollar's effect on the underlying U.S. dollar debt and the \$38.0 borrowed from the Revolving Credit Facility. In September 2008 the Company repaid the remaining balance of the Hastings Promissory Note.

The other long-term liabilities have decreased \$21.7 since December 31, 2007. This was primarily due to a \$46.8 decrease in the fair value of the Company's cross-currency interest rate swaps as at December 31, 2008, and the presentation of one of the swaps as a \$7.4 asset recorded in other assets at December 31, 2008. In addition future income tax liabilities decreased \$2.7 and were offset by a \$20.4 increase in deferred credits, other liabilities and non-controlling interests primarily arising from the transfer of land and cash from TransLink as compensation for the cost of providing future parking services to TransLink at the River Rock parking garage (as described in the Major Developments section of this MD&A).

The Company's Shareholders' equity decreased primarily due to the increase in accumulated other comprehensive loss and the purchase and cancellation of its common shares pursuant to its normal course issuer bids (as described in the Financial Highlights section of this MD&A), the effects of which were only partly offset by the period's net earnings addition to retained earnings.

Changes in Cash Flows

	Fourth Quarter			Twelve Months of		
	2008	2007	% Chg	2008	2007	% Chg
Cash inflow from operating activities	\$ 14.7	\$ 24.3	(40%)	\$ 65.0	\$ 96.6	(33%)
Cash outflow from investing activities	(50.3)	(4.4)	(1043%)	(135.9)	(21.2)	(541%)
Cash inflow (outflow) from financing activities	0.4	(21.1)		2.9	(23.6)	
Effect of foreign exchange on cash and cash equivalents	3.6	0.5	620%	4.5	(1.5)	
Increase (decrease) in cash	\$ (31.6)	\$ (0.7)	(4414%)	\$ (63.5)	\$ 50.3	

The decrease in the cash inflow from operating activities in the fourth quarter and twelve months of 2008 relative to the fourth quarter and twelve months of 2007 was primarily due to a reduction of EBITDA and increases in non-cash operating working capital that primarily related to the timing of the settlement of various receivables and payables.

The increases in the cash outflow from investing activities in the fourth quarter and twelve months of 2008 relative to the fourth quarter and twelve months of 2007 were primarily due to the major development projects that were in progress in the fourth quarter and twelve months of 2008. These included the additional multi-level parking garage at River Rock, upgraded VIP facilities at the River Rock, the Hastings redevelopment, the View Royal parking garage and the Georgian Downs redevelopment. The main construction projects underway in 2007 were the River Rock Conference Centre, the Fraser Downs table and slot expansion and the phase one Hastings slot room.

Cash inflow from financing activities in the fourth quarter and twelve months of 2008 relates primarily to the proceeds from our borrowings under the Revolving Credit Facility offset by the purchase of the Company's common shares and the repayment long-term debt. Cash outflows from financing activities in the fourth quarter of 2007 were primarily due to the purchase of the Company's common shares. Cash outflows from financing activities in the twelve months of 2007 related to the purchase of the Company's common shares partially offset by net cash inflows from the debt refinancing and issuance of common shares that was completed in that period.

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Capital Resources

Long-Term Debt and Equity

	December 31, 2008	December 31, 2007
Term Loan B, net of unamortized transaction costs of \$2.5 (2007 - \$3.0)	\$ 200.6	\$ 164.1
Senior Secured Revolving Credit Facility	38.0	-
Senior Subordinated Notes and unamortized premium of \$1.6 (2007 - \$1.9) net of unamortized transaction costs of \$5.3 (2007 - \$6.2)	203.4	164.2
Obligations under capital leases and other debt	0.1	1.3
Hastings Promissory Note	-	2.9
	442.1	332.5
Less: current portion	2.1	3.1
	\$ 440.0	\$ 329.4

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

The expected repayments of long-term debt for the following years ended December 31 are as follows:

2009	\$ 2.1
2010	2.1
2011	2.1
2012	40.0
2013	2.0
Thereafter	400.0
Total repayments	448.3
Less: unamortized transaction costs and premium	6.2
Total long-term debt (including current portion)	\$ 442.1

Debt refinancing

On February 14, 2007, the Company completed its debt refinancing. The Company's long-term debt facilities consist of (a) US\$170.0 Term Loan B, and a \$200.0 Revolving Credit Facility, secured by a common credit agreement and (b) US\$170.0 of Subordinated Notes. The gross proceeds of the debt refinancing were \$401.9. The net proceeds were \$388.7 after transaction costs of \$13.2, and were used to repay and retire other debt existing at the time and provide cash for future capital expenditures and working capital purposes.

The Company and its debt facilities are rated as follows:

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

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

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a) *Term Loan B and Revolving Credit Facility*

The Term Loan B is denominated in U.S. dollars (initial principal of US\$170.0) and bears interest at a floating rate (U.S. LIBOR plus 1.50%), payable quarterly. The Company has hedged both the currency risk and the floating interest rate risk to effectively result in a principal of \$200.8 in Canadian dollars and a fixed interest rate of 6.1% per annum. The Term Loan B has a term of 7 years and is repayable without premium or penalty, subject to customary costs, at any time. Principal repayments of \$0.5 in Canadian dollars are required quarterly, with the balance due at maturity on February 13, 2014.

The Revolving Credit Facility has a five-year term and expires in February 2012. The interest rate on advanced amounts and the commitment fee on the unused facility are based on the Company's Total Debt to Adjusted EBITDA ratio, which is calculated quarterly and is currently between 3.00 and 3.50.

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%

The Term Loan B and the Revolving Credit Facility are guaranteed and secured by substantially all of the assets of the Company and its subsidiaries. Both the Term Loan B and the Revolving Credit Facility require the Company to comply with operational and financial covenants (which are defined in the underlying agreements). The financial covenants which are tested quarterly are: Total Debt to Adjusted EBITDA ratio of 5.0 or less; Senior Debt to Adjusted EBITDA ratio of 3.5 or less, and Interest Coverage ratio of 2.0 or greater for the first three years following February 14, 2007 and 2.25 thereafter.

After deducting outstanding letter of credit and borrowings on the Revolving Credit Facility, at December 31, 2008 the Company had \$117.1 (2007 – \$167.7) remaining credit available on the Revolving Credit Facility. The counter-parties to this facility are major financial institutions with minimum "A" credit ratings.

Subsequent to December 31, 2008, the Company borrowed an additional \$10.0 from the Revolving Credit Facility.

b) *Subordinated Notes*

The Subordinated Notes are unsecured and guaranteed by the Company and substantially all of its subsidiaries. The Subordinated Notes are denominated in U.S. dollars (US\$170.0) and bear interest at a rate of 7.25%, payable semi-annually. The Company has hedged the currency risk

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to effectively result in a principal of \$201.1 in Canadian dollars at a fixed interest rate of 6.6% per annum. The Subordinated Notes have a term of 8 years with the principal amount of the notes repayable at maturity on February 15, 2015. There are provisions for early redemptions of the Subordinated Notes at the Company's option during defined periods prior to maturity with payment of defined premiums. On February 14, 2007 these provisions for early redemption were recorded at their fair value as a derivative asset and as a premium on the Subordinated Notes.

The Subordinated Notes require the Company to comply with operational and financial covenants. The financial covenant requires the Company to maintain a Fixed Charge Coverage Ratio, as defined in the underlying note agreement, of greater than 2.0 and is tested on the occurrence of specified events.

The Subordinated Notes have been structured so that interest payments are not subject to Canadian withholding taxes. To the extent that Canadian tax regulations change to impose a withholding tax on the interest payments, the Company has agreed to gross-up the interest payments to ensure the holder of the Subordinated Notes receives the same amount in the absence of the withholding tax, subject to certain requirements and limitations.

All the debt facilities have: (i) mandatory repayments in the case of proceeds from certain asset sales or receipt of insurance proceeds that are not re-invested in the Company within certain time limits; (ii) restrictions on certain asset sales, acquisitions, and distributions; (iii) limitations on the incurrence of additional debt or indebtedness or liens; and (iv) provisions for the Company to re-purchase and re-issue portions of the Term Loan B and/or Subordinated Notes should the holder be required to register with a gaming authority having jurisdiction over the Company and either refuses or is found to be unsuitable for registration.

The transaction costs of establishing the Term Loan B and the Subordinated Notes were \$10.5 and were recorded as a reduction of the balance of the related debt, and are expensed to interest and financing costs, net on the consolidated statements of earnings over the term of the related debt using the effective interest method. The transaction costs of establishing the Revolving Credit Facility were \$2.7 and are recorded as a component of other assets on the consolidated statements of financial position, and are expensed to interest and financing costs, net on the consolidated statements of earnings over the term of the Revolving Credit Facility.

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

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 Subordinated Notes into Canadian dollar fixed interest rate debt. As at December 31, 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	\$167.0 ⁽¹⁾	\$197.3 ⁽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.

At December 31, 2008, the Company's swap associated with the Term Loan B was in a \$23.4 liability

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position (2007 - \$34.9 liability) and is recorded in derivative liabilities on the consolidated statement of financial position, and the swap associated with the Subordinated Notes was in a \$7.4 asset position (2007 - \$27.9 liability) and is recorded in other assets on the consolidated statement of financial position.

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 the Company's cross-currency interest rate swaps at December 31, 2008 and at December 31, 2007 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 the respective period ends. 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.

Embedded derivative

The Company's Subordinated Notes agreement has provisions for early redemption during defined periods prior to maturity with the payment of defined premiums. On issuance of the Subordinated Notes on February 14, 2007, the \$2.1 fair value of this embedded derivative was recorded as a derivative asset in other assets and as a premium on the long-term debt on the consolidated statements of financial position. The fair value of this embedded derivative included in other assets as at December 31, 2008 was \$nil (2007 - \$1.5) and the change in the fair value of this embedded derivative was recorded in interest and financing, net on the consolidated statements of earnings. The premium is amortized over the term of the Subordinated Notes using the effective interest method.

Outstanding Share Data

As at December 31, 2008, there were 82,086,526 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 2,747,800 common shares purchased at a cost of \$29.2 through the Company's normal course issuer bids.

As at December 31, 2008, there were 4,406,338 stock options outstanding at a weighted average exercise price of \$11.87. As at March 6, 2009, there were 82,086,526 common shares outstanding and 3,907,171 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. In British Columbia the BCLC's FDC program permits an additional commission of 3% of gross gaming win from casinos, racetracks and community gaming centres. In addition, the BCLC introduced an accelerated FDC program in 2006 that provides an additional 2% of gross gaming win towards site-specific reimbursements of new gaming redevelopments.

In 2008 we received the remaining Mandatory Deferral reimbursement owing for the prior capital expenditures on our Nova Scotia casinos in accordance with our operating agreement with NSGC. In addition, approved expenditures incurred to improve or maintain the casino facilities are reimbursed from a

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Capital Reserve Account ("CRA"). We are required to make contributions to the CRA equal to 5% of the annual gross operation revenues from the two Nova Scotia casinos with a minimum contribution of \$5.0 per year beginning in 2009. If the CRA is in a deficit balance, the amount owed to us accrues interest at a rate of bank prime plus 2% per annum.

During the fourth quarter and twelve months of 2008 our capital expenditures net of related accounts payable totalled \$49.1 and \$134.2 respectively. Maintenance capital expenditures primarily related to various 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 table format alteration at Fraser Downs, the Georgian Downs redevelopment, and the View Royal redevelopment. For the upcoming twelve months of 2009, we estimate maintenance and development capital expenditures net of related accounts payable will total approximately \$60.0.

The following table summarizes the changes in the Company's Approved Amounts (a term defined in the Company's casino operating service agreements with the BCLC) to be recovered by future FDC receipts from BCLC:

	2008	2007
Opening Approved Amounts at January 1,	\$ 342.3	\$ 350.4
Approved Amounts	44.4	14.8
FDC receipts	(29.4)	(22.9)
Closing Approved Amounts at December 31,	\$ 357.3	\$ 342.3

The majority of the Company's additions to property, plant & equipment in 2008 were related to its B.C. gaming operations and consequently may be eligible for FDC reimbursement. FDC Approved Amounts during 2008 were lower than the additions to PP&E primarily due to the difference in timing between when the expenditures are incurred, when the invoices are received, and when they are submitted to BCLC for approval.

Contingencies

We have issued letters of credit to guarantee performance, primarily under construction contracts and gaming cash floats in the aggregate amount of \$44.9 at December 31, 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 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

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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 also filed a suit in the Ontario Superior Court of Justice seeking a declaration that the agreement has been properly terminated by the Company. Management believes that the Company has acted appropriately with respect to both the termination and the tendering of payment to the consultant and intends to vigorously defend its position. On January 9, 2009, the Ontario Superior Court of Justice (Commercial List) granted an Endorsement which ordered that the consultant's application be converted into an action and be consolidated with the Company's action. 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 properties 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; and
- lessors of leased properties for personal injury claims that may arise at the facilities we operate.

Commitments

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

Expected payments by period as at December 31, 2008

	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years	Total
Accounts payable and accrued liabilities	\$ 74.8	-	-	-	\$ 74.8
Payments related to cross-currency interest rate swaps	27.7	54.9	54.5	411.6	548.7
Receipts related to cross-currency interest rate swaps	(24.8)	(49.4)	(49.2)	(424.9)	(548.3)
Term Loan B and Subordinated Notes	24.8	49.4	49.2	424.9	548.3
Revolving Credit Facility	1.6	3.2	38.5	-	43.3
Operating leases and contracts	7.7	12.1	7.0	6.0	32.8
Total	\$ 111.8	\$ 70.2	\$ 100.0	\$ 417.6	\$ 699.6

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.

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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 December 31, 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 December 31, 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 December 31, 2008 of 3.68% 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 December 31, 2008. The interest rates applicable at December 31, 2008 to the various drawings, which range between 3.43% and 4.52%, 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 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, proceeds from the exercise of stock options, and our existing credit and debt facilities. 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, the issuance of additional debt that fits within the limitations established by the covenants on our existing credit and debt facilities, the issuance of hybrid debt-equity securities, or additional equity securities. If the Company needs to access the capital markets for additional financial resources, we believe we will be able to do so at prevailing market rates. If we raise additional funds through the issuance of equity securities or the exercise of stock options, the current shareholders' 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

Included in human resources expense for the year-ended December 31, 2008 is \$0.8 in costs associated with dealer training services provided by a company controlled by a director of the Company (2007 - \$0.9). This related party transaction was recorded at the exchange amount, which is the amount of consideration paid or received as negotiated 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.

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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.

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 Canadian generally accepted accounting principles ("GAAP") currently employed by Canadian public companies. The changeover will occur no later than fiscal years beginning January 1, 2011. As a result of this announcement, the Company is planning and preparing for the coming changes in financial reporting requirements. Based on its initial assessments, the Company currently believes its transition to IFRS will not materially affect the manner in which its revenues and EBITDA are currently recognized and measured. The Company's first financial statements presented in accordance with IFRS will be for the three-month period ended March 31, 2011.

The Company has developed an IFRS implementation plan that addresses project management, accounting policy changes, reporting and disclosure changes, training and communication and business impacts. The following progress has been made in these areas:

a) *Project management*

The Company has formed an IFRS Steering Committee to provide guidance during the IFRS implementation project and has developed a timeline for key project milestones and deliverables to ensure IFRS readiness for 2011;

b) *Accounting policy changes*

The Company has completed its research and documentation of expected differences between its current accounting policies that are in accordance with Canadian GAAP and those to be adopted under IFRS. The Company has begun developing its future accounting policies that will be required under current IFRS standards. The areas with the most potential for future impact on the Company's financial statements are expected to be the recognition, measurement and disclosure of: property, plant & equipment; intangible assets; business combinations; impairment of long-lived assets; stock-based compensation; and income taxes.

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The IFRS standard setter, the International Accounting Standards Board, has activities currently underway which are expected to change certain IFRS including the standard covering income tax. These changes may impact the Company. The Company will assess any change as part of its continuous IFRS implementation plan.

c) *Reporting and disclosure changes*

The Company is considering the financial statement presentation and disclosure options available to it upon initial changeover to IFRS and is developing ongoing reporting mechanisms to capture future IFRS disclosure information. At the date of transition to IFRS the Company has the option to adopt certain exemptions from the full retrospective application, presentation and disclosure requirements of certain IFRS. The Company currently expects to apply the following exemptions:

- It will not restate the accounting of past business combinations;
- It will reset its foreign currency translation account to nil; and
- It may select the fair value of certain property, plant and equipment to be their deemed costs under IFRS at the transition date.

The calculation of the Company's debt covenants will not be affected by the transition to IFRS since they are structured to use Canadian GAAP that was effective at February 14, 2007, the date the Company entered into agreements for its Term Loan B, Revolving Credit Facility and Subordinated Notes.

The transition to IFRS will affect the presentation and measurement of balances and transactions included in the Company's interim and annual consolidated financial statements and related notes. The Company will provide quantifications of those effects closer to the 2011 implementation date.

d) *Training and communication*

The Company's plans are to ensure that its key stakeholders are informed about the anticipated effects of the IFRS transition. IFRS training for relevant finance staff is ongoing, while targeted programs for operational staff are to be developed and deployed. Investor relations will be updated in order to address shareholder questions and concerns about the IFRS transition's impact on our financial reporting. The Audit & Risk Committee of the Company's Board have received quarterly presentations and project status updates from management.

e) *Business impacts*

The Company is considering what effects the IFRS transition will have on our business policies and activities. The following key areas are likely to be affected:

- Internal controls over financial reporting;
- Dual reporting obligation for the year 2010 when statements are required under both Canadian GAAP and IFRS;
- Employee bonus plans since they currently rely on performance metrics that are derived from financial information that is based on Canadian GAAP; and
- Budgeting and forecasting for the IFRS transition year, 2010.

This disclosure reflects expectations based on information available at the time of reporting. Changes in circumstances may cause the Company to revise its IFRS project plans and policy choices before the changeover date.

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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, value of assets acquired in business transactions with non-monetary consideration, long-lived asset and goodwill impairment tests, estimated useful lives of property, plant and equipment and intangible assets, stock-based compensation, determination of fair value of derivatives, income taxes, and contingencies.

Business Combinations

The cost of an acquired company ("purchase price") is assigned to the identifiable tangible and intangible assets purchased and liabilities assumed on the basis of their fair values at the date of acquisition. The identification of assets purchased and liabilities assumed and the valuation thereof is specialized and judgmental. Where appropriate, the Company engages business valuers to assist in the valuation of tangible and intangible assets acquired. Any excess of purchase price over the fair value of the identifiable tangible and intangible assets purchased and liabilities assumed is allocated to goodwill.

When a business combination involves contingent consideration, an amount equal to management's estimate of the contingent consideration that will become due beyond a reasonable doubt is recognized as a liability at the time of acquisition. When the contingency is resolved and the consideration is issued or becomes issuable, any difference in the fair value of the contingent consideration issued or issuable over the amount initially recognized will be recognized as an adjustment to the cost of the purchase.

Value of Assets Acquired in Business Transactions With Non-monetary Consideration

The Company measures non-monetary consideration received acquired in a business transaction at the more reliably measureable of the fair value of the asset given up and the fair value of the asset received. Measurement of fair value is based on an analysis of pertinent information that may include third-party asset appraisals, market values evidenced from similar transactions, and discounted cash flows.

Long-Lived Assets and Goodwill Impairment Tests

Long-lived assets and intangible assets are tested for impairment whenever management believes events or circumstances indicate that the carrying values of those assets may not be fully recoverable (a "triggering event"). A long-lived asset or intangible asset impairment loss is recognized when the carrying value of that asset exceeds our estimate of the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured as the excess of the carrying value of the asset over its estimated fair value.

Goodwill is tested for impairment at least annually, at year-end, and whenever a triggering event indicates that the carrying values of goodwill may not be fully recoverable. The impairment test consists of allocating goodwill to the Company's reporting units and then comparing the carrying value of the reporting units, including goodwill, to their fair values. The Company determines fair value using price-to-earnings multiples or discounted cash flows, whichever is the most appropriate under the circumstances.

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The excess of the carrying value amount over the fair value of goodwill, if any, is charged to operations in the period the impairment occurred.

Estimated Useful Lives of Property, Plant and Equipment and Intangible Assets

Property, plant and equipment and intangible assets are amortized in the consolidated statements of earnings over the estimated useful lives of the assets. Judgment is used to estimate an asset's useful life and is based on an analysis of all pertinent factors including, amongst others, our expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of asset's legal or contractual life without substantial cost, and renewal history.

Stock-Based Compensation

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

Determination of Fair Value of Derivatives

The fair values of our cross-currency interest rate swaps are based on discounted cash flow models that make 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.

Income Taxes

Our future income tax assets and liabilities are due to temporary differences between the carrying amount and tax basis of certain assets and liabilities, as well as undeducted tax losses. Estimation is required for the timing of the reversal of these temporary differences and the tax rate applied. The carrying amounts of assets and liabilities are based upon amounts recorded in the financial statements and are subject to any accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of undeducted tax losses are based upon the applicable income tax legislation, regulations and interpretations. The timing of the reversal of the temporary differences and the timing of deduction of tax losses are based upon estimations of our future financial results.

If future operating results differ from our current expectations, if enacted tax rates change, if tax legislation or regulations change, or if our interpretations of income tax legislation change, then our expectations of future timing difference reversals may also change and require material future income tax adjustments.

Contingencies

Amounts are accrued for the financial resolution of contingent liabilities if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the financial statements and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance

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of some future event, no accrual is made until that time. In the ordinary course of business, we may be party to legal proceedings which include claims for monetary damages asserted against the Company and its subsidiaries. The adequacy of contingent liability accruals are regularly assessed as new information becomes available.

The Company does not record contingent assets.

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.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

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

The Chief Executive Officer and Chief Financial Officer have evaluated and conclude that the Company's disclosure controls and procedures are adequately designed and effective for providing reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would have been made known to them as of the end of the fiscal year ended December 31, 2008.

As well, as of the end of the fiscal year ended December 31, 2008, the Chief Executive Officer and Chief Financial Officer have evaluated and conclude that the Company's internal controls over financial reporting, designed under the Committee of Sponsoring Organization's internal control integrated framework, are adequately designed and effective for providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

During 2008, there was neither material weakness nor change in our disclosure controls and procedures or our internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, these controls.

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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 revenues are net of commissions paid to BCLC (commissions are 60% of the win on most table games and 75% of the slot machine win) and are 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 revenues are net of commissions paid to BCLC (commissions are 75% of the win on slots, and 40% to 75% of the weekly bingo win) and are 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 revenues are net of county gaming taxes at various rates ranging from 10% to 11% for card and progressive jackpot games, 5% on pull-tabs and 2% on amusement games.
- Casino gaming in Nova Scotia – gaming revenues are 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 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.

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Additional Information

Additional information relating to the Company, including the Company's latest 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

	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007
Gaming Revenues					
River Rock Casino Resort	\$ 18.5	\$ 21.5	\$ 19.2	\$ 23.1	\$ 21.1
Boulevard Casino	13.1	13.7	13.4	13.3	13.8
Vancouver Island Casinos	8.2	8.9	9.1	9.0	9.0
Other BC Casinos	1.0	1.2	1.2	1.2	2.1
Nova Scotia Casinos	10.1	12.0	10.7	10.0	10.6
Great American Casinos	5.9	5.4	5.4	5.1	5.1
BC Racinos	4.8	4.9	4.3	4.6	3.8
Georgian Downs	2.4	2.9	2.6	2.3	2.4
Flamboro Downs	3.0	3.5	3.5	3.1	2.6
Corporate & Other	-	0.2	-	-	-
	67.0	74.2	69.4	71.7	70.5
Racetrack Revenues					
BC Racinos	5.8	6.9	7.1	5.8	6.0
Georgian Downs	0.4	0.5	0.5	0.4	0.4
Flamboro Downs	0.7	1.2	1.0	1.0	0.9
	6.9	8.6	8.6	7.2	7.3
Facility Development Commission					
River Rock Casino Resort	2.7	2.9	2.8	3.8	1.8
Boulevard Casino	2.1	2.2	2.2	2.2	2.2
Vancouver Island Casinos	1.3	1.0	1.0	1.0	1.0
Other BC Casinos	0.1	0.1	0.1	0.1	0.2
BC Racinos	0.9	1.0	1.3	0.5	0.8
	7.1	7.2	7.4	7.6	6.0
Hospitality and Other Revenues					
River Rock Casino Resort	7.6	7.4	8.3	7.2	9.1
Boulevard Casino	2.5	2.0	2.2	1.9	2.4
Vancouver Island Casinos	0.9	1.0	1.1	1.1	1.0
Other BC Casinos	0.3	0.3	0.3	0.3	0.3
Nova Scotia Casinos	1.5	1.8	1.6	1.4	1.5
Great American Casinos	1.3	1.0	1.1	1.1	1.2
BC Racinos	2.1	2.3	2.0	1.5	1.8
Georgian Downs	1.2	1.1	1.1	0.9	1.1
Flamboro Downs	1.1	1.2	1.1	1.0	1.1
Corporate & Other	0.2	0.1	0.1	0.1	0.1
	18.7	18.2	18.9	16.5	19.6
Promotional Allowances	(3.0)	(3.1)	(2.7)	(2.7)	(2.7)
Revenues	\$ 96.7	\$ 105.1	\$ 101.6	\$ 100.3	\$ 100.7
EBITDA					
River Rock Casino Resort	\$ 8.8	\$ 11.9	\$ 9.9	\$ 14.8	\$ 12.4
Boulevard Casino	7.5	7.9	7.5	7.2	8.7
Vancouver Island Casinos	5.5	5.7	6.1	5.6	5.9
Other BC Casinos	0.2	0.5	0.5	0.4	0.5
Nova Scotia Casinos	2.7	4.2	3.1	0.9	0.5
Great American Casinos	0.6	0.7	1.2	0.9	1.1
BC Racinos	1.4	2.1	2.6	1.5	2.7
Georgian Downs	1.5	1.7	1.6	1.3	1.4
Flamboro Downs	1.6	2.1	2.3	1.4	1.1
Corporate & Other	(6.2)	(7.3)	(7.1)	(7.1)	(6.4)
	\$ 23.6	\$ 29.5	\$ 27.7	\$ 26.9	\$ 27.9

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

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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.

	Fourth Quarter			Twelve Months of		
	2008	2007	%Chg	2008	2007	%Chg
Gross table win	\$ 55.5	\$ 61.4	(10%)	\$ 231.9	\$ 243.3	(5%)
Gross slot win	126.3	136.4	(7%)	541.4	539.5	0%
Gross racetrack revenues	33.4	33.5	(0%)	145.4	136.5	7%
Hospitality and other revenues	20.8	21.0	(1%)	80.5	76.7	5%
FDC revenues	7.1	6.0	18%	29.4	22.9	28%
Gross revenues (a non-GAAP measure)	243.1	258.3	(6%)	1,028.6	1,018.9	1%
Less:						
Gaming, taxes and other commissions	(116.9)	(128.7)	(9%)	(499.2)	(505.6)	(1%)
Racetrack purses	(26.5)	(26.2)	1%	(114.2)	(105.8)	8%
Promotional allowances	(3.0)	(2.7)	11%	(11.5)	(10.3)	12%
Revenues	\$ 96.7	\$ 100.7	(4%)	\$ 403.7	\$ 397.2	2%