



# GREAT CANADIAN GAMING CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three month and six month periods ended June 30, 2006

*As at August 11, 2006*

*(Unless otherwise stated, dollar amounts expressed in thousands, except for share and per share information)*

## GREAT CANADIAN GAMING CORPORATION

### Management's Discussion & Analysis

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#### FINANCIAL REVIEW SUMMARY

	Three Months Ended					Six Months Ended June 30,		
	June 30, 2006	March 31, 2006	% Change	June 30, 2005	% Change	2006	2005	% Change
Revenues	\$ 91,001	\$ 86,631	5%	\$ 67,513	35%	\$ 177,632	\$ 119,659	48%
EBITDA*	\$ 19,593	\$ 17,123	14%	\$ 19,427	1%	\$ 36,716	\$ 36,011	2%
Net income	\$ 6,644	\$ 1,436	363%	\$ 10,459	(36%)	\$ 8,080	\$ 19,718	(59%)
Earnings per common share:								
Basic	\$ 0.08	\$ 0.02	300%	\$ 0.14	(43%)	\$ 0.10	\$ 0.26	(62%)
Diluted	\$ 0.08	\$ 0.02	300%	\$ 0.14	(43%)	\$ 0.10	\$ 0.26	(62%)

See page 19 for complete table of Consolidated Results of Operations.

\* EBITDA is defined in the Introduction – Non-GAAP Measures section of this MD&A. EBITDA excludes restructuring charges.

For the three month period ended June 30, 2006 (the “second quarter of 2006”), Great Canadian Gaming Corporation (the “Company”, “we”, “our”) recorded revenues of \$91,001, an increase of 35% from the second quarter of 2005 and 5% from the first quarter of 2006. Revenues for the six months ended June 30, 2006 (the “first half of 2006”) were \$177,632 or 48% higher than in the same period in 2005.

The operating results in the second quarter of 2006 and the first half of 2006 include the results of operations from acquisitions and expansions completed during 2005, which, for the most part, were completed during or subsequent to the end of the second quarter of 2005. These acquisitions and expansions account primarily for the increase in revenues in the second quarter of 2006 compared to the second quarter of 2005, and the first half of 2006 compared to the first half of 2005.

The acquisitions made during 2005 were: Orangeville Raceway Limited (“Orangeville”) on March 18, 2005; Metropolitan Entertainment Group which operates the Casino Nova Scotia on May 31, 2005; Georgian Downs Limited (“Georgian”) on July 2, 2005; and Flamboro Downs Holdings Limited (“Flamboro”) on October 19, 2005. The expansions completed during 2005 were: River Rock Casino Resort (“River Rock”) hotel, theatre, and food and beverage operations on August 19, 2005; Fraser Downs Racetrack and Casino (“Fraser Downs”) on October 14, 2005; and Boulevard Casino (“Boulevard”) on November 17, 2005.

Revenues in the second quarter of 2006 increased \$4,370 compared to the first quarter of 2006 as a result of an increase of \$1,878 in gaming revenues, \$1,727 in racetrack revenues and \$645 in non-gaming revenues and a reduction of \$120 in promotional allowances. The increase in gaming revenues resulted primarily from growth at River Rock (+3.6%), Casino Nova Scotia (+10.6%), Flamboro Downs (+16.3%) and Washington State (+7.3%) offset by a low hold percentage, post “honeymoon” and seasonal decline at Boulevard (-9.9%). Historically, we have experienced a strong rise in revenues following a major opening, as new customers try out the new facility during the “honeymoon” period which typically last for four to six months. Following the honeymoon period, a short flat or slight reversal trend in revenue occurs followed by sequential growth as customers settle into a regular visitation frequency. At Boulevard, the end of

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the honeymoon period is exacerbated by a summer seasonal slowdown at the property. The increase in racetrack revenues resulted primarily from the opening of live racing at Hastings Racecourse and the opening of an additional TBC simulcast location at River Rock. The increase in non-gaming revenues resulted from higher hotel revenues at River Rock and food and beverage sales at Hastings Racecourse.

EBITDA (defined under "Introduction – Non-GAAP Measures"), for the second quarter of 2006, was \$19,593, an increase of 1% from the second quarter of 2005 and a 14% increase from the first quarter of 2006. EBITDA increased by 2% to \$36,716 during the first six months in 2006 compared to \$36,011 in the same period in 2005.

The increase in revenues in the second quarter of 2006 compared to the second quarter of 2005 and the first half of 2006 compared to the first half of 2005 did not yield a proportionate increase in EBITDA, as costs increased at nearly the same rate.

The acquisitions of Orangeville, MEG, Georgian and Flamboro, which provided incremental revenues of \$17,066 in the second quarter of 2006 compared to the second quarter of 2005, contributed incremental EBITDA of \$3,749. These acquisitions, which consist of three racinos and the casinos in Nova Scotia, generally have a higher labour and cost structure and generate lower EBITDA as a percentage of revenues compared to pure casino operations.

The expansions at River Rock and Boulevard, which increased revenues by \$8,484 in the second quarter of 2006 compared to the second quarter of 2005, had a negative incremental EBITDA of \$1,586. The increased revenues have come from gaming operations (+\$3,058), hotel, food and beverage and entertainment operations (+\$5,426).

The operating costs have increased with the addition of the BCLC Marketing Trust Account (the "BCLC Marketing Account") expense of \$1,054 in the second quarter of 2006, compared to \$NIL in the second quarter of 2005. In addition, the entertainment operations had a negative EBITDA of \$438 in the second quarter of 2006 compared to \$NIL in the second quarter of 2005.

In addition, following the acquisitions and expansions undertaken in 2005, the Company's fixed costs and overhead structure expanded rapidly to accommodate the growth. Cost reduction and efficiency improvement initiatives such as staff right sizing, contract rationalization and business process re-engineering have been initiated to reduce operating costs and improve EBITDA as a percentage of revenue for our operations. These initiatives will take time to implement and may require additional expenditures in the short term in order to realize savings in the long term.

EBITDA as a percentage of revenues increased from 20% in the first quarter to 22% in the second quarter of 2006. Human resources cost in the second quarter of 2006 increased \$765 from the first quarter of 2006 but were 49% of revenues, as compared with 50% in the first quarter of 2006. The increase in human resources cost was partly due to seasonal increases in some of our operations offset by a decrease in payroll related accruals. For the six months ended June 30, 2006, human resources cost increased by \$30,358 from \$57,549 for the same period in 2005. This increase is primary due to the expansions and acquisitions in 2005.

Marketing and promotion, occupancy cost, operating supplies, and general and administration expenses increased \$1,135 in the second quarter of 2006 compared to the first quarter of 2006. This increase is due primarily to an increase in amounts spent by BCLC from the BCLC Marketing

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Account as well as \$697 in professional fees associated with the filing of statutory financial statements and tax filings for 2005, and amendments to the debt agreement in 2006. These expenses for the six months ended June 2006, increased by 103% compared to the same period in 2005 as a result of the expansions and acquisitions in 2005. With the increased spending from the BCLC Marketing Account, the Company substantially reduced its marketing department and marketing budget subsequent to the second quarter end.

Amortization expense increased in the second quarter and for the six months ended June 30, 2006 compared to the same periods in 2005 as a result of additions to property, plant and equipment and intangible assets from acquired businesses and from capital expansion projects during 2005.

The increase in stock-based compensation expense for the second quarter of 2006 compared to the second quarter of 2005 is due to stock options granted by the Company subsequent to the second quarter of 2005. The stock-based compensation expense decreased from the first quarter to the second quarter of 2006 due to the forfeiture of stock options.

The Company recorded a restructuring charge of \$994 in the second quarter of 2006 to reflect severance, stock-based compensation, and other obligations associated with departed employees. Total restructuring costs for the six months ended June 30, 2006 were \$2,596.

The loss on impairment of investments and long-lived assets relates to non-cash write-downs of non-core investments and long-lived assets to estimated fair market value.

Interest and financing expense decreased in the second quarter of 2006 compared to the first quarter of 2006 due primarily to the repayment of the outstanding balance under the credit facility. The interest expense for the first six months of 2006 and the second quarter of 2006 increased compared to the same periods in 2005 as a result of debt incurred to fund acquisitions and expansions in 2005.

Accretive income increased during the six months and the quarter ended June 30 in 2006 compared to the same periods in 2005 and for the second quarter of 2006 over the first quarter of 2006 due to higher amounts due from provincial gaming corporations, which leads to a higher discount and higher accretion of the discount.

The non-cash foreign exchange loss in the second quarter of 2006 arose from the transfer of surplus cash from the Company's Washington State operations to the parent company, which triggered partial recognition of the cumulative foreign currency translation amount.

The income tax recovery in the second quarter of 2006 arose primarily from a \$5,200 reduction in future income taxes resulting from statutorily enacted reductions in corporate income tax rates.

Net income was \$6,644 in the second quarter of 2006 compared to net income of \$10,459 in the second quarter of 2005, and \$1,436 in the first quarter of 2006. During the six months ended June 30, net income decreased from \$19,718 in 2005 to \$8,080 in 2006. The fully diluted earnings per share was \$0.08 for the second quarter of 2006 compared to \$0.14 in the second quarter of 2005 and \$0.02 in the first quarter of 2006. Basic and diluted earnings per common share for the six months ended June 30, 2006 were both \$0.10, compared to \$0.26 for the same period in 2005.

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Total assets decreased to \$910,810 at June 30, 2006 compared to \$918,670 at December 31, 2005. The Company received net proceeds of \$79,706 from a private placement equity issue during the first quarter of 2006 and used the proceeds to repay the outstanding balance under its credit facility.

The Company will continue to focus on reducing costs and improving the efficiency of its operations over the next several quarters. Variable costs, such as hourly labour and operating supplies, are expected to vary with the seasonality of the business. In-house marketing and promotion expenses are expected to decrease as we rely more on the BCLC marketing initiatives and subsequent to the quarter we reduced our marketing department. Additional restructuring costs are expected in future quarters as the Company continues to review expenses, and evaluate, improve and upgrade business processes and systems.

On the development front, the Company re-launched the Casino Nova Scotia on June 1, 2006, with refreshed gaming products including slot machines with ticket-in, ticket-out technology and upgraded food, beverage and entertainment facilities. On July 5, 2006 the Company opened Chances Gaming Entertainment in Dawson Creek ("Chances"), the community gaming centre formerly called Bear Mountain Community Gaming Centre. The construction of the theatre at Boulevard is expected to be substantially completed in the third quarter of 2006. Hastings Racecourse development is expected to commence when the necessary approvals are obtained.

Management is of the view that its current credit and debt facilities are generally restrictive and a constraint on potential expansions on its properties and future opportunities for growth. In addition, the current facilities provide for little flexibility for swings in operating performance. The Company is presently reviewing its credit and debt facilities with an objective to consider financing alternatives that provide for greater flexibility and a leverage more typical of the industry. Management believes that it will be able to meet all of its debt obligations even if all current approved capital plans and requirements are funded from debt.

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### **INTRODUCTION**

#### **Basis of Discussion and Analysis**

This management's discussion and analysis ("MD&A") of our business, financial review, results of operations, liquidity and capital resources, and other financial information is dated as of August 11, 2006. This MD&A should be read in conjunction with our unaudited interim consolidated financial statements for the three and the six month periods ended June 30, 2006 and the accompanying notes ("Interim Financial Statements"), and our audited consolidated financial statements for the year ended December 31, 2005 and the accompanying notes ("Annual Financial Statements").

Our discussion in this MD&A is based on the Interim Financial Statements. The Interim Financial Statements are prepared under Canadian Generally Accepted Accounting Principles ("GAAP") for interim financial statements and accordingly, certain information and note disclosures normally included in the audited annual financial statements are omitted. Unless expressly stated otherwise, all financial information is presented in Canadian dollars. Certain of the prior period comparative figures have been restated to the current period's presentation.

#### **Non-GAAP Measures**

The following non-GAAP definition is used in this MD&A because management believes that it provides useful information regarding our ongoing operations. Readers are cautioned that the definition is not a recognized measure under Canadian GAAP, does not have a standardized meaning prescribed by GAAP, and should not be construed to be an alternative to net income determined in accordance with GAAP or as an indicator of performance or liquidity or cash flows. Our method of calculating this measure may differ from the method used by other entities and accordingly our measure may not be comparable to similar titled measures used by other entities.

EBITDA means Earnings Before Interest and financing expenses (net of interest income), Taxes, Depreciation and Amortization, stock-based compensation, restructuring costs, impairment of investments and long-lived assets, accretive income, foreign exchange gain (loss) and non-controlling interests. EBITDA is derived from the consolidated statement of income, and is computed as revenues less human resources, general and administration, operating supplies, occupancy costs, and marketing and promotion. 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 the comparable GAAP measure is shown in the "Consolidated Results of Operations" section in this MD&A.

#### **Forward-Looking Statements**

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

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

The Company cautions that this list of factors is not exhaustive. These factors and other risks and uncertainties are discussed in the Company's materials 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 2005, or as identified in the Company's disclosure record on [www.sedar.com](http://www.sedar.com).

The forward-looking statements contained herein are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Readers should not place undue reliance on the forward-looking statements, which reflect management's plans, estimates, projections and views only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances.

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## **BUSINESS DESCRIPTION**

### **General**

Great Canadian Gaming Corporation is a multi-jurisdictional gaming and entertainment operator with operations in British Columbia ("BC"), Ontario ("ON") and Nova Scotia ("NS"), Canada, and Washington State, United States of America ("Washington"). The Company operates fourteen casinos, a thoroughbred racetrack, four standardbred racetracks, a community gaming centre, a hotel, a theatre and numerous associated food and beverage and entertainment facilities.

Descriptions of the Canadian and Washington State gaming industries and our operating agreements in these jurisdictions are included in our Annual Information Form located on the SEDAR website at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.qcgaming.com](http://www.qcgaming.com). In addition, further information on operations can be found in the MD&A for the year ended December 31, 2005.

### **Operations in Canada**

#### British Columbia

##### *Market Trend and Competition*

The Company operates four casinos and two horseracing tracks in the Greater Vancouver area. Based on information from BCLC, about 71% of the BC casino gaming win comes from the Greater Vancouver area and the Company has approximately 54% market share of the Greater Vancouver gaming win. The Company's share of the BC gaming win is 49%.

In its 2006-2009 service plan, BCLC forecasts casino gaming revenues to grow from the present \$1,075,000 for the year ended March 31, 2006 to \$1,225,000 for the year ended March 31, 2009. We anticipate that much of the growth projected by BCLC in its service plan will come from expansions the Company and competitors have completed in the past two years. After two years of rapid expansion, based on public announcements from our competitors, we understand that no further expansions by competitors will occur in the Greater Vancouver area until late 2007, at which time a competitor has announced it will open a new casino in New Westminster's Queensborough area.

With an upcoming period of relative stability in the gaming marketplace in Greater Vancouver, we expect further organic growth of the market to occur within the existing casinos. The Company believes its investments in best-in-class facilities have given it a suite of properties, features and amenities that give it a competitive advantage. We expect that our River Rock and Boulevard casinos will allow us to target the underserved tourism sector.

We believe the Company's other main BC casino properties, namely Nanaimo and View Royal on Vancouver Island, are in stable marketplaces and face limited competition until 2007. The Company's BC horseracing tracks are not expected to face further competition.

Community gaming centres offering 75 to 100 slot machines are expected to open in Duncan, Courtenay, Campbell River and Port Alberni on Vancouver Island in 2007. It is uncertain what impact these expanded bingo facilities may have on our Nanaimo and View Royal casinos.

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The Company has operated a seasonal casino in Wells, BC that has been unprofitable over the years. The casino will not reopen in the future. This casino was not a material component of the Company's operations and a write down provision of \$400 on the investment in the casino was taken in the second quarter of 2006.

#### *Seasonality*

While the Company's BC casinos operate year-round, our racetracks are subject to seasonal variations. Live racing at Hastings Racecourse operates from mid-April to mid-November. Live racing at Fraser Downs operates from mid-October to mid-May. Simulcast racing at both locations continues to operate year-round.

#### Nova Scotia

##### *Market Trend and Competition*

In Nova Scotia, we operate the only two full service casinos in the province. There is, however, competition from Video Lottery Terminals ("VLTs") which are permitted in licensed liquor establishments, curling clubs and on First Nations' land. Table games are permitted only at MEG's Casino Nova Scotia Halifax and Casino Nova Scotia Sydney and as such, there is no competition in the province for table games or full service casino experiences.

In 2005, the government of Nova Scotia announced a fully-integrated gaming strategy. The strategy contains initiatives to enhance treatment and prevention programs, as well as creating a more balanced and socially responsible gambling industry. In November 2005, 800 VLTs were removed across the province, with a further 200 to be reduced through attrition. In January 2006, the speed of play on VLTs was reduced by 30% and the VLT's "stop" feature was disabled to slow down VLT play.

The Company is fully supportive of the province's strategy and contributes \$1,000 per year towards the province's responsible gambling initiatives.

The Nova Scotia Smoke Free Places Act takes effect for the Halifax casino on December 1, 2006 and generally regulate and limit locations where smoking can occur. The Sydney casino has operated under a smoking ban since July 2004.

#### *Seasonality*

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

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#### Ontario

##### *Market Trend and Competition*

The Company operates two live horseracing facilities (with slots operated by Ontario Lottery and Gaming Corporation) that are located within a one-hour drive of the Greater Toronto Area ("GTA"). The GTA has a population of approximately 5.3 million, or about 42% of the province of Ontario.

There are currently four commercial casinos, six charity casinos and seventeen racetracks with slot machines. The GTA's only live horseracing and slot venue is Woodbine Racetrack. There are no casinos in the GTA. In 2005, the Ontario government announced that no further gaming facilities will be approved and there will be an increased focus on responsible gaming and a commitment to ensuring the competitiveness of Ontario's gaming industry.

##### *Seasonality*

The Company is not aware of any significant seasonality issues impacting its Ontario operations other than influences from the winter weather conditions.

#### **Operations in Washington State**

##### *Market Trend and Competition*

The Company operates four table only casinos in the Greater Seattle area. The competitive environment in Washington is highly regulated but does not have the same significant barriers to entry for commercial casinos as in British Columbia, Ontario and Nova Scotia. Competition among commercial casinos in Washington State is abundant and widely spread out among mostly single and several multi-location operators. Tribal casinos, with their ability to offer electronic gaming devices such as slots, are at a significant advantage to commercial casino operators. Additionally, tribal casinos are not subject to the same taxation level as non-tribal casinos, which allows for a competitive advantage in terms of supporting marketing and overhead expenses.

In December 2005, a state-wide smoking ban was implemented. Tribal casinos were exempted from the smoking ban. It is uncertain how the ban will affect the future operations of the Company's casinos over the long term. However, in the short term, we did experienced a \$395 decline in gaming revenues in the first quarter of 2006 compared to the fourth quarter of 2005, likely due to the state-wide smoking ban. In the second quarter of 2006, we experienced a recovery in gaming revenues of \$399 from the first quarter of 2006.

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## **DEVELOPMENT PROJECTS**

### Coquitlam Boulevard Casino

The first phase of the Boulevard casino expansion opened on November 17, 2005. The Boulevard 1,100-seat theatre is expected to open in the third quarter of 2006. The cost of expansion is expected to be substantially recoverable from the BCLC Facility Development Commission ("FDC"). As at June 30, 2006, approximately \$105,000 of construction and equipment costs had been spent on this project and an estimated \$8,600 is remaining.

### Hastings Racecourse

The City of Vancouver Council has approved a by-law permitting the deployment of slots and the public benefits package for the racetrack and surrounding community. The City of Vancouver Development Board has approved development plans for the installation of 600 slot machines at Hastings, together with associated improvements to the facility.

The actual construction and development of Hastings Racecourse remains subject to the issuance of building permits and concluding an operating agreement with the City of Vancouver. The Company plans to spend between \$40,000 to \$69,000, dependant upon whether plans to accelerate the construction of a parkade are approved on the expansion of the Hastings Racecourse site. The development costs are expected to be substantially FDC recoverable. As at June 30, 2006, approximately \$3,900 had been spent.

On November 2, 2005, Hastings Park Conservancy filed a petition in the Supreme Court of B.C. seeking an order to quash a City of Vancouver bylaw permitting slot machines at Hastings Racecourse. No decision has been reached on this petition. See further information in the "Litigation" section.

### Casino Nova Scotia

The Company is implementing its business plan for Casino Nova Scotia for the upgrade and replacement of slot technology and surveillance equipment, and for other equipment to facilitate operational improvements to the gaming floor. The Company expects that the full cost of the capital plan will be reimbursed under the Capital Reserve Account ("CRA"). As at June 30, 2006, approximately \$13,600 of construction and equipment costs had been spent on this project and an estimated \$7,500 is remaining. The facility upgrades are expected to be substantially complete by the end of the third quarter of 2006, although some modifications may extend into early 2007.

### Bear Mountain Community Gaming Centre

On July 5, 2006, the Company opened a replacement community gaming centre that will include a bingo hall, larger slot gaming floor with 123 slot machines and two electronic blackjack tables, and entertainment floor, food and beverage facilities and a teletheatre. As at June 30, 2006, approximately \$11,300 of construction and equipment costs had been spent on this project and an estimated \$600 is remaining. These costs are expected to be substantially FDC recoverable. On July 5, 2006, the new facility was open as Chances Gaming Entertainment in Dawson Creek.

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## RESULTS OF OPERATIONS

Discussion of the consolidated results of operations is covered in three sections of the MD&A. Discussions of Operating Results in Canada and Operating Results in Washington focus on revenues and expenses included in EBITDA for each of those locations. Discussion of Consolidated Results of Operations focuses on consolidated income and expenses that are excluded from EBITDA.

### Operating Results in Canada

	Three Months Ended					Six Months Ended June 30,		
	June 30, 2006	March 31, 2006	% Change	June 30, 2005	% Change	2006	2005	% Change
Gaming revenues	\$ 62,457	\$ 60,978	2%	\$ 46,470	34%	\$ 123,435	\$ 85,267	45%
Racetrack revenues	8,135	6,408	27%	7,058	15%	14,543	9,275	57%
Food and beverage revenues	11,708	11,482	2%	6,208	89%	23,190	10,406	123%
Hotel revenues	2,285	1,842	24%	-	n/a	4,127	-	n/a
Other non-gaming revenues	1,549	1,438	8%	1,084	43%	2,987	1,837	63%
	<b>86,134</b>	<b>82,148</b>	<b>5%</b>	<b>60,820</b>	<b>42%</b>	<b>168,282</b>	<b>106,785</b>	<b>58%</b>
Less: Promotional allowances	(1,787)	(1,899)	(6%)	(675)	165%	(3,686)	(1,437)	157%
Revenues	<b>84,347</b>	<b>80,249</b>	<b>5%</b>	<b>60,145</b>	<b>40%</b>	<b>164,596</b>	<b>105,348</b>	<b>56%</b>
Human resources	40,696	40,028	2%	28,070	45%	80,724	49,796	62%
Marketing and promotion, occupancy costs, operating supplies and G&A	25,403	24,320	4%	14,122	80%	49,723	22,296	123%
	<b>66,099</b>	<b>64,348</b>	<b>3%</b>	<b>42,192</b>	<b>57%</b>	<b>130,447</b>	<b>72,092</b>	<b>81%</b>
EBITDA*	18,248	15,901	15%	17,953	2%	34,149	33,256	3%
EBITDA % of revenues	22%	20%		30%		21%	32%	
Stock-based compensation	1,480	2,142	(31%)	1,158	28%	3,622	1,868	94%
Amortization	5,841	5,916	(1%)	1,650	254%	11,757	2,641	345%
Restructuring costs	994	1,602	(38%)	-	n/a	2,596	-	n/a
Income from operations	\$ 9,933	\$ 6,241	59%	\$ 15,145	(34%)	\$ 16,174	\$ 28,747	(44%)

\* EBITDA is defined in the Introduction – Non-GAAP Measures section of this MD&A

### Discussion of Results

The operating results in the second quarter of 2006 include the results of operations from acquisitions and expansions completed during 2005, which for the most part were completed during or subsequent to the end of the second quarter of 2005. These acquisitions and expansions account for most of the increase in revenues in the three and six month periods ended June 30, 2006 compared to the same periods in 2005.

The acquisitions during 2005 were: Orangeville on March 18, 2005; MEG on May 31, 2005; Georgian on July 2, 2005; and Flamboro on October 19, 2005. The expansions completed during 2005 were: River Rock hotel, theatre, and food and beverage operations on August 19, 2005; Fraser Downs complex expansion on October 14, 2005; and Boulevard casino expansion on

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November 17, 2005.

Our five BC casinos consist of River Rock, Boulevard and Casino on Broadway (formerly known as "Holiday Inn on Broadway") in the Greater Vancouver area and View Royal and Nanaimo on Vancouver Island (collectively, the "BC Casinos").

#### *Gaming Revenues*

The following section uses the casino gaming terms "table drop", "table hold", "table hold percentage" and "slot win". These are non-GAAP measures. Table drop means the collective amount of money customers are willing to wager on table games against the casino, and is commonly computed as the aggregate of money counted in the casino drop boxes. Table hold is calculated as the table drop less the payout to winning customers and change in 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 a result, we believe table drop is a more meaningful measure of casino performance. Slot win is the aggregate of money customers have placed into slots or electronic machines (the coin-in) less the payout or prizes to winning customers.

The table drop, table hold and slot win figures are derived from management gaming reports and are shown before the revenue split between BCLC and the Company. Our portion of the revenue split is reported as gaming revenues and represents the commission we earn on the table hold and slot win, plus additional commission earned on craps and poker games.

Canadian gaming revenues in the second quarter of 2006 increased by \$15,987 or 34% from the second quarter of 2005, and \$1,479 or 2% from the first quarter of 2006. There were 91 operating days in the second quarter of 2006 and 2005, and 90 operating days in the first quarter of 2006 and 2005. The results for the second quarter compared to the first quarter should consider the 1.1% increase in the number of operating days. The Canadian gaming revenues for the six months ended June 30, 2006 increased by \$38,168 or 45% compared to the same period in 2005. The increase in revenues for the second quarter and first half of 2006 compared to the corresponding period in 2005 is mainly due to the expansion and acquisitions during 2005.

The largest component of Canadian gaming revenues is from the five BC Casinos. The five BC Casinos contributed gaming revenues of \$42,130 for the second quarter of 2006, an increase of 9.4% from the second quarter of 2005 and consistent with the first quarter of 2006. There was also an increase in Canadian gaming revenues from the five BC casinos of 10.2% for the six months ended June 30, 2006 over the same period in 2005 for these same casinos. This increase is attributable largely to additional revenues from the first phase of the Boulevard casino expansion completed in November 2005.

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The following table summarizes the table drop and hold percentage and slot win for the BC and Nova Scotia casinos:

	Three Months Ended					Six Months Ended June 30,		
	June 30, 2006	March 31, 2006	% Change	June 30, 2005	% Change	2006	2005	% Change
<b>River Rock</b>								
Table Drop	\$ 116,580	\$ 115,731	0.7%	\$ 113,617	2.6%	\$ 232,311	\$ 240,355	(3.3%)
Table Hold %	24.4%	24.6%	(0.7%)	26.7%	(8.7%)	24.5%	25.6%	(4.5%)
Slot Win	\$ 27,837	\$ 25,899	7.5%	\$ 24,159	15.2%	\$ 53,736	\$ 47,795	12.4%
<b>Boulevard</b>								
Table Drop	\$ 52,157	\$ 58,589	(11.0%)	\$ 43,117	21.0%	\$ 110,746	\$ 89,966	23.1%
Table Hold %	19.3%	22.2%	(13.0%)	22.3%	(13.4%)	20.8%	22.2%	(6.0%)
Slot Win	\$ 28,525	\$ 28,793	(0.9%)	\$ 19,160	48.9%	\$ 57,318	\$ 37,740	51.9%
<b>Other BC Casinos</b>								
Table Drop	\$ 46,138	\$ 45,207	2.1%	\$ 43,903	5.1%	\$ 91,345	\$ 87,785	4.1%
Table Hold %	22.0%	21.9%	0.4%	23.1%	(4.8%)	21.9%	22.8%	(3.7%)
Slot Win	\$ 29,669	\$ 28,561	3.9%	\$ 27,134	9.3%	\$ 58,230	\$ 51,251	13.6%
<b>Casino Nova Scotia</b>								
Table Drop	\$ 15,282	\$ 16,708	(8.5%)	\$ 6,057	152.3%	\$ 31,990	\$ 6,057	428.1%
Table Hold %	20.7%	17.1%	21.0%	17.6%	17.6%	18.9%	17.6%	6.9%
Slot Win	\$ 18,820	\$ 16,646	13.1%	\$ 5,758	226.8%	\$ 35,466	\$ 5,758	515.9%

The BC Casinos, with the exception of the Boulevard casino, showed increases in the table drop and slot wins in the second quarter of 2006 as compared with the first quarter of 2006. Boulevard's table drop decreased by 11.0% and slot win decreased by 0.9% in the second quarter of 2006 likely due to a customer drop off from the "honeymoon" opening period and as the casino approaches its seasonal low in the summer. The Company experienced a similar trend when River Rock opened in 2004 with a strong "honeymoon" opening followed by a drop-off and then move to stabilized results. The table hold percentage decreased 13% in the second quarter of 2006 compared to the first quarter of 2006 of which the volatility is a normal function of house banked tables games. An absolute 3% increase in the hold percentage would have impacted table win by \$1,500. Boulevard's table drop and slot win increased by 21.0% and 48.9% respectively in the second quarter of 2006 as compared to the second quarter of 2005 due to the casino expansion.

The table drop for Casino Nova Scotia in the second quarter of 2006 decreased by 8.5% as compared to the first quarter of 2006, however, the increase in table hold percentage from 17.1% in the first quarter to 20.7% and strong slot performance in the second quarter resulted in an 11.0% overall increase in gaming revenues. The opening of the renovated and updated Casino Nova Scotia Halifax occurred on June 1, 2006. Casino Nova Scotia Halifax had an average win per table in June 2006 of \$737 compared to \$996 in April 2006 and \$912 in May 2006, respectively. Slot win per machine improved to \$223 in June 2006 from \$204 in May 2006.

We expect that our table and slot business volumes will generally continue to grow as a result of limited new competition expected for the next two years in our key market area, Greater Vancouver, the introduction of new games such as hand-held baccarat, which appeals to VIP high-end players and our expansion of non-gaming amenities at our casinos to attract a broader

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group of customers. The Company plans to increase the number of hand-held baccarat games to help long-term revenue growth and sustain VIP play. Hand-held baccarat has a more volatile table hold percentage than our other table games, as players tend to bet in concert as opposed to independently, and could result in an increase in table hold volatility over short periods of time, such as a reporting quarter.

The acquisitions made in fiscal 2005, which include Fraser Downs, Casino Nova Scotia, Georgian and Flamboro, contributed gaming revenues of \$19,820 in the second quarter of 2006 compared to \$7,704 in the second quarter of 2005 and \$18,105 in the first quarter of 2006. The gaming revenues provided by acquisitions made in 2005 for the six month period ended June 30, 2006 were \$37,925 compared to \$8,125 contributed by Fraser Downs and Casino Nova Scotia for the same period in 2005. The gaming revenues for these locations were generally stable with a seasonal increase at Casino Nova Scotia and Flamboro.

#### *Racetrack Revenues*

Racetrack revenues in the second quarter of 2006 increased by \$1,077 or 15% from the second quarter of 2005 and increased by \$1,727 or 27% from the first quarter of 2006. Racetrack revenues increased to \$14,543 for the six months ended June 30, 2006 compared to \$9,275 for the same period in 2005.

The 2005 acquisitions of Orangeville, Georgian and Flamboro, and our increased ownership interest in TBC (increased joint venture ownership resulting from the acquisition of Orangeville), contributed racetrack revenues of \$5,006 in the second quarter of 2006 compared to \$2,837 in the second quarter of 2005. From these acquisitions, the racetrack revenues for the second quarter of 2006 increased by 10% when compared to the first quarter of 2006. These acquisitions increased racetrack revenues by 205% for the six months ended June 30, 2006 compared to the same period in 2005. The start of live racing days at Hastings Racecourse and the opening of a TBC simulcast location at River Rock, slightly offset by reduced live racing days at Fraser Downs, helped increase overall revenues in the second quarter of 2006 as compared to the first quarter of 2006.

#### *Food, Beverage, Hotel and Other non-gaming revenues*

Food, beverage, hotel and other non-gaming revenues (collectively "Other Revenues" for this section) were \$15,542 for the second quarter of 2006, an increase of 114% from the second quarter of 2005 and an increase of 5% from the first quarter of 2006. There was a 148% increase in Other Revenues from 2005 to 2006 for the six month period ended June 30.

The increase in Other Revenues in the second quarter of 2006 compared to the second quarter of 2005 was generated primarily by the 2005 acquisitions of Orangeville, Georgian, Flamboro and Casino Nova Scotia. These properties contributed \$4,387 of Other Revenues in the second quarter of 2006 and \$9,375 for the first six months of 2006. The increased scope of food, beverage and hotel operations at our River Rock and Boulevard casinos that were expanded subsequent to the second quarter of 2005 contributed an additional \$5,426 of Other Revenues in the second quarter of 2006 and \$10,362 for the six months ended June 30, 2006.

The increase in Other Revenues in the second quarter of 2006 compared to the first quarter of 2006 is due to sales in food and beverage at Hastings Racecourse, increased occupancy and

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average daily rates at the River Rock hotel and seasonal increases at the Casino Nova Scotia. These increases were partially offset by a decrease in food and beverage at Boulevard Casino, and the end of live racing season at Orangeville.

River Rock's hotel operations have seen a 24% revenue increase in the second quarter of 2006 as compared to the first quarter of 2006, due primarily to a 16% increase in the hotel's average daily room rate. In addition, the hotel's average occupancy rate increased in 2006 from 68.6% in the first quarter to 72.5% in the second quarter.

#### *Promotional Allowances*

Promotional allowances are complimentary amenities, such as food, non-alcoholic beverage and hotel rooms provided to gaming customers. Promotional allowances have increased in the second quarter of 2006 compared to 2005 primarily due to the acquisition of MEG, which has a player loyalty program, and certain BC casinos, which now provide complimentary non-alcoholic drinks to customers. Promotional allowances in the second quarter of 2006 increased by 165% from the second quarter of 2005 and decreased by 6% between the first and second quarters of 2006.

#### *EBITDA (a Non-GAAP Measure defined in the Introduction section of this MD&A)*

EBITDA in the second quarter of 2006 increased \$295 or 2% from the second quarter of 2005 and increased \$2,347 or 15% from the first quarter of 2006. The EBITDA for the six months ended June 30 in 2005 and 2006 recorded a 3% increase.

The increase in revenues in the second quarter of 2006 compared to the second quarter of 2005 did not yield a proportionate increase in the EBITDA, as costs increased at nearly the same rate. The Company's Canadian operations, including head office, generated an aggregate EBITDA margin (EBITDA as a percentage of revenues) of 22% in the second quarter of 2006 compared to 32% in the second quarter of 2005 and 20% in the first quarter of 2006.

Following the acquisitions and expansions undertaken in 2005, the Company's fixed costs and overhead structure expanded to accommodate the growth. Since that time, cost reduction and efficiency improvement initiatives have been and will continue to be underway to reduce operating costs and improve the EBITDA as a percentage of revenue.

The Company will continue to focus on reducing costs and improving the efficiency of its operations over the next several quarters. We continue to work with our food, beverage and hotel operator to improve both the marketing and promotion of the product, and operating efficiencies.

#### *Human Resources*

Human resource costs for the second quarter of 2006 increased by \$12,626 or 45% over the second quarter of 2005 and increased by \$668 or 2% from the first quarter of 2006. The human resources costs increased in the second quarter of 2006 compared to the first quarter of 2006 because of seasonal increases in some of our operations particularly the start of the Hastings Racecourse live racing season and the Casino Nova Scotia tourist season. For the six months ended June 30, 2006, human resource costs increased by \$30,928 or 62% from the same period in 2005.

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Human resource costs have increased significantly from the acquisitions and expansions completed during 2005, and from increased head office staff hired to manage the Company's growth. As mentioned above, we are focusing on reducing costs and improving operations. Overall staff levels have continued to decrease from a peak in October 2005, when we reached 5,481 employees, to 5,239 employees at June 30, 2006.

Human resource costs as a percentage of revenues before deducting promotional allowances were 47% in the second quarter in 2006, compared with 46% in the second quarter of 2005 and 49% in the first quarter of 2006. For the six months ended June 30, 2006, the human resource percentage of revenues increased to 48% from 47% during the same period in 2005. Human resource costs as a percentage of revenues improved from the first quarter to the second quarter of 2006 due to efforts by management to improve efficiency and due to a reduction in accrued payroll costs.

#### *Other Costs*

Other costs consist of marketing and promotion, occupancy costs, operating supplies and general and administration. Other costs for the second quarter of 2006 increased by \$11,281 or 80% from the second quarter of 2005 and increased by \$1,083 or 4% from the first quarter of 2006. For the six month period ended June 30, 2006, other costs increased to \$49,723 from the same period in 2005. The increase over 2005 is due to acquisitions made during 2005, and the expanded scope of operations at River Rock and Boulevard casinos, including food, beverage, hotel and entertainment activities.

The increase in marketing and promotion from the first quarter of 2006 is primarily due to expenditures by BCLC from the BCLC Marketing Account. The Company contributes to the BCLC Marketing Account at varying rates and expenses the costs of the BCLC Marketing Account when they are charged by BCLC. In the first and second quarters, the BCLC Marketing Account contributed \$600 and \$250 respectively to River Rock Theatre entertainment programs. In the second quarter of 2006, BCLC charged promotional costs, excluding contributions to the River Rock theatre, of \$1,054 as compared with \$153 in the first quarter of 2006. The Company is continuing discussions with BCLC for further funding towards entertainment programs.

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#### Operating Results in Washington

	Three Months Ended					Six Months Ended June 30,		
	June 30, 2006	March 31, 2006	% Change	June 30, 2005	% Change	2006	2005	% Change
Gaming revenues	\$ 5,860	\$ 5,461	7%	\$ 6,271	(7%)	\$ 11,321	\$ 12,081	(6%)
Food and beverage revenues	1,024	1,162	(12%)	1,322	(23%)	2,186	2,656	(18%)
Other non-gaming revenue	96	93	3%	133	(28%)	189	251	(25%)
	<b>6,980</b>	6,716	4%	7,726	(10%)	<b>13,696</b>	14,988	(9%)
Less: Promotional allowances	(326)	(334)	(2%)	(358)	(9%)	(660)	(677)	(3%)
	<b>6,654</b>	6,382	4%	7,368	(10%)	<b>13,036</b>	14,311	(9%)
Human resources	3,640	3,543	3%	3,935	(7%)	7,183	7,753	(7%)
Marketing and promotion, occupancy costs, operating supplies, and general &	1,669	1,617	3%	1,959	(15%)	3,286	3,803	(14%)
	<b>5,309</b>	5,160	3%	5,894	(10%)	<b>10,469</b>	11,556	(9%)
EBITDA*	1,345	1,222	10%	1,474	(9%)	2,567	2,755	(7%)
EBITDA % of revenues	20%	19%		20%		20%	19%	
Stock-based compensation	19	52	(63%)	27	(30%)	71	38	87%
Amortization	446	511	(13%)	486	(8%)	957	962	(1%)
Income from operations	\$ 880	\$ 659	34%	\$ 961	(8%)	\$ 1,539	\$ 1,755	(12%)

\* EBITDA is defined in the Introduction – Non-GAAP Measures section of this MD&A

#### Discussion of Results

Revenues in the second quarter of 2006 declined by 10% from the same period in 2005 and increased by 4% from the first quarter of 2006. Revenues decreased by \$1,275 or 9% for the first six months of 2006 over the same period in 2005. We believe the revenue decline is due primarily to a state-wide smoking ban that was implemented in December 2005. This smoking ban does not apply to competing native casinos.

Human resource costs as a percentage of revenues before deducting promotional allowances were 52% in the second quarter of 2006, compared with 51% in the second quarter of 2005 and 53% in the first quarter of 2006. For the six months ended June 30, 2006 the human resource percentage of revenues of 52% was unchanged from the same period in 2005.

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Other costs, consisting of marketing and promotion, occupancy costs, operating supplies and general and administration decreased by 15% in the second quarter of 2006 from the same period in the prior year and increased by 3% from the first quarter of 2006. For the six months ended June 30, 2006, there was a 14% decrease over the same period in 2005. The decrease was primarily a result of a managed reduction in other operating costs in response to the anticipated decline in revenue from the state-wide smoking ban.

EBITDA as a percentage of revenues for the second quarter of 2006 and 2005 was 20% and 19% in the first quarter of 2006. It was 20% in 2006 compared to 19% in 2005 for first six months of the year.

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### Consolidated Results of Operations

	Three Months Ended					Six Months Ended, June 30,		
	June 30, 2006	March 31, 2006	% Change	June 30, 2005	% Change	2006	2005	% Change
Gaming revenues	\$ 68,317	\$ 66,439	3%	\$ 52,741	30%	\$ 134,756	\$ 97,348	38%
Racetrack revenues	8,135	6,408	27%	7,058	15%	14,543	9,275	57%
Food and beverage revenues	12,732	12,644	1%	7,530	69%	25,376	13,062	94%
Hotel revenues	2,285	1,842	24%	-	n/a	4,127	-	n/a
Other non-gaming revenues	1,645	1,531	7%	1,217	35%	3,176	2,088	52%
	<b>93,114</b>	<b>88,864</b>	<b>5%</b>	<b>68,546</b>	<b>36%</b>	<b>181,978</b>	<b>121,773</b>	<b>49%</b>
Less: promotional allowances	(2,113)	(2,233)	(5%)	(1,033)	105%	(4,346)	(2,114)	106%
	<b>91,001</b>	<b>86,631</b>	<b>5%</b>	<b>67,513</b>	<b>35%</b>	<b>177,632</b>	<b>119,659</b>	<b>48%</b>
Human resources	44,336	43,571	2%	32,005	39%	87,907	57,549	53%
Marketing and promotion, occupancy costs, operating supplies, and G&A	27,072	25,937	4%	16,081	68%	53,009	26,099	103%
	<b>71,408</b>	<b>69,508</b>	<b>3%</b>	<b>48,086</b>	<b>49%</b>	<b>140,916</b>	<b>83,648</b>	<b>68%</b>
EBITDA	19,593	17,123	14%	19,427	1%	36,716	36,011	2%
EBITDA % of revenues	22%	20%		29%		21%	30%	
Stock-based compensation	1,499	2,194	(32%)	1,185	26%	3,693	1,906	94%
Amortization	6,287	6,427	(2%)	2,136	194%	12,714	3,603	253%
Restructuring costs	994	1,602	(38%)	-	n/a	2,596	-	n/a
Income from operations	<b>10,813</b>	<b>6,900</b>	<b>57%</b>	<b>16,106</b>	<b>(33%)</b>	<b>17,713</b>	<b>30,502</b>	<b>(42%)</b>
Non-operating (income) expense	2,277	129	1665%	388	487%	2,406	223	979%
Impairment of investments and long-lived assets	2,214	72	2975%	98	2159%	2,286	(39)	5962%
Interest and financing, net	4,224	5,337	(21%)	1,804	134%	9,561	2,869	233%
Accretive income	(2,714)	(2,652)	2%	(1,778)	53%	(5,366)	(3,202)	68%
Income taxes	(1,832)	2,578	(171%)	5,135	(136%)	746	10,933	(93%)
Net income	\$ 6,644	\$ 1,436	363%	\$ 10,459	(36%)	\$ 8,080	\$ 19,718	(59%)
Earnings per common share:								
Basic	\$ 0.08	\$ 0.02	362%	\$ 0.14	(40%)	\$ 0.10	\$ 0.26	(61%)
Diluted	\$ 0.08	\$ 0.02	365%	\$ 0.14	(39%)	\$ 0.10	\$ 0.26	(60%)
Weighted average number of common shares:								
Basic	85,847,019	79,729,025		75,172,593		82,804,922	74,549,141	
Diluted	86,560,019	80,822,417		77,263,628		83,870,703	76,766,826	

\* EBITDA is defined in the Introduction – Non-GAAP Measures section of this MD&A

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#### Gross Revenues

The Company presents gaming revenues net of commissions paid to BCLC, gaming taxes paid to Washington State, commissions paid to the Nova Scotia Gaming Corporation ("NSGC"), and accruals for anticipated payouts of progressive slot machine jackpots and certain progressive table games.

The Company presents wagering revenue from race tracks net of amounts for provincial and federal taxes, and purses for wagering. Wagering revenue also includes the net amount of the host track share of wagering on races simulcast to other associations.

The following schedule presents the revenues of the Company's activities on a gross basis.

	Three months ended			Six months ended	
	June 30, 2006	March 31, 2006	June 30, 2005	2006	2005
Gross table win	\$ 58,715	\$ 60,399	\$ 58,275	\$ 119,114	\$ 116,393
Gross slot win	125,409	118,898	89,422	244,307	157,105
Gross racetrack	31,353	25,026	28,087	56,379	34,179
Food and beverage	13,435	13,455	7,530	26,890	13,062
Hotel revenues	2,285	1,842	-	4,127	-
Other gaming revenues	330	585	373	915	684
	<b>231,527</b>	<b>220,205</b>	<b>183,687</b>	<b>451,732</b>	<b>321,423</b>
Less: Gaming and other commissions and taxes	(116,840)	(114,254)	(95,329)	(231,094)	(176,834)
Racetrack purses	(23,218)	(18,618)	(21,029)	(41,836)	(24,904)
	<b>91,469</b>	<b>87,333</b>	<b>67,329</b>	<b>178,802</b>	<b>119,685</b>
Other non-gaming revenues	1,645	1,531	1,217	3,176	2,088
	<b>93,114</b>	<b>88,864</b>	<b>68,546</b>	<b>181,978</b>	<b>121,773</b>
Less: Promotional allowances	(2,113)	(2,233)	(1,033)	(4,346)	(2,114)
Revenues	\$ <b>91,001</b>	\$ 86,631	\$ 67,513	\$ <b>177,632</b>	\$ 119,659

#### Discussion of Results – Items Excluded From EBITDA

##### *Stock-Based Compensation*

Stock-based compensation increased by 26% in the second quarter of 2006 as compared to the same period in 2005 and decreased by 32% over the first quarter of 2006. Stock-based compensation increased by 94% in 2006 over 2005 for the six month period ended June 30. The 26% increase between the second quarters of 2006 and 2005 and the 94% increase between the six month periods ended on June 30 in 2006 and 2005 were due to the amortization of stock options issued during 2005. The decrease between the second quarter and first quarter of 2006 is due to the forfeitures of 1,062,500 stock options by certain officers of the Company during the second quarter.

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#### *Amortization*

Amortization increased by 194% in the second quarter of 2006 and by 253% in six months ended June 30, 2006 as compared to the same periods in 2005 due largely to the increase in plant, property, equipment and intangible assets acquired in 2005 from business acquisitions and capital expansion projects. Amortization in the second quarter of 2006 was consistent with amortization charges in the first quarter of 2006.

#### *Restructuring Costs*

Restructuring costs consist of severances, stock based compensation and other obligations associated with departed employees. Management continues to review operations for further opportunities to improve efficiency and effectiveness, achieve optimal staffing levels at expanded operations and reduce costs.

#### *Impairment of investments and long-lived assets*

The loss on investments and properties relates to the write-down of non-core investments and assets.

#### *Interest and Financing*

Interest expenses increased in the second quarter of 2006 over the second quarter of 2005, and increased for the six months ended June 30, 2006 over the same period in 2005. These increases over the same period in 2005 are the result of higher levels of outstanding debt to finance acquisitions and development projects in 2005. There was a decrease in interest expense from the first quarter of 2006 to the second quarter of 2006 primarily due to the repayment on the outstanding balance on the credit facility during the second quarter.

#### *Accretive income*

Accretive income increased in the second quarter of 2006 as compared to the second quarter of 2005, the first quarter of 2006 and for the first six months of 2006 compared to the same period in 2005. The increase in accretive income is a result of higher amounts due from provincial gaming corporations, which leads to a higher discount and higher accretion of the discount.

#### *Foreign exchange (loss) gain*

During the second quarter of 2006, the Company repatriated a portion of its investment in its Washington State operations resulting mostly in the non-cash realization of foreign exchange losses in the amount of \$1,851.

#### *Income Taxes*

The Company's income tax provision is impacted by a rate change, non-deductible stock-based compensation and non-deductible capital losses. The second quarter of 2006 income tax recovery was increased by \$5,200 as a result of the effect of a reduction in the statutory income tax rate on future income tax liabilities.

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#### CONSOLIDATED QUARTERLY RESULTS TREND

	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004
Revenues	\$ 91,001	\$ 86,631	\$ 85,559	\$ 72,884	\$ 67,513	\$ 52,146	\$ 54,602	\$ 50,572
EBITDA*	\$ 19,593	\$ 17,123	\$ 9,603	\$ 19,749	\$ 19,427	\$ 16,584	\$ 17,839	\$ 16,898
EBITDA as a percentage of Revenues	22%	20%	11%	27%	29%	32%	33%	33%
Net income (loss)	\$ 6,644	\$ 1,436	\$ (9,165)	\$ 9,026	\$ 10,459	\$ 9,259	\$ 9,686	\$ 6,285
Earnings (loss) per common share:								
Basic	\$ 0.08	\$ 0.02	\$ (0.12)	\$ 0.12	\$ 0.14	\$ 0.13	\$ 0.14	\$ 0.09
Diluted	\$ 0.08	\$ 0.02	\$ (0.12)	\$ 0.11	\$ 0.14	\$ 0.12	\$ 0.13	\$ 0.09

\*EBITDA is defined in the Introduction – Non-GAAP Measures section of this MD&A

Revenues in the second quarter of 2006 increased \$4,370 compared to the first quarter of 2006 as a result of a \$1,479 increase in Canadian gaming revenues, primarily from River Rock and the higher occupancy rate at the hotel, \$1,727 increase in racetrack revenues, primarily from the start of live racing at Hastings Racecourse, a \$202 increase in food and beverage revenues and other non-gaming revenues, primarily from seasonal increases at Hastings Racecourse and River Rock, a \$443 increase in hotel revenues, primarily from higher occupancy and room rates at River Rock, a \$399 increase in the Washington State gaming revenues, primarily from a recovery of customers after the state-wide smoking ban imposed in December 2005 and offset by a \$120 decline in promotional allowances.

Revenues in the second quarter of 2006 increased by \$23,488 compared to the same period in 2005 as a result of acquisitions and expansions in 2005. Increased revenues from expansions primarily consist of \$3,021 from gaming revenues at Boulevard and, \$5,426 in food and beverage, hotel and other non-gaming revenues at Boulevard and River Rock. Increased revenues from the acquisitions of Orangeville, Georgian, Flamboro and Casino Nova Scotia consist primarily from \$12,116 in gaming revenues, \$2,169 in racetrack revenues and \$2,883 in food, beverage and other non-gaming revenues offset by higher promotional allowances of \$1,080 and lower gaming revenues of \$746 in Washington.

EBITDA in the second quarter of 2006 increased 14% from the first quarter of 2006 due to increases in revenues and cost reduction initiatives offset by one-time professional fees of approximately \$697 relating to 2005 statutory filings and 2006 financing amendments and a \$901 increase in net BCLC Marketing expenses.

EBITDA increased by \$166 or 1% in the second quarter of 2006 over the same period in 2005. Despite generating higher revenues, the new acquisitions and expansions also increased costs.

Weighted average common shares and fully diluted common shares outstanding during the second quarter of 2006 were 85,847,019 and 86,560,019, respectively compared to 79,729,025 and 80,822,417 in the first quarter of 2006, respectively and 75,172,593 and 77,263,628 in the second quarter of 2005, respectively.

## GREAT CANADIAN GAMING CORPORATION

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## LIQUIDITY AND CAPITAL RESOURCES

### Financial Position

	As at June 30, 2006	As at December 31, 2005	% Change
Cash and cash equivalents	\$ 41,751	\$ 69,812	(40%)
Due from PGCs, current	37,404	35,353	6%
Other current assets	42,379	35,141	21%
Property, plant and equipment	290,171	283,071	3%
Due from PGCs, long-term	258,281	253,485	2%
Other long-term assets	240,824	241,808	(0%)
<b>Total assets</b>	<b>\$ 910,810</b>	<b>\$ 918,670</b>	<b>(1%)</b>
Current liabilities	\$ 112,820	\$ 73,830	53%
Long-term debt	303,408	438,279	(31%)
Other long-term liabilities	82,750	88,241	(6%)
Shareholders' equity	411,832	318,320	29%
<b>Total liabilities &amp; shareholders' equity</b>	<b>\$ 910,810</b>	<b>\$ 918,670</b>	<b>(1%)</b>

Total assets at June 30, 2006 decreased by 1% from December 31, 2005.

Cash and cash equivalents decreased from December 31, 2005 primarily due to the repayment of the outstanding balance under the credit facility.

Due from Provincial Gaming Corporations ("PGC", consisting of BCLC, Nova Scotia Gaming Corporation, and OLCG) has increased due to additional approvals of government assistance associated with the FDC in British Columbia and the CRA in Nova Scotia. See the supplemental table on the next page.

Property, plant and equipment has increased net of the FDC discount and related depreciation due primarily to additional capital spending on development projects at Boulevard, Casino Nova Scotia and Chances.

The Company has entered into an option agreement to purchase land adjacent to one of its properties for possible future expansion. The option agreement required a non-refundable cash consideration of \$2,875, which is included in other assets. Unless extended, the option must be exercised on or before August 24, 2006 and if exercised would require further cash consideration of \$26,000 on the completion date of the underlying land purchase of October 24, 2006. The exercise of the option and completion of the land purchase is dependent on several factors including Board approval. If the option is not exercised, the consideration of \$2,875 will be written-off in the period the decision is made.

Long-term debt has decreased primarily due to the repayment of amounts outstanding under the credit facility. In addition, the Flamboro Promissory note of \$41,694 is due in full on June 30, 2007 and is classified as a current liability at June 30, 2006.

Shareholders' equity has increased due primarily to \$79,706 in net proceeds received on the

## GREAT CANADIAN GAMING CORPORATION

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private placement equity offering.

The Company's working capital at June 30, 2006 was \$8,714, compared to \$66,476 at December 31, 2005.

The following summarizes the amounts due from Provincial Gaming Corporations for the six month period ending June 30, 2006 and as at December 31, 2005:

#### Facilities Development Commission due from BCLC

	June 30, 2006	December 31, 2005
FDC receivable, beginning of year	\$ 244,878	\$ 117,065
FDC receivable from acquisition of Orangeville	-	14,670
Qualified assets approved by BCLC	21,268	194,282
Qualified expenditures approved by BCLC	809	6,303
FDC reimbursement received	(9,330)	(16,340)
	<b>\$ 257,625</b>	<b>\$ 315,980</b>
Imputed discount applied	(11,209)	(78,650)
Accretive Income	5,366	7,548
	<b>\$ 251,782</b>	<b>\$ 244,878</b>

#### Operator's Capital Investment, Mandatory Deferral and CRA due from NSGC

	June 30, 2006	December 31, 2005
OCI and MD receivable, beginning of year	\$ 43,649	\$ -
OCI and MD receivable from acquisition of MEG	-	50,856
OCI premium amortization	(659)	(947)
OCI and MD principal repayment received	(6,972)	(6,260)
	<b>36,018</b>	<b>43,649</b>
Interest Receivable	253	311
Capital Reserve Account Receivable	7,632	-
	<b>\$ 43,903</b>	<b>\$ 43,960</b>

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#### Changes in Cash Flows

	Three Months Ended					Six Months Ended June 30,		
	June 30, 2006	March 31, 2006	% Change	June 30, 2005	% Change	2006	2005	% Change
Cash from operating activities	\$ 6,394	\$ 4,397	45%	\$ 16,886	(62%)	\$ 10,791	\$ 16,720	(35%)
Cash from financing activities	(52,253)	35,229	(248%)	163,927	(132%)	(17,024)	240,903	(107%)
Cash from investing activities	(10,406)	(11,233)	(7%)	(179,673)	(94%)	(21,639)	(257,669)	(92%)
Effect of foreign exchange on cash and cash equivalents	(376)	187	(301%)	27	(1493%)	(189)	158	(220%)
Increase (decrease) in cash	\$ (56,641)	\$ 28,580	(298%)	\$ 1,167	(4954%)	\$ (28,061)	\$ 112	(25154%)

The Company's cash and cash equivalents as at June 30, 2006 amounted to \$41,751 compared to \$69,812 at the end of 2005.

Cash flows from operating activities decreased by \$10,492 from the second quarter of 2005 to the second quarter of 2006 primarily due to a decrease of \$3,815 in net income in 2006 and \$15,395 in non-cash operating working capital due to timing of payments and income tax payables and receivables.

Cash outflow from financing activities declined by \$216,180 in the second quarter of 2006 over the same period in 2005 primarily as a result of \$162,708 in proceeds from long-term debt in the second quarter of 2005 and the repayment of \$52,564 in long-term debt in 2006.

Cash outflow from investing activities declined by \$169,267 in the second quarter of 2006 compared to the same period in 2005 primarily due to the acquisition of Casino Nova Scotia for \$86,220, an advance of \$48,124 to acquire Georgian in 2005 and a decline in the purchase of property, plant and equipment of \$31,046 in 2006.

The Company's private placement of units, comprised of one common share and one share purchase warrant, on March 27, 2006 resulted in net proceeds of \$79,706, which was primarily used to repay the credit facility.

Investing activities in the second quarter of 2006 comprised primarily of the purchase of \$15,046 in property, plant and equipment, net of related accounts payable, offset by \$9,876 in funds received from PGC's.

## GREAT CANADIAN GAMING CORPORATION

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## Capital Resources

### Long-Term Debt and Equity Transactions

	As at June 30, 2006	As at December 31, 2005
Series A Senior Secured Notes	\$ 150,000	\$ 150,000
Series B Senior Secured Notes	150,000	150,000
Credit Facility	-	93,000
Flamboro Promissory Note	41,694	44,194
HEI Promissory Note	3,653	3,889
Obligations under capital lease and other debt	437	448
	\$ 345,784	\$ 441,531
Less: current portion	42,376	3,252
	\$ 303,408	\$ 438,279

### *Debt and Equity Update*

On March 27, 2006, the Company completed an equity offering consisting of a private placement of 6,206,361 units at a price of \$12.89 per unit for gross proceeds of \$80,000. Each unit is comprised of one common share and one share purchase warrant, which is exercisable into one common share at an exercise price of \$12.89 for a period of up to two years from the closing date. The Company's Chairman and Chief Executive Officer participated in the private placement for \$50,000 of the total offering. Each unit is subject to a four-month hold period from the closing date.

On March 27, 2006, the Company received the necessary TSX approvals and closed the private placement on March 28, 2006.

The Company's Notes and Credit Facility arrangements require compliance with certain financial covenants. One of the financial covenants is based on a Net Debt to Adjusted EBITDA ratio (both defined terms in the underlying debt agreements). The Company was required to be at a ratio of 3.25 or less for 2005, 2.75 or less for 2006, and 2.50 or less for 2007. The Company's financial projections indicated that, absent remedial actions, it would not meet the required 2.75 Net Debt / Adjusted EBITDA ratio at March 31, 2006, the first measurement date in 2006.

On March 27, 2006, the lenders holding the Company's Notes and providing our Credit Facility agreed to amend certain terms, including the financial covenants, related to the Notes and the Credit Facility. The lenders agreed to increase the Company's allowable Net Debt to Adjusted EBITDA ratio to: 3.50 or less at March 31, 2006, 3.25 or less at June 30, 2006, 3.00 or less at September 30, 2006, 2.75 or less at December 31, 2006 and for all of 2007, and 2.50 or less for any measurement period after January 1, 2008.

In consideration, the Company agreed with the lenders to:

- pay amendment fees totaling \$1,350;
- increase the coupon rate on the Notes by 0.375% per annum for a period ending on the later of December 31, 2006 or the second consecutive quarter the Company maintains a Net Debt to Adjusted EBITDA ratio of 2.50 or less;

## **GREAT CANADIAN GAMING CORPORATION**

### **Management's Discussion & Analysis**

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- increase the coupon rate on the Notes by an additional 0.75% over the 0.375% mentioned above, should DBRS downgrade the Company's credit rating at any time over the next two years below BBB (low), such increased coupon rate of interest period to end when the Company maintains a Net Debt to Adjusted EBITDA ratio of 2.50 or less for two consecutive quarters;
- agree not to make any third party acquisitions unless subsequent to the acquisition, the Company would have been in compliance with the original Net Debt to Adjusted EBITDA ratio; and
- issue sufficient equity notionally reduce the Net Debt to Adjusted EBITDA ratio to 2.75 or less at March 31, 2006.

#### *DBRS Rating*

The Company's Notes were rated BBB - Stable Trend by DBRS as at December 31, 2005. On February 20, 2006, DBRS changed the rating to BBB - Under Review with Negative Implications, following the Company's early announcement of fourth quarter results and the resignation of the Company's President.

On March 20, 2006, DBRS changed the rating to BBB (Low) – Under Review with Negative Implications, one-step down from BBB, as an interim measure. The downgrade followed the Company's announcement of its unaudited fourth quarter results and that, in the absence of remedial actions, a breach of financial covenants would occur at March 31, 2006. A trend rating would be confirmed following completion of its review.

On March 27, 2006, DBRS announced the assignment of the rating of "Negative" to the Company's BBB (Low) rating, following the Company's announcement of a negotiated solution with the Company's lenders and note holders, and an \$80,000 private equity placement.

#### Outstanding Share Data

As at June 30, 2006, there were 86,053,881 common shares outstanding as compared to 79,449,720 common shares as at December 31, 2005. As at August 11, 2006, there were 86,085,631 common shares outstanding.

As at June 30, 2006, there were 4,190,812 stock options outstanding at a weighted average exercise price of \$12.37 and there were 6,206,361 warrants outstanding at a weighted average exercise price of \$12.89. As at August 11, 2006, there were 5,412,062 stock options and 6,206,361 warrants outstanding. Subsequent to June 30, 2006, 1,272,500 options were granted at an exercise price of \$11.98.

The book value of each common share at June 30, 2006 was \$4.79, calculated by dividing shareholders' equity by the 86,053,881 common shares outstanding.

In the second quarter of 2006, certain officers of the Company forfeited 825,000 stock options that were exercisable at a price of \$17.96 and 237,500 stock options that were exercisable at a price of \$18.47. These forfeitures will reduce the Company's future stock-based compensation charges offset by increased charges for new grants.

## GREAT CANADIAN GAMING CORPORATION

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#### Commitments

Contractual Obligations	Payments Due by Period as at June 30, 2006				
	Less than 1 year	1 - 3 years	4 - 5 years	More than 5 years	Total
Long-term debt	\$ 42,186	\$ 31,076	\$ 41,212	\$ 230,868	\$ 345,342
Capital lease obligations	190	143	109	-	442
Operating leases and contracts	4,096	6,477	5,764	21,470	37,807
Total	\$ 46,472	\$ 37,696	\$ 47,085	\$ 252,338	\$ 383,591

The long-term debt contractual obligation includes scheduled principal repayments on the Notes, the repayment of debt assumed on the Flamboro acquisition, and the repayment of the HEI debt.

The estimated remaining construction and equipment project costs to be spent during the remainder of 2006 are approximately \$5,700 for Casino Nova Scotia, \$8,600 for Boulevard, and \$600 for Chances.

The Company has a commitment to pay a consultant a finder's fee in respect of the Georgian acquisition. This finder's fee is contingent on the future cash flows of Georgian.

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#### **Contingencies**

The Company has issued letters of credit to guarantee performance under contracts and gaming cash floats in the aggregate amount of \$25,200 at June 30, 2006.

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

#### **Litigation**

On November 2, 2005, the Hastings Park Conservancy filed a petition in the Supreme Court of British Columbia seeking an order to quash the City of Vancouver by-law amendment permitting slot machines at Hastings Racecourse. The Company is not a party to this action. Management believes that proper process was followed by the City of Vancouver in amending the by-law to permit slot machines at Hastings Racecourse and the petition filed by the Hastings Park Conservancy is without merit. The petition was heard in court in April and May 2006. The court reserved its judgment on May 5, 2006 and no date has been set for a decision.

If the Hastings Park Conservancy is successful in its petition, the Company could be required to reapply for rezoning and the by-law amendment and rezoning process, including undergoing the public hearings process again. This could result in a significant delay in the development of Hastings Racecourse.

#### **Future Cash Requirements**

Management believes that the Company's current approved capital plans and requirements can be funded from existing cash, cash generated from operations, credit and debt facilities, and proceeds from the exercise of stock options or warrants. Management believes that it will be able to meet all of its debt obligations even if all current approved capital plans and requirements are funded from debt. To the extent that the Company's financial performance deviates from forecast or existing financial resources are inadequate, or the Company pursues other business opportunities or otherwise has increased cash requirements, the Company may be required to raise additional funds through the divestiture of non-core assets, refinancing of existing debt, renegotiation of its credit or debt facilities, issuance of non-debt securities or issuance of additional equity securities. No assurance can be given that these financial alternatives will be available, or that they can be obtained on terms favourable to the Company. If additional funds are raised through the issuance of equity securities or the exercise of stock options or warrants, the percentage ownership of current shareholders will be reduced and such equity securities may have rights, preferences, or privileges senior to those of the holders of the Company's common stock. If adequate funds are not available from any source, the Company may be required to delay, limit, or eliminate some or all of its proposed plans.

Management is of the view that its current credit and debt facilities are generally restrictive and a constraint on potential expansions on its properties and future opportunities for growth. In addition, the current facilities provide for little flexibility for swings in operating performance. The Company is presently reviewing its credit and debt facilities with an objective to consider financing alternatives that provide for greater flexibility and leverage more typical of the industry.

## **GREAT CANADIAN GAMING CORPORATION**

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## **OTHER FINANCIAL INFORMATION**

### **Related Party Transactions**

The following related party transactions and balances are in addition to those noted elsewhere in the financial statements.

During the six months ended June 30, 2006 and 2005, the Company had the following transactions with related parties:

- a) Other income includes:
  - i) ATM revenues of \$704 (2005 - \$552) received from a company that has a director who is a member of senior management of the Company.
  
- b) Human resource expenses include:
  - i) Dealer training services of \$414 (2005 - \$428) provided by a company controlled by a director of the Company.
  - ii) Consulting services of \$12 (2005 - \$110) provided by a director of the Company.
  
- c) Accounts payable and accrued liabilities include:
  - i) \$367 (December 31, 2005 - \$440) relating to severance not yet paid to a former employee who is also a director of the Company.
  
- d) Promissory notes receivable and other assets include \$251 (December 31, 2005 - \$257) due from senior management of the Company.

These related party transactions were recorded at the exchange amount, which is the amount of consideration paid or received as established and agreed to by the related parties.

### **Critical Accounting Estimates**

Our reported financial position and results of operations are dependent on our selection of accounting policies that are based on generally accepted accounting principles and accounting estimates that underlie the preparation of our financial statements. Our 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 currently presented in our consolidated financial statements. Future changes in accounting estimates are applied on a prospective basis.

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

There have been no changes to our commentary, methods, or estimates on these critical accounting estimates to those presented in our MD&A for the year ended December 31, 2005, except as follows.

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In regards to the Capital Reserve Account in Nova Scotia, the Company has begun to incur approved expenditures for reimbursement in excess of the balance in the CRA account. The Company's accounting for these approved expenditures is similar to the Company's accounting for FDC. Included in the amounts due from PGC, is \$7,632 due from NSGC under the CRA program. This amount is not discounted as the estimated collection period from NSGC is less than one year.

Interested readers should refer to our MD&A for the year ended December 31, 2005 for further details.

#### **Disclosure Controls and Procedures**

The Company's Chief Executive Officer and its Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures. They are assisted in this responsibility by the Disclosure Committee, a management committee comprised of senior executives of the Company. The Disclosure Committee was formed to assist the Chief Executive Officer and Chief Financial Officer in oversight of the accuracy and timeliness of material disclosures made by the Company.

The Chief Executive Officer and the Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures as at December 31, 2005, have concluded that the Company's disclosure controls and procedures are adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been made known to them.

#### **Additional Information**

Additional information relating to the Company, including the Company's Annual Information Form, can be located on the SEDAR website at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.gcgaming.com](http://www.gcgaming.com).

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## SUPPLEMENTAL FINANCIAL INFORMATION

### Canada Quarterly Revenues by Location

Revenues are presented before the deduction of promotional allowances.

#### Gaming revenues

	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004
River Rock	\$ 19,119	\$ 18,456	\$ 19,142	\$ 18,159	\$ 19,082	\$ 19,270	\$ 21,294	\$ 18,315
Boulevard	11,613	12,885	9,703	7,664	8,592	8,813	9,225	8,297
Holiday Inn	2,572	2,565	2,441	2,397	2,616	2,536	2,813	2,500
View Royal	5,461	5,316	4,958	4,934	4,911	4,533	4,670	4,413
Nanaimo	3,365	3,130	3,305	3,396	3,318	2,980	3,125	3,273
Hastings Racecourse	12	7	14	5	8	8	14	4
Fraser Downs	2,573	2,429	2,330	2,224	2,456	421	-	-
Nova Scotia	11,589	10,474	10,795	12,586	5,248	-	-	-
Georgian Downs	2,551	2,531	2,507	-	-	-	-	-
Flamboro Downs	3,107	2,671	2,215	-	-	-	-	-
Other & Corporate (1)	495	514	403	866	260	236	230	438
	\$ 62,457	\$ 60,978	\$ 57,813	\$ 52,231	\$ 46,491	\$ 38,797	\$ 41,371	\$ 37,240

#### Racetrack revenues

	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004
Hastings Racecourse	\$ 3,129	\$ 1,855	\$ 2,565	\$ 3,396	\$ 4,222	\$ 1,915	\$ 2,629	\$ 3,242
Fraser Downs & Sandown	902	1,353	1,269	986	810	177	-	-
Georgian Downs	718	597	670	-	-	-	-	-
Flamboro Downs	1,275	1,190	1,130	-	-	-	-	-
TBC	2,111	1,413	1,546	1,763	2,026	125	-	-
	\$ 8,135	\$ 6,408	\$ 7,180	\$ 6,145	\$ 7,058	\$ 2,217	\$ 2,629	\$ 3,242

#### Food and beverage, hotel and other non-gaming revenues

	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004
River Rock	\$ 7,169	\$ 6,622	\$ 6,546	\$ 3,371	\$ 2,430	\$ 2,562	\$ 2,506	\$ 1,779
Boulevard	1,535	1,706	1,236	743	848	830	231	147
Holiday Inn	241	245	231	194	193	222	146	10
View Royal	605	590	618	628	666	543	148	124
Nanaimo	283	271	258	244	230	184	45	40
Hastings Racecourse	1,133	287	738	1,563	1,250	362	631	1,297
Fraser Downs & Sandown	808	1,073	1,038	596	594	104	-	-
Nova Scotia	1,296	1,486	1,971	1,916	910	-	-	-
Georgian Downs	1,209	1,042	1,353	-	-	-	-	-
Flamboro Downs	1,074	1,387	1,125	-	-	-	-	-
TBC	12	(64)	6	7	22	-	-	-
Other & Corporate (1)	177	117	387	248	128	144	151	174
	\$ 15,542	\$ 14,762	\$ 15,507	\$ 9,510	\$ 7,271	\$ 4,951	\$ 3,858	\$ 3,571

<sup>(1)</sup> Other and Corporate includes results for Jack O'Clubs Gaming Hall Ltd, Bear Mountain, Richmond and Renaissance.

## GREAT CANADIAN GAMING CORPORATION

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EBITDA (1)	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004
River Rock	\$ 8,932	\$ 8,644	\$ 6,157	\$ 8,642	\$ 9,644	\$ 9,854	\$ 11,336	\$ 10,461
Boulevard	4,126	5,401	2,643	3,883	5,000	5,343	5,676	4,941
Holiday Inn	324	331	66	221	255	385	562	473
View Royal	3,139	3,029	2,391	2,361	2,537	2,313	2,351	2,143
Nanaimo	1,790	1,501	1,495	1,673	1,614	1,412	1,504	1,761
Hastings								
Racecourse	78	(247)	(293)	413	886	370	236	937
Fraser Downs & Sandown	711	881	917	729	1,235	331	-	-
Nova Scotia	2,195	1,101	1,246	2,764	1,823	-	-	-
Georgian Downs	1,896	1,476	1,522	-	-	-	-	-
Flamboro Downs	2,005	1,378	1,572	-	-	-	-	-
TBC	704	140	359	524	720	27	-	-
Other & Corporate	(7,652)	(7,734)	(9,752)	(2,732)	(5,761)	(4,733)	(4,970)	(4,382)
	\$ 18,248	\$ 15,901	\$ 8,323	\$ 18,478	\$ 17,953	\$ 15,302	\$ 16,695	\$ 16,334

(1) See "Introduction - Non-GAAP Measures" for a discussion of EBITDA.

The Company's BC operations, excluding head office, generated an aggregate EBITDA margin of 31% in the second quarter of 2006 compared to 40% in the second quarter of 2005 and 32% in the first quarter of 2006. The Company's Ontario operations generated an EBITDA margin of 39% in the second quarter of 2006 compared to 30% in the first quarter of 2006. The Company's Nova Scotia operations generated an EBITDA margin of 17% in the second quarter of 2006 compared to 30% in the second quarter of 2005 and 9% in the first quarter of 2006. Other & Corporate costs were -8.9% of revenues in the second quarter of 2006, -9.5% in the second quarter of 2005 and -9.4% in the first quarter of 2006.

An area of continued focus during the second quarter of 2006 has been our food, beverage, hotel and entertainment operations. Food and beverage EBITDA as a percentage of food and beverage revenue at River Rock and Boulevard improved to 11% in the second quarter of 2006, compared to 9% in the first quarter of 2006. The hotel's EBITDA as a percentage of hotel revenue improved to 42% in the second quarter of 2006, compared to 36% in the first quarter of 2006. We continue to work with our food, beverage and hotel operator to improve both the marketing and promotion of the product, and operating efficiencies.

River Rock's EBITDA increased \$288 from the first quarter of 2006 to the second quarter of 2006 primarily as a result of a \$1,066 increase in gaming, hotel, food and beverage and other EBITDA, offset by a \$778 increase in the loss on the River Rock theatre. The increase in EBITDA included a \$416 increase in marketing expense due to additional funds used by the BCLC Marketing Account.

Boulevard's EBITDA decreased \$1,275 from the first quarter of 2006 to the second quarter of 2006 primarily as a result of the \$1,302 decline in gaming revenue caused by a \$6,432 decline in table drop in the second quarter relative to the first that was further exacerbated by a 2.9% decline in the table hold percentage over that period.

Other & Corporate's EBITDA increased \$82 from the first quarter of 2006 to the second quarter of 2006. Approximately \$697 in audit and tax consultant fees were recorded during the second quarter of 2006 that related to services performed on the accounting records for the 2005 calendar year.