



GREAT CANADIAN GAMING CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months Ended March 31, 2005

(Unaudited – Prepared by Management)

(Expressed in thousands, except for share and per share information)

GREAT CANADIAN GAMING CORPORATION

Interim Consolidated Balance Sheets

(Unaudited - Prepared by Management)

(In thousands, except for share and per share information)

As at March 31, 2005 and December 31, 2004

	March 31, 2005	December 31, 2004
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 43,139	\$ 43,133
Accounts receivable	5,030	6,040
Current portion of promissory notes receivable	1,357	1,639
Current portion of FDIF receivable (Note 4)	18,000	15,000
Prepaid expenses and deposits	5,429	3,201
	72,955	69,013
Promissory notes receivable (Note 17)	7,416	7,462
FDIF receivable (Note 4)	126,046	102,065
Property, plant and equipment (Note 5)	183,202	125,352
Goodwill (Note 6)	21,514	20,038
Intangible assets (Note 7)	49,897	28,629
Other assets (Note 8)	4,924	9,856
	\$ 465,954	\$ 362,415
LIABILITIES		
CURRENT		
Gaming revenue payables	\$ 5,750	\$ 6,272
Accounts payable and accrued liabilities	33,880	33,044
Income taxes payable	1,526	1,797
Current portion of long-term debt (Note 9)	701	860
	41,857	41,973
Long-term debt (Note 9)	167,555	154,000
Future income taxes	26,521	11,536
Non-controlling interest	815	836
	236,748	208,345
SHAREHOLDERS' EQUITY		
Share capital and other equity (Note 10)	167,485	101,801
Cumulative foreign currency translation	(5,715)	(5,908)
Retained earnings	67,436	58,177
	229,206	154,070
	\$ 465,954	\$ 362,415

Commitments and contingencies (Note 16)

Subsequent events (Note 17)

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Income
(Unaudited - Prepared by Management)
(In thousands, except for share and per share information)

	Three months ended March 31,	
	2005	2004
REVENUES (Note 11)	\$ 54,651	\$ 33,264
EXPENSES		
Amortization	1,467	809
Human resources	26,577	17,523
Stock-based compensation (Note 10 (c))	721	691
Marketing and promotion	3,011	1,622
Occupancy costs	3,125	1,611
Operating supplies	3,930	2,279
	38,831	24,535
INCOME FROM OPERATIONS	15,820	8,729
Income (loss) from investments	137	(138)
Interest and financing, net	(1,065)	(161)
Foreign exchange gain	144	224
INCOME BEFORE INCOME TAXES	15,036	8,654
Income taxes	5,798	3,334
INCOME BEFORE NON-CONTROLLING INTEREST	9,238	5,320
Non-controlling interest	(21)	(7)
NET INCOME	\$ 9,259	\$ 5,327
EARNINGS PER COMMON SHARE		
Basic	\$ 0.31	\$ 0.21
Diluted	\$ 0.30	\$ 0.20
WEIGHTED AVERAGE NUMBER OF COMMON SHARES		
Basic	29,567,505	25,273,217
Diluted	30,515,555	27,210,118

See Accompanying Notes to the Interim Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION
Consolidated Statements of Shareholders' Equity

(Unaudited - Prepared by Management)

(In thousands, except for share and per share information)

	Common Shares		Additional	Adjusted Common Shares		Cumulative	Retained	Shareholders'
	Number	Amount	Paid-up Capital	Number	Amount	Foreign		
			And Other Equity			Currency		
At December 31, 2003	24,733,739	\$ 59,219	\$ 7,390	24,733,739	\$ 66,609	\$ (3,447)	\$ 31,452	\$ 94,614
Exercise of incentive stock options	1,817,175	15,221	(4,612)	1,817,175	10,609	-	-	10,609
Private placement	100,000	1,547	-	100,000	1,547	-	-	1,547
Exercise of warrants	1,344,964	21,325	(498)	1,344,964	20,827	-	-	20,827
Stock based compensation	-	-	2,209	-	2,209	-	-	2,209
Effect of foreign currency translation	-	-	-	-	-	(2,461)	-	(2,461)
Net income	-	-	-	-	-	-	26,725	26,725
At December 31, 2004	27,995,878	\$ 97,312	\$ 4,489	27,995,878	\$ 101,801	\$ (5,908)	\$ 58,177	\$ 154,070
Exercise of incentive stock options (Note 10 (c))	280,525	2,968	(1,148)	280,525	1,820	-	-	1,820
Treasury offering (Note 10 (b))	1,500,000	60,326	-	1,500,000	60,326	-	-	60,326
Exercise of warrants (Note 10 (d))	265,000	2,817	-	265,000	2,817	-	-	2,817
Stock based compensation (Note 10 (c))	-	-	721	-	721	-	-	721
Effect of foreign currency translation	-	-	-	-	-	193	-	193
Net income	-	-	-	-	-	-	9,259	9,259
At March 31, 2005	30,041,403	\$ 163,423	\$ 4,062	30,041,403	\$ 167,485	\$ (5,715)	\$ 67,436	\$ 229,206

GREAT CANADIAN GAMING CORPORATION

Interim Consolidated Statements of Cash Flows

(Unaudited - Prepared by Management)

(In thousands, except for share and per share information)

	Three months ended March 31,	
	2005	2004
Cash Flows from Operating Activities		
Net income	\$ 9,259	\$ 5,327
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization	1,467	809
Imputed interest on FDIF receivable (Note 4)	(1,424)	-
Stock based compensation	721	691
Operating expenses reduced by FDIF (Note 4)	(2,361)	(256)
Other activities	1,446	201
Future income taxes	-	(6)
Changes in non-cash operating working capital (Note 12)	(9,065)	(769)
Net cash provided by operating activities	43	5,997
Cash Flows from Financing Activities		
Proceeds from long-term debt	13,536	797
Repayment of long-term debt	(458)	(1,198)
Common shares issued for cash, net of issuance costs	63,898	4,526
Net cash provided by financing activities	76,976	4,125
Cash Flows from Investing Activities		
Investment in and advances to equity investees	(65)	(238)
FDIF received (Note 4)	3,707	2,530
Purchase of property, plant and equipment, net of related accounts payable	(31,110)	(24,794)
Acquisition of Orangeville, net of cash and deposit (Note 3 (a))	(33,036)	-
Acquisition of Weinlager, net of bank indebtedness (Note 3 (c))	(1,469)	-
River Rock prepaid lease	(9,262)	-
Deposit on acquisition of HEI	-	(2,010)
Acquisition of Pair O'Dice, net of cash	-	(126)
Promissory notes and advances receivable, net	(5,765)	254
Net cash used in investing activities	(77,000)	(24,384)
Effect of foreign exchange on cash and cash equivalents	(13)	148
Net Cash Inflow (Outflow)	6	(14,114)
Cash and cash equivalents, Beginning of Period	43,133	34,193
Cash and cash equivalents, End of Period	\$ 43,139	\$ 20,079
Supplemental Disclosure		
Interest received	\$ 394	\$ 177
Interest paid	\$ 2,482	\$ 515
Income taxes paid	\$ 7,123	\$ 4,889
Non-Cash Investing and Financing Activities		
FDIF allocated to assets (Note 4)	\$ 20,506	\$ 234

GREAT CANADIAN GAMING CORPORATION
Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2005

(Unaudited – Prepared by Management)

(In thousands, except for share and per share information)

1. NATURE OF BUSINESS

Great Canadian Gaming Corporation (the “Company”), with over 3,500 employees, is a multi-jurisdictional gaming and entertainment operator with seven operating casinos, a thoroughbred racecourse, two standardbred racecourses, a community gaming centre, numerous licensed restaurants and a marina operation in British Columbia, Canada (“BC”) and four gaming and restaurant/entertainment facilities in Washington State, United States of America (“Washington”).

The Company’s principal operating subsidiaries are Great Canadian Casinos Inc. (“GCC”), Great American Gaming Corporation (“GAGC”), Hastings Entertainment Inc. (“HEI”) and Orangeville Raceway Limited (“Orangeville”).

Upon closing of the acquisition of Georgian Downs Limited and Georgian Downs Holdings Inc. (collectively “Georgian Downs”) (Note 17(a)), the Company will operate Georgian Downs Standardbred Racecourse and Slots, located in Ontario, Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

These unaudited interim consolidated financial statements include the accounts of the Company, its subsidiaries and on a proportionate basis the accounts of its joint ventures. The interim 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 most recent audited annual consolidated financial statements. These interim financial statements have been prepared using the same accounting principles as set out in the audited annual consolidated financial statements of the Company for the year ended December 31, 2004.

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

3. ACQUISITIONS

Acquisitions are accounted for using the purchase method, whereby the purchase price is allocated to the fair value of assets and liabilities at the acquisition date, and the results of operations are included in the consolidated financial statements from the date of acquisition. To the extent that certain acquisition agreements provide for contingent consideration based on future financial performance, these payments, if any, will be treated as additional costs of the purchase.

GREAT CANADIAN GAMING CORPORATION
Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2005

(Unaudited – Prepared by Management)

(In thousands, except for share and per share information)

3. ACQUISITIONS (Continued)

a) Orangeville Raceway Limited

On March 18, 2005, the Company completed the purchase of 100% of the outstanding common shares of Orangeville Raceway Limited (“Orangeville”) for cash consideration of \$40,000 plus additional payments based on the net gaming and racing revenues earned over the first four years following the acquisition. The Company paid a refundable deposit of \$4,000 towards this acquisition, which was included in other assets as at December 31, 2004. Orangeville operates two standardbred racing facilities in BC: Fraser Downs Racetrack & Casino in Surrey (“Fraser Downs”), and Sandown Park in North Saanich on Vancouver Island (“Sandown”).

The preliminary allocation of the purchase price to the fair value of the net assets acquired is as follows:

Cash	\$ 40,000
Acquisition costs	<u>185</u>
Total purchase price	<u>\$ 40,185</u>
Cash	\$ 3,149
FDIF receivable	14,988
Other current assets	1,611
Property, plant and equipment	26,487
Intangible assets (Note 7)	21,278
Gaming revenue payable	(794)
Accounts payable and accrued liabilities	(2,903)
Income taxes payable	(1,418)
Long-term debt	(6,093)
Future income taxes	<u>(16,120)</u>
Net assets acquired	<u>\$ 40,185</u>

GREAT CANADIAN GAMING CORPORATION
Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2005

(Unaudited – Prepared by Management)

(In thousands, except for share and per share information)

3. ACQUISITIONS (Continued)

b) TBC Teletheatre B.C.

As a result of the acquisition of Orangeville, the Company increased its existing 25% interest in TBC (acquired through the acquisition of HEI and previously accounted for using the equity method) to 50% and has consolidated TBC's financial position, operating results and cash flows from March 18, 2005.

TBC's principal business activity is the operation of teletheatre wagering facilities in BC, which broadcasts horseracing from Hastings Racecourse, Fraser Downs and other racetracks in Canada and throughout the world.

c) Weinlager & Amici Caffè (Coquitlam) Ltd. and Weinlager & Amici Caffè (Victoria) Ltd.

On January 10, 2005, the Company purchased the remaining 50% interest in Weinlager & Amici Caffè (Coquitlam) Ltd. and Weinlager & Amici Caffè (Victoria) Ltd. (collectively "Weinlager") for cash consideration of \$1,225 and acquisition costs of \$101. The transaction resulted in the Company owning 100% of Weinlager. Weinlager operates the food and beverage at the Company's Coquitlam, Holiday Inn, Nanaimo and View Royal casinos.

The preliminary allocation of the purchase price to the fair value of the net assets acquired is as follows: \$812 to property, plant and equipment, \$1,425 to goodwill, \$298 to other assets, reduced by \$143 of bank indebtedness, \$375 of other liabilities, and \$691 due to the Company.

4. FACILITIES DEVELOPMENT IMPROVEMENT FUND RECEIVABLE

FDIF receivable, December 31, 2004	\$ 117,065
FDIF receivable from acquisition of Orangeville (Note 3(a))	14,988
Qualified assets approved by BCLC during the period	20,506
Qualified expenditures approved by BCLC during the period	2,361
FDIF reimbursement received during the period	(3,707)
	151,213
Imputed discount applied during the period	(8,591)
Accretion recorded during the period	1,424
	144,046
Less: current portion, March 31, 2005	18,000
	\$ 126,046

GREAT CANADIAN GAMING CORPORATION
Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2005

(Unaudited – Prepared by Management)

(In thousands, except for share and per share information)

5. PROPERTY, PLANT AND EQUIPMENT

As at March 31, 2005

	Original Cost	Less: FDIF Qualified	Adjusted Cost	Accum- ulated Amort- ization	Net Book Value
Land	\$ 24,336	\$ 11,402	\$ 12,934	\$ -	\$ 12,934
Buildings	147,145	93,338	53,807	2,016	51,791
Properties under development	123,151	24,088	99,063	-	99,063
Equipment	36,298	20,256	16,042	8,968	7,074
ERP systems	4,244	-	4,244	1,953	2,291
Equipment under capital lease	2,104	-	2,104	380	1,724
Leasehold interests	8,614	7,959	655	16	639
Leasehold improvements	17,112	7,669	9,443	1,757	7,686
	\$ 363,004	\$ 164,712	\$ 198,292	\$ 15,090	\$ 183,202

As at December 31, 2004

	Original Cost	Less: FDIF Qualified	Adjusted Cost	Accum- ulated Amort- ization	Net Book Value
Land	\$ 22,306	\$ 11,402	\$ 10,904	\$ -	\$ 10,904
Buildings	147,253	98,819	48,434	1,694	46,740
Properties under development	51,011	1,136	49,875	-	49,875
Equipment	26,886	12,199	14,687	7,959	6,728
ERP systems	4,244	-	4,244	1,742	2,502
Equipment under capital lease	9,268	7,980	1,288	659	629
Leasehold interests	8,614	7,959	655	-	655
Leasehold improvements	16,837	7,666	9,171	1,852	7,319
	\$ 286,419	\$ 147,161	\$ 139,258	\$ 13,906	\$ 125,352

Property, plant and equipment qualified under the FDIF are reduced by the fair value of the related FDIF receivable. See Note 9 for interest and financing costs capitalized to property, plant and equipment.

6. GOODWILL

Balance, December 31, 2004	\$ 20,038
Goodwill acquired on acquisition of Weinlager (Note 3(c))	1,425
Foreign exchange translation	51
Balance, March 31, 2005	\$ 21,514

GREAT CANADIAN GAMING CORPORATION
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For the three months ended March 31, 2005

(Unaudited – Prepared by Management)

(In thousands, except for share and per share information)

7. INTANGIBLE ASSETS

Balance net, December 31, 2004	\$ 28,629
Orangeville electronic gaming rights (Note 3(a))	10,639
Orangeville horseracing licence (Note 3(a))	10,639
Amortization	(21)
Foreign exchange translation	11
Balance net, March 31, 2005	\$ 49,897

Orangeville electronic gaming rights represent the estimated fair value of the right to operate slot machines and electronic gaming positions at Fraser Downs plus the future income tax effect of \$3,757. The electronic gaming rights are amortized straight-line over the remaining 19 year term of the operational services agreement.

Orangeville horseracing licence is the estimated fair value of the right to operate live horse racing at Fraser Downs and Sandown granted by the Gaming Policy and Enforcement Branch of British Columbia and Canadian Pari-Mutuel Agency plus the future income tax effect of \$3,757. The licence has an indefinite life and is not subject to amortization.

8. OTHER ASSETS

	Ownership Interest	March 31, 2005	December 31, 2004
Investments:			
Creation Casinos Inc. ("Creation")	9%	\$ 90	\$ 90
TBC (Note 3(b))	-	-	895
Wells Hotel Ltd.	49%	708	715
Weinlager (Note 3(c))	-	-	(116)
Queen of Diamonds Cruises Ltd. and Queen of Diamonds Cruises VCC Limited ("Queen of Diamonds")	11% and 47%	361	361
Advances receivable from equity investees		1,054	1,124
Deferred acquisition costs (Note 3(a))		-	4,000
Deferred financing costs, net of amortization of \$131		2,711	2,787
		\$ 4,924	\$ 9,856

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For the three months ended March 31, 2005

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9. LONG-TERM DEBT

	March 31, 2005	December 31, 2004
Series A Senior Secured Notes – see terms below	\$ 150,000	\$ 150,000
Credit Facility – facility limit of \$100,000, bearing interest at the Toronto-Dominion Bank’s Canadian prime rate, repayable on September 28, 2006 (Note 17(b))	13,536	-
HEI Promissory Note – bearing interest at 6% per annum, repayable in quarterly instalments of principal and interest of \$175, due December 31, 2012, and secured by general security agreement with a first charge against all of HEI’s assets	4,227	4,339
Obligations Under Capital Leases	493	521
	\$ 168,256	\$ 154,860
Less: current portion	701	860
	\$ 167,555	\$ 154,000

During the three months ended March 31, 2005, interest and financing costs of \$1,065 (March 31, 2004 - \$161) are net of interest income of \$535 (March 31, 2004 - \$323) and capitalized interest of \$867 (March 31, 2004 - \$Nil).

On September 29, 2004, the Company issued \$150,000 of 5.74% Series A Senior Secured Notes (the “Notes”). The Notes pay interest semi-annually on March 29 and September 29 of each year, commencing March 29, 2005. The Company will retire the Notes on September 29, 2014, with semi-annual instalments of principal commencing March 29, 2008 in the amount of \$10,000 each to and including March 29, 2012, and semi-annual instalments of principal commencing September 29, 2012 in the amount of \$12,000 each until the maturity of the Notes.

Provided that no default has occurred and is continuing, the Notes are redeemable by the Company at its option in whole at any time or in part from time to time on not more than 60 days’ and not less than 30 days’ notice at a price equal to the outstanding principal amount plus accrued and unpaid interest plus a prepayment amount.

GREAT CANADIAN GAMING CORPORATION
Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2005

(Unaudited – Prepared by Management)

(In thousands, except for share and per share information)

9. LONG-TERM DEBT (Continued)

The Notes and Credit Facility are guaranteed by the Company and two of its subsidiaries, GCC and GAGC, and a pledge of common shares of 686486 B.C. Ltd., the subsidiary through which the Company owns Hastings Racecourse. The Notes are direct secured obligations of the Company and secured equally and rateably with the indebtedness of the Company pursuant to the Credit Facility. The Notes and Credit Facility require the Company to be in compliance with financial covenants, and contain limitations on the Company's ability to make investments in non-core businesses, incur additional senior indebtedness or sell core assets. As at March 31, 2005, the Company is in compliance with the Notes' and Credit Facility's financial and operating covenants.

10. SHARE CAPITAL

a) *Common shares*

The Company is authorized to issue an unlimited number of common shares with no par value. The number of issued and outstanding common shares as at March 31, 2005 was 30,041,403 (December 31, 2004 – 27,995,878).

b) *Treasury offering of common shares*

On January 13, 2005, the Company completed an offering of 1,500,000 common shares at \$41.50 per share for gross proceeds of \$62,250. The cost of the offering, net of future income taxes, reduced the gross proceeds by \$1,924. The net proceeds were used for the acquisition of Orangeville, Weinlager, and to reduce an operating line of credit related to the termination of the share purchase agreement with Wall Financial Corporation.

c) *Stock-based compensation plans*

i) *Fixed stock option plans*

	Options	Weighted- Average Exercise Price
Outstanding at December 31, 2004	1,602,225	\$ 17.74
Exercised	(280,525)	6.49
Outstanding at March 31, 2005	1,321,700	\$ 20.13

During the three months ended March 31, 2005, the total compensation expense related to the fair value of stock options was \$721 (March 31, 2004 - \$691), of which \$702 (March 31, 2004 - \$686) was to employees and directors and \$19 (March 31, 2004 - \$5) was to consultants.

GREAT CANADIAN GAMING CORPORATION
Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2005

(Unaudited – Prepared by Management)

(In thousands, except for share and per share information)

10. SHARE CAPITAL (Continued)

c) Stock-based compensation plans (Continued)

ii) Employee share purchase plan

Eligible employees of the Company may elect to participate in the Employee Share Purchase Plan (the “Plan”) by contributing up to 5% of their gross pay with the Company matching 25% of the contributions. As at March 31, 2005, 70,935 (December 31, 2004 – 74,602) common shares were held under the Plan and 26% of employees participated in the Plan (December 31, 2004 – 23%).

d) Warrants

	Equivalent # of Common Shares	Weighted-Average Exercise Price
Outstanding and exercisable at December 31, 2004	475,036	\$ 11.24
Exercised	(265,000)	10.63
Expired/Cancelled	(65,036)	8.75
Outstanding and exercisable at March 31, 2005	145,000	\$ 13.47

11. REVENUES

	Three months ended March 31, 2005	Three months ended March 31, 2004
Gross table win	\$ 58,118	\$ 43,591
Gross slot win	67,683	46,088
Gross racetrack and other gaming revenues	6,403	326
Gross food and beverage	5,532	1,351
	137,736	91,356
Less: BCLC commissions and Washington State taxes	(81,279)	(58,487)
Racetrack purses and other gaming payouts	(4,101)	-
	52,356	32,869
ATM revenues	647	261
Other	1,648	134
	\$ 54,651	\$ 33,264

GREAT CANADIAN GAMING CORPORATION
Notes to the Interim Consolidated Financial Statements

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(In thousands, except for share and per share information)

12. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended March 31, 2005	Three months ended March 31, 2004
Changes in non-cash operating working capital		
Accounts receivable	\$ 2,125	\$ (928)
Prepaid expenses and deposits	(1,651)	40
Accounts payable and accrued liabilities	(7,990)	1,532
Income taxes payable	(1,549)	(1,413)
	\$ (9,065)	\$ (769)

13. SEGMENTED INFORMATION

The Company and its subsidiaries operate primarily in one industry segment, the gaming industry. The Company conducts business in two geographic segments: Canada and United States (“US”). Revenues are attributable to the geographic segment based on the location of the gaming facilities with the following income (loss) and assets:

Income Statement:

Three months ended March 31, 2005				
	Canada	US	Inter- company	Total
Revenues	\$ 47,389	\$ 7,262	\$ -	\$ 54,651
Amortization	991	476	-	1,467
Interest and financing, net	1,022	43	-	1,065
Net income	8,743	516	-	9,259
Expenditures for property, plant and equipment net of related accounts payable	30,971	139	-	31,110

Three months ended March 31, 2004				
	Canada	US	Inter- company	Total
Revenues	\$ 26,761	\$ 6,631	\$ (128)	\$ 33,264
Amortization	403	406	-	809
Interest and financing, net	(309)	470	-	161
Net income (loss)	5,683	(356)	-	5,327
Expenditures for property, plant and equipment net of related accounts payable	24,575	219	-	24,794

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For the three months ended March 31, 2005

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13. SEGMENTED INFORMATION (Continued)

Balance Sheet:

As at March 31, 2005

	Canada	US	Inter-company	Total
Property, plant and equipment	\$ 158,213	\$ 24,989	\$ -	\$ 183,202
Goodwill	13,569	7,945	-	21,514
Intangible assets	49,764	133	-	49,897
Total assets	468,047	40,852	(42,945)	465,954

As at December 31, 2004

	Canada	US	Inter-company	Total
Property, plant and equipment	\$ 100,198	\$ 25,154	\$ -	\$ 125,352
Goodwill	12,142	7,896	-	20,038
Intangible assets	28,485	144	-	28,629
Total assets	366,337	38,754	(42,676)	362,415

14. RESTRUCTURING COSTS

In September 2004, the Company undertook several initiatives to improve operational efficiencies and implement restructuring of underperforming assets and recorded a restructuring cost of \$5,557. As at March 31, 2005, \$1,372 of the restructuring costs, consisting primarily of severances, remain in accounts payable and accrued liabilities.

15. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2005, the Company received \$217 (March 31, 2004 - \$Nil) from a company with an officer in common for ATM services; and expensed \$322 (March 31, 2004 - \$Nil) staff training services for a company controlled by a director 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.

16. COMMITMENTS AND CONTINGENCIES

a) Letters of credit

As at March 31, 2005, letters of credit in the amount of \$23,437 were outstanding as security in connection with gaming cash floats and road improvements, landscaping and development permits.

GREAT CANADIAN GAMING CORPORATION
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(Unaudited – Prepared by Management)

(In thousands, except for share and per share information)

16. COMMITMENTS AND CONTINGENCIES (Continued)

b) Capital expansion

The Company's capital expansion plans require estimated expenditures of approximately \$161,000 over the next twelve months, which will be funded by existing cash, cashflow from operations, and advances from existing debt facilities.

c) Orangeville commitments

As a result of the acquisition of Orangeville, the Company assumed certain operating leases for the Fraser Downs and Sandown properties and equipment.

The Fraser Downs property lease calls for per annum rent of \$225 plus 1% of the net win of the Fraser Downs casino up to \$38,500, 2% from \$38,500 to \$43,800 and 4% of the net win over \$43,800. The per annum rent increases to \$250 in the second year and then increases by the annual rate of inflation for Canada thereafter, however, the minimum rent in the sixth year will be \$300. The lease is for twenty years from March 1, 2004 to February 28, 2024, plus a ten year option.

The Sandown property lease is based on (a) the greater of \$1 per race day or 1% of the total gross pari-mutuel handle, with an annual minimum of \$50 and (b) 20% of Sandown net food and beverage concessions revenue. The lease period is January 1 to September 30 of each year, expiring on September 30, 2017.

Certain electronic equipment at the Fraser Downs and Sandown racetracks is leased for an amount based on daily mutuel wagering. Minimum rental payment shall not be less than \$260 for each year of the agreement expiring in 2008.

In addition, as part of its operational services agreement, Orangeville is required to expend an amount equal to or greater than 2% of the win at Fraser Downs and Sandown towards marketing programs each year.

d) Trailing payments on acquisition

As part of the acquisitions of O'Aces, Vetter and Orangeville, the Company is committed to make future payments based upon the acquired companies' meeting certain financial performance criteria and operational objectives. These payments, if and when made, will be treated as additional costs of the purchase.

GREAT CANADIAN GAMING CORPORATION
Notes to the Interim Consolidated Financial Statements

For the three months ended March 31, 2005

(Unaudited – Prepared by Management)

(In thousands, except for share and per share information)

17. SUBSEQUENT EVENTS

a) Acquisition of Georgian Downs

On April 3, 2005, the Company entered into a purchase agreement to acquire all of the issued and outstanding shares of Georgian Downs Limited and Georgian Downs Holdings Inc. for consideration of approximately \$25,000, plus the assumption of certain shareholder loans and other indebtedness of approximately \$23,000.

Georgian Downs located in Innisfil, Ontario, just north of Toronto, is an operator of a standardbred racing facility with 400 slot machines. Georgian Downs currently offers live standardbred horse racing two days a week throughout the year and simulcast wagering 364 days a year. The acquisition is subject to all applicable regulatory approvals and is expected to close no earlier than June 30, 2005.

b) Increase in credit facility

On April 26, 2005, the Company entered into an agreement with a syndicate of its existing lenders to increase its \$100,000 Credit Facility to \$200,000, under the same security pledge and terms as the existing Credit Facility.

c) Conversion of promissory notes

As at March 31, 2005, the Company had promissory notes due from Creation in the amount of \$6,816 (December 31, 2004 - \$6,816) bearing interest at 6% per annum unsecured with the principal and all interest accrued due in January 2006.

On April 26, 2005, the Company entered into an agreement in principle whereby the promissory notes of \$6,816 and accrued interest to March 31, 2005 of \$101 will be converted to preferred shares of Creation. The preferred shares will have a par value of \$100 per share, with a non-voting, non-cumulative dividend of \$3.00 per share, and carry a provision for mandatory redemption to the extent of 25% of Creation's operating cash flows. The agreement in principle is subject to certain conditions including Creation raising equity financing and regulatory approvals.