



GREAT CANADIAN GAMING CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month Period Ended
March 31, 2009

(Unaudited – Prepared by Management)

As at May 11, 2009

(Expressed in millions, except for share information)

GREAT CANADIAN GAMING CORPORATION
Interim Consolidated Statements of Financial Position
(Unaudited - Prepared by Management)
(Expressed in millions, except for share information)

		March 31, 2009	December 31, 2008
ASSETS			
CURRENT			
Cash and cash equivalents	Note 4	\$ 42.2	\$ 43.6
Restricted cash		11.2	10.6
Accounts receivable		11.7	14.2
Income taxes receivable		1.2	1.1
Due from Nova Scotia Gaming Corporation		4.0	3.7
Prepays, deposits and other assets		8.3	9.1
		78.6	82.3
Property, plant and equipment		724.2	704.0
Intangible assets		177.8	180.5
Goodwill		39.3	39.0
Future income taxes		7.7	8.6
Other assets	Note 7	18.2	9.6
		\$ 1,045.8	\$ 1,024.0
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 77.2	\$ 74.8
Long-term debt, deferred credits and other liabilities, current	Note 5	2.2	2.3
		79.4	77.1
Long-term debt	Note 5	464.3	440.0
Derivative liabilities	Note 7	14.0	23.4
Deferred credits, other liabilities		25.0	22.4
Future income taxes		66.0	68.4
		648.7	631.3
SHAREHOLDERS' EQUITY			
Share capital and contributed surplus	Note 8	343.4	341.7
Accumulated other comprehensive loss		(18.0)	(22.7)
Retained earnings		71.7	73.7
		397.1	392.7
		\$ 1,045.8	\$ 1,024.0

GREAT CANADIAN GAMING CORPORATION
Interim Consolidated Statements of Earnings
(Unaudited - Prepared by Management)
(Expressed in millions, except for share information)

		Three months ended March 31,	
		2009	2008
REVENUES	Note 9	\$ 96.1	\$ 100.3
EXPENSES			
Human resources		40.5	45.1
Property, marketing and administration		26.3	28.3
Amortization		11.6	10.0
Stock-based compensation		1.7	2.1
Restructuring and other	Note 10	11.4	0.3
		91.5	85.8
EARNINGS FROM OPERATIONS		4.6	14.5
Interest and financing costs, net		6.9	7.5
Foreign exchange loss (gain)		1.0	(0.2)
		7.9	7.3
(LOSS) EARNINGS BEFORE INCOME TAXES		(3.3)	7.2
Income taxes (recovery)	Note 11	(1.6)	1.5
(LOSS) EARNINGS BEFORE NON-CONTROLLING INTERESTS		(1.7)	5.7
Non-controlling interests		0.3	0.3
NET (LOSS) EARNINGS		\$ (2.0)	\$ 5.4
NET (LOSS) EARNINGS PER COMMON SHARE	Note 12		
Basic		\$ (0.02)	\$ 0.06
Diluted		\$ (0.02)	\$ 0.06
WEIGHTED AVERAGE NUMBER OF COMMON SHARES			
Basic		82,086,526	84,213,530
Diluted		82,086,526	84,490,748

See Accompanying Notes to the Interim Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION

(Unaudited - Prepared by Management)

(Expressed in millions, except for share information)

Interim Consolidated Statements of Retained Earnings

	Three months ended March 31,	
	2009	2008
Retained earnings, beginning of period	\$ 73.7	\$ 78.0
Net (loss) earnings	(2.0)	5.4
Purchase of common shares	-	(8.5)
Retained earnings, end of period	\$ 71.7	\$ 74.9

Interim Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive Loss

	Three months ended March 31,	
	2009	2008
Net (loss) earnings	\$ (2.0)	\$ 5.4
Other comprehensive income (loss), net of tax		
Current period changes in fair values of derivatives designated as cash flow hedges, net of income taxes of \$5.5 (2008 - \$1.8)	12.8	4.0
Gain on derivatives designated as cash flow hedges transferred to net earnings in the current period, net of income taxes of \$4.4 (2008 - \$3.7)	(10.2)	(8.3)
Unrealized effect of foreign currency translation of foreign operations	2.1	1.4
Other comprehensive income (loss)	4.7	(2.9)
Comprehensive income	\$ 2.7	\$ 2.5

	March 31, 2009	December 31, 2008	March 31, 2008
Accumulated other comprehensive loss comprises:			
Changes in fair values of derivatives designated as cash flow hedges, net of income taxes	\$ 1.6	\$ (11.2)	\$ (37.4)
(Gain) Loss on derivatives designated as cash flow hedges transferred to net earnings, net of income taxes	(18.4)	(8.2)	34.4
Unrealized effect of foreign currency translation of foreign operations	(1.2)	(3.3)	(9.0)
Accumulated other comprehensive loss	\$ (18.0)	\$ (22.7)	\$ (12.0)

GREAT CANADIAN GAMING CORPORATION
Interim Consolidated Statements of Cash Flows
(Unaudited - Prepared by Management)
(Expressed in millions, except for share information)

	Three months ended March 31,	
	2009	2008
Cash Flows from Operating Activities		
Net (loss) earnings	\$ (2.0)	\$ 5.4
Adjustments to reconcile net (loss) earnings to net cash provided by operating activities:		
Amortization	11.6	10.0
Stock-based compensation	1.7	2.1
Non-cash interest and financing costs	0.4	1.8
Non-cash restructuring costs	4.0	-
Future income taxes	(2.8)	(0.6)
Other	(0.4)	0.3
Changes in non-cash operating working capital	10.3	3.7
Net cash provided by operating activities	22.8	22.7
Cash Flows from Investing Activities		
Purchase of property, plant and equipment, net of related accounts payable	(34.4)	(19.0)
Funds received from Nova Scotia Gaming Corporation	-	4.1
Funds due from Nova Scotia Gaming Corporation for purchases of plant and equipment	(0.3)	(0.8)
Acquisition	-	(1.0)
Restricted cash	0.7	(1.6)
Net cash used in investing activities	(34.0)	(18.3)
Cash Flows from Financing Activities		
Proceeds from long-term debt	35.0	-
Repayment of long-term debt	(25.5)	(1.4)
Common shares issued for cash, net of issuance costs	-	0.1
Purchase of common shares	-	(12.2)
Net cash provided by (used in) financing activities	9.5	(13.5)
Effect of foreign exchange on cash and cash equivalents	0.3	0.5
Net Cash Outflow	(1.4)	(8.6)
Cash and cash equivalents, beginning of year	43.6	107.1
Cash and cash equivalents, end of year	\$ 42.2	\$ 98.5
Supplemental Disclosure		
Interest received	\$ 0.2	\$ 1.1
Interest paid	\$ 10.9	\$ 10.3
Income taxes paid	\$ 1.3	\$ 7.1

GREAT CANADIAN GAMING CORPORATION

Notes to the Interim Consolidated Financial Statements

For the Three Month Period Ended March 31, 2009

(Unaudited – Prepared by Management)

(Expressed in millions, except for share information)

1. NATURE OF BUSINESS

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

2. INTERIM CONSOLIDATED FINANCIAL STATEMENTS – BASIS OF PRESENTATION

These unaudited interim consolidated financial statements include the accounts of the Company and its subsidiaries. The interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and accordingly, certain information and note disclosures normally included in the audited annual consolidated financial statements have been omitted. As a result, these unaudited interim consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2008 (“Annual Financial Statements”).

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

3. CHANGES IN ACCOUNTING POLICIES

On January 1, 2009, the Company adopted the following new accounting standard of the Canadian Institute of Chartered Accountants (“CICA”): Handbook Section 3064 - Goodwill and Intangible Assets, which replaced Section 3062. The new section provides additional guidance on measuring the cost of goodwill, intangible assets and research and development costs. The new standard had no material impact to the financial statements and has been applied retrospectively without prior period restatement.

Recent Accounting Pronouncements

In January 2009, the CICA issued new accounting standards entitled Business Combinations, Section 1582; Consolidated Financial Statements, Section 1601; and Non-Controlling Interests, Section 1602. These standards replace the existing guidance and correspond to similar provisions of International Financial Reporting Standards. The three standards must be adopted concurrently and are effective for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. Earlier application is permitted at the beginning of a fiscal year. The Company has yet to adopt these standards. The Company’s future consolidated financial statements may be materially affected by the Business Combinations standard, dependent on the date the Company elects to adopt the standard and the specific facts of future business combinations, if any, that may subsequently occur.

GREAT CANADIAN GAMING CORPORATION
Notes to the Interim Consolidated Financial Statements

For the Three Month Period Ended March 31, 2009

(Unaudited – Prepared by Management)

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4. CASH AND CASH EQUIVALENTS

	March 31, December 31,	
	2009	2008
Cash in banks	\$ 39.0	\$ 28.5
Cash floats	3.2	8.6
Cash equivalents	-	6.5
	\$ 42.2	\$ 43.6

5. LONG-TERM DEBT

	March 31, December 31,	
	2009	2008
Term Loan B, net of unamortized transaction costs of \$2.4 (2008 - \$2.5)	\$ 207.4	\$ 200.6
Senior Secured Revolving Credit Facility	48.0	38.0
Senior Subordinated Notes and unamortized premium of \$1.5 (2008 - \$1.6) net of unamortized transaction costs of \$5.1 (2008 - \$5.3)	210.9	203.4
Obligations under capital leases and other debt	0.1	0.1
	466.4	442.1
Less: current portion	2.1	2.1
	\$ 464.3	\$ 440.0

The expected repayments of long-term debt for the five following twelve month periods ended March 31 are as follows:

2010	\$ 2.1
2011	2.1
2012	50.0
2013	2.0
2014	201.7
Thereafter	214.5
Total repayments	472.4
Less: unamortized transaction costs and premium	6.0
Total long-term debt (including current portion)	\$ 466.4

The Company has a \$200.0 Senior Secured Revolving Credit Facility (the “Revolving Credit Facility”) of which \$44.0 has been utilized to draw letters of credit to guarantee performance primarily under construction contracts, gaming cash floats and provincial gaming corporation payables (December 31, 2008 - \$44.9). The counter-parties to this Revolving Credit Facility are major financial institutions with minimum “A” credit ratings.

GREAT CANADIAN GAMING CORPORATION
Notes to the Interim Consolidated Financial Statements

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6. CAPITAL DISCLOSURES

The Company's capital structure comprises:

- Shareholders' equity;
- Long-term debt and related derivative liabilities;
- Cash and cash equivalents; and
- Outstanding letters of credit.

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

At March 31, 2009 the Company is in compliance with its financial covenants as shown below:

Covenant test	Related long-term debt	Required ratio	Actual ratio
Total Debt to Adjusted EBITDA ratio	Term Loan B & Revolving Credit Facility	< 5.00	3.61
Senior Debt to Adjusted EBITDA ratio	Term Loan B	< 3.50	1.98
Interest Coverage ratio	Term Loan B	> 2.00	4.37
Fixed Charge Coverage ratio ⁽¹⁾	Subordinated Notes	> 2.00	4.31

⁽¹⁾ Tested on specified events.

As part of its capital structure monitoring process, the Company has independent credit ratings as follows:

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

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7. DERIVATIVES

Cross-currency interest rate swaps

The Company has entered into 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 March 31, 2009 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	\$166.6 ⁽¹⁾	\$196.8 ⁽¹⁾	US LIBOR+1.50%	6.1%	February 13, 2014
Subordinated Notes	\$170.0	\$201.1	7.25%	6.6%	February 15, 2015

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

At March 31, 2009, the Company's swap associated with the Term Loan B was in a \$14.0 liability position (December 31, 2008 - \$23.4 liability) and is recorded in derivative liabilities on the consolidated statements of financial position, and the swap associated with the Subordinated Notes was in a \$16.2 asset position (December 31, 2008 - \$7.4 asset) and is recorded in other assets on the consolidated statements 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 (loss).

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8. SHARE CAPITAL AND CONTRIBUTED SURPLUS

a) Share capital and contributed surplus

	Common Shares		Contributed Surplus		Share Capital And Contributed Surplus
	Number ⁽¹⁾	Amount			
At December 31, 2008	82,086	\$ 312.0	\$ 29.7	\$	341.7
Stock based compensation	-	-	\$ 1.7		1.7
At March 31, 2009	82,086	\$ 312.0	\$ 31.4	\$	343.4

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

The Company is authorized to issue an unlimited number of common shares with no par value.

b) Normal course issuer bid

The Company did not purchase any shares under its normal course issuer bid during the three months ended March 31, 2009. During the three months ended March 31, 2008, the Company purchased 878,100 common shares at a cost of \$12.2. The Company can purchase up to 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.

c) Stock Option Plan

	Options ⁽¹⁾	Weighted-Average Exercise Price
Outstanding at December 31, 2008	4,406	\$ 11.87
Granted ⁽²⁾	3,244	2.62
Forfeited	(184)	12.45
Expired	(352)	9.04
Outstanding at March 31, 2009	7,114	\$ 7.78

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

⁽²⁾ The weighted average grant date fair value per option granted is \$0.81

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9. REVENUES

	Three months ended March 31,	
	2009	2008
Gross table win	\$ 58.8	\$ 63.2
Gross slot win	129.3	135.0
Gross racetrack revenues	34.2	32.3
Hospitality and other revenues	18.3	18.5
Facility Development Commission	7.5	7.6
	248.1	256.6
Less:		
Gaming, taxes and other commissions	(121.8)	(128.4)
Racetrack purses	(27.3)	(25.2)
Promotional allowances	(2.9)	(2.7)
Revenues	\$ 96.1	\$ 100.3

10. RESTRUCTURING AND OTHER

In anticipation of a weakening Canadian economy, the Company commenced expense reduction initiatives in November 2008. Since that time, restructuring and other expenses associated with these initiatives have totalled \$12.8. The following table summarizes the movement in the restructuring and other expenses accruals associated with these initiatives:

	Severance	Vacated head office lease	Total
Balance at October 31, 2008	\$ -	\$ -	\$ -
Restructuring and other expenses	1.4	-	1.4
Payments	(0.6)	-	(0.6)
Balance at December 31, 2008	0.8	-	0.8
Restructuring and other expenses, excluding \$1.0 in impairments of leasehold improvements	7.2	3.2	10.4
Payments	(7.0)	(0.2)	(7.2)
Balance at March 31, 2009	\$ 1.0	\$ 3.0	\$ 4.0

If the Canadian economy continues to weaken and necessitates further restructuring, there may be future restructuring costs associated with these initiatives.

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11. INCOME TAXES

The Company's income tax (recovery) expense is as follows:

	Three Months Ended March 31,	
	2009	2008
Basic federal and provincial statutory income tax rate	30.00%	31.00%
Expected income tax (recovery) provision for the period	\$ (1.0)	\$ 2.2
Effect of:		
Non-deductible stock-based compensation	0.5	0.6
Changes in tax rates on future income taxes	(1.4)	(1.2)
Other items	0.3	(0.1)
	\$ (1.6)	\$ 1.5

12. NET (LOSS) EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted net (loss) earnings per common share:

	Three Months Ended March 31,	
	2009	2008
Net (loss) earnings (A)	\$ (2.0)	\$ 5.4
Weighted average number of common shares outstanding (B) ⁽¹⁾	82,087	84,214
Dilutive adjustment for stock options ⁽¹⁾	-	277
Diluted weighted-average number of common shares (C) ⁽¹⁾	82,087	84,491
Net (loss) earnings per common share		
Basic (A/B)	\$ (0.02)	\$ 0.06
Diluted (A/C)	\$ (0.02)	\$ 0.06

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

The following table summarizes the outstanding stock options that are anti-dilutive and are not included in the above calculation:

	Three Months Ended March 31,	
	2009	2008
Options ⁽¹⁾	7,114	6,332

⁽¹⁾ Information is presented in thousands.

GREAT CANADIAN GAMING CORPORATION
Notes to the Interim Consolidated Financial Statements

For the Three Month Period Ended March 31, 2009

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13. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	March 31,	December 31,
	2009	2008
Accounts receivable	\$ 2.5	\$ (1.1)
Income taxes receivable	(0.1)	(3.7)
Prepays, deposits and other assets	0.9	3.8
Accounts payable and accrued liabilities	7.0	(8.6)
	\$ 10.3	\$ (9.6)

14. RELATED PARTY TRANSACTIONS

On March 31, 2009, the Company acquired 100% of the outstanding common shares of the Canadian Gaming Institute Inc., a casino dealer training company controlled by a director of the Company. The total cash purchase price for the shares was \$0.6. 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. During the three months ended March 31, 2009, the Company did not require dealer training services.

The Company has engaged the services of a company (“the Consulting company”) whose shareholder was, until May 1, 2009, the sole director and officer of Ridge Capital Amalgamated Corp. which owns 4.0 million common shares in Great Canadian Gaming Corporation over which the Company’s Chairman and Chief Executive Officer has voting control pursuant to a shareholder agreement. Human resources expenses for the three months ended March 31, 2009, includes \$0.1 in fees for the Consulting company’s advice on the Company’s strategic and operational efficiency initiatives. On May 8, 2009, the Company agreed to issue to the Consulting company options to acquire 280,000 common shares of the Company at a market-based exercise price. As these transactions were in the normal course of operations, they were measured at the exchange amount agreed to by the Consulting company and the Company.

15. FACILITY DEVELOPMENT COMMISSION (“FDC”) APPROVED AMOUNTS

The following table summarizes the changes in the Company’s Approved Amounts to be recovered by future FDC receipts from BCLC:

	2009	2008
Opening Approved Amounts at January 1,	\$ 357.3	\$ 342.3
Additional Approved Amounts	13.4	12.3
FDC receipts	(7.5)	(7.6)
Closing Approved Amounts at March 31,	\$ 363.2	\$ 347.0

Approved Amounts have not been recorded in the consolidated statements of financial position. Since FDC is earned as a fixed percentage of gaming win, subject to the Company incurring sufficient Approved Amounts, recovery of Approved Amounts requires that the operating agreements with BCLC remain in good standing and the generation of sufficient gaming win.