GREAT CANADIAN GAMING CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Nine Months Ended September 30, 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)

As at September 30, 2005 and December 31, 2004

		September 30, 2005		December 31, 2004
ASSETS				
CURRENT				
Cash and cash equivalents	**$**	**58,062**	$	43,133
Accounts receivable		**10,192**		6,040
Promissory notes receivable, current (Note 4)		**3,145**		1,639
Due from Provincial Gaming Corporations, current (Note 5)		**34,948**		15,000
Prepaid expenses and deposits		**11,776**		3,201
		118,123		69,013
Promissory notes receivable (Note 4)		**600**		7,462
Advance and deposit on acquisitions (Note 16)		**33,761**		4,000
Due from Provincial Gaming Corporations (Note 5)		**220,297**		102,065
Property, plant and equipment (Note 6)		**319,345**		125,352
Goodwill		**21,208**		20,038
Intangible assets (Note 7)		**79,435**		28,629
Other assets (Note 8)		**14,437**		5,856
	$	**807,206**	$	362,415
LIABILITIES				
CURRENT				
Gaming revenue payables	**$**	**11,772**	$	6,272
Accounts payable and accrued liabilities		**55,561**		33,044
Income taxes payable		**3,179**		1,797
Long-term debt, current (Note 9)		**683**		860
		71,195		41,973
Long-term debt (Note 9)		**356,812**		154,000
Future income taxes		**51,616**		11,536
Deferred credit and other liabilities		**1,703**		-
Non-controlling interest		**750**		836
		482,076		208,345
SHAREHOLDERS' EQUITY				
Share capital and other equity (Note 10)		**245,395**		101,801
Cumulative foreign currency translation		**(7,186)**		(5,908)
Retained earnings		**86,921**		58,177
		325,130		154,070
	$	**807,206**	$	362,415

Commitments and contingencies (Note 15)
Subsequent events (Note 16)

GREAT CANADIAN GAMING CORPORATION
Interim Consolidated Statements of Income
(Unaudited - Prepared by Management)
(In thousands, except for share and per share information)
For the Nine months ended, September 30, 2005

	Three months ended Sept 30, **2005**	2004	Nine months ended Sept 30, **2005** (Note 2(e))	2004
REVENUES (Note 11)	**$ 75,065**	$ 51,075	**$ 196,840**	$ 121,852
EXPENSES				
Amortization	**2,838**	1,188	**6,441**	3,266
Human resources	**38,128**	25,587	**97,653**	62,579
Marketing and promotion	**6,337**	2,393	**14,090**	6,152
Occupancy costs	**3,064**	2,513	**10,861**	6,712
Operating supplies	**7,787**	3,684	**18,476**	8,668
Stock-based compensation (Note 10)	**1,418**	286	**3,324**	1,273
	59,572	35,651	**150,845**	88,650
INCOME BEFORE UNDERNOTED ITEMS	**15,493**	15,424	**45,995**	33,202
Restructuring costs	**-**	5,557	**-**	5,557
INCOME FROM OPERATIONS	**15,493**	9,867	**45,995**	27,645
Income (loss) from investments	**402**	(106)	**441**	27
Loss from disposal of land and investment, net	**(463)**	-	**(463)**	-
Interest and financing (Note 9)	**(2,625)**	(245)	**(5,494)**	(1,043)
Accretive income (Note 5)	**2,093**	-	**5,295**	-
Foreign exchange gain (loss)	**18**	(30)	**102**	347
INCOME BEFORE INCOME TAXES	**14,918**	9,486	**45,876**	26,976
Income taxes	**5,675**	3,136	**16,608**	9,761
INCOME BEFORE NON-CONTROLLING INTEREST	**9,243**	6,350	**29,268**	17,215
Non-controlling interest	**217**	65	**524**	176
NET INCOME	**$ 9,026**	$ 6,285	**$ 28,744**	$ 17,039
EARNINGS PER COMMON SHARE				
Basic	**$ 0.12**	$ 0.09	**$ 0.38**	$ 0.26
Diluted	**$ 0.11**	$ 0.09	**$ 0.37**	$ 0.24
WEIGHTED AVERAGE NUMBER OF COMMON SHARES (Note 10(a))				
Basic	**77,933,301**	66,959,650	**75,689,590**	65,102,375
Diluted	**79,532,208**	71,015,845	**77,898,824**	70,043,660

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 Paid-up Capital And Other Equity	Adjusted Common Shares And Other Equity		Cumulative Foreign Currency Translation Adjustments	Retained Earnings	Shareholders' Equity
	Number	Amount	Amount	Number	Amount			
	(Note 10(a))			(Note 10(a))				
At December 31, 2003	61,834,341	$ 59,219	$ 7,390	61,834,348	$ 66,609	$ (3,447)	$ 31,452	$ 94,614
Exercise of incentive stock options	4,542,938	15,221	(4,612)	4,542,938	10,609	-	-	10,609
Private placement	250,000	1,547	-	250,000	1,547	-	-	1,547
Exercise of warrants	3,362,410	21,325	(498)	3,362,410	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	69,989,689	$ 97,312	$ 4,489	69,989,696	$ 101,801	$ (5,908)	$ 58,177	$ 154,070
Exercise of incentive stock options (Note 10(e))	876,227	$ 4,104	$ (1,605)	876,227	$ 2,499	$ -	$ -	$ 2,499
Treasury offering (Note 10(c))	3,750,000	60,292	-	3,750,000	60,292	-	-	60,292
Issuance of common shares, upon exercise of special warrants (Note 10(d))	3,703,704	72,709		3,703,704	72,709			72,709
Stock based compensation (Note 10(e))	-	-	3,324	-	3,324	-	-	3,324
Exercise of warrants (Note 10(f))	1,025,000	4,770	-	1,025,000	4,770	-	-	4,770
Effect of foreign currency translation	-	-	-	-	-	(1,278)	-	(1,278)
Net income	-	-	-	-	-	-	28,744	28,744
At September 30, 2005	79,344,620	$ 239,187	$ 6,208	79,344,627	$ 245,395	$ (7,186)	$ 86,921	$ 325,130

See Accompanying Notes to the Interim Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION
Interim Consolidated Statements of Cash Flows
(Unaudited - Prepared by Management)
(In thousands)

	Three months ended Sept 30, **2005**	Three months ended Sept 30, 2004	Nine months ended Sept 30, **2005**	Nine months ended Sept 30, 2004
Cash Flows from Operating Activities				
Net income	**$ 9,026**	$ 6,285	**$ 28,744**	$ 17,039
Adjustments to reconcile net income to net cash provided by operating activities:				
Amortization	**2,838**	1,188	**6,441**	3,266
Non-cash restructuring costs	**-**	559	**-**	559
Loss from disposal of land and investment, net	**463**	-	**463**	-
Accretive income (Note 5)	**(2,093)**	-	**(5,295)**	-
Stock based compensation	**1,418**	286	**3,324**	1,273
Operating expenses reduced by FDIF (Note 5)	**(3,441)**	(4,893)	**(6,002)**	(5,256)
Other activities	**520**	456	**2,359**	725
Future income taxes	**47**	43	**(137)**	24
Changes in non-cash operating working capital (Note 12)	**(1,104)**	3,347	**(5,419)**	(973)
Net cash provided by operating activities	**7,674**	7,271	**24,478**	16,657
Cash Flows from Financing Activities				
Proceeds from long-term debt	**202,999**	163,708	**379,243**	218,699
Repayment of long-term debt	**(176,543)**	(81,351)	**(177,179)**	(90,767)
Deferred financing costs	**(2,993)**	(2,291)	**(3,609)**	(2,291)
Deferred credits and other liabilities	**1,736**	-	**1,736**	-
Common shares issued for cash, net of issuance costs	**72,005**	8,839	**137,916**	19,227
Net cash provided by financing activities	**97,204**	88,905	**338,107**	144,868
Cash Flows from Investing Activities				
Investment in and advances to equity investees	**(393)**	168	**(614)**	(73)
Funds received from Provincial Gaming Corporations (Note 5)	**6,996**	3,520	**15,004**	8,584
Purchase of property, plant and equipment, net of related accounts payable	**(69,351)**	(36,142)	**(146,570)**	(105,793)
Proceeds from disposal of property, plant and equipment	**2,382**	-	**2,382**	-
Acquisition of Georgian Downs, net of cash acquired (Note 3(a))	**137**	-	**(25,679)**	-
Consolidation of cash of Georgian Downs	**1,286**	-	**1,286**	-
Acquisition of MEG, net of cash acquired (Note 3(b))	**-**	-	**(86,148)**	-
Acquisition of Orangeville, net of cash acquired and deposit (Note 3(c))	**445**	-	**(32,663)**	-
Acquisition of Weinlager, net of bank indebtedness (Note 3(e))	**(2)**	-	**(1,471)**	-
Acquisition of HEI, net of cash acquired	**-**	(10)	**-**	(4,927)
Acquisition of Evergreen and Grand Central Properties	**-**	(1,632)	**-**	(1,632)
Acquisition of Casino, net of cash acquired	**-**	-	**-**	(139)
Advance on acquisition of Flamboro Downs (Note 16)	**(33,761)**	-	**(33,761)**	-
River Rock prepaid lease	**-**	-	**(9,262)**	-
Promissory notes and advances receivable, net	**(2,005)**	88	**(29,869)**	61
Net cash used in investing activities	**(94,266)**	(34,008)	**(347,365)**	(103,919)
Effect of foreign exchange on cash and cash equivalents	**(365)**	(859)	**(291)**	(472)
Net Cash Inflow	**10,247**	61,309	**14,929**	57,134
Cash and cash equivalents, Beginning of Period	**47,815**	30,018	**43,133**	34,193
Cash and cash equivalents, End of Period	**$ 58,062**	$ 91,327	**$ 58,062**	$ 91,327
Supplemental Disclosure				
Interest received	**$ 1,249**	$ 271	**$ 1,951**	$ 583
Interest paid	**$ 5,768**	$ 430	**$ 10,674**	$ 1,911
Income taxes paid	**$ 4,526**	$ 3,176	**$ 15,622**	$ 11,262
Non-Cash Investing and Financing Activities				
Conversion of promissory note to preferred shares	**$ -**	$ -	**$ 6,917**	$ -
FDIF allocated to assets (Note 5)	**$ 44,281**	$ 118,850	**$ 119,663**	$ 119,288

See Accompanying Notes to the Interim Consolidated Financial Statements

1. NATURE OF BUSINESS

Great Canadian Gaming Corporation (the "Company"), employs approximately 5,100 employees and 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 thirteen casinos, a thoroughbred racecourse, three standardbred racecourses, a community gaming centre, hotel, theatre and numerous associated food and beverage and entertainment facilities.

The Company's principal operating subsidiaries are Great Canadian Casinos Inc. ("GCC"), Great American Gaming Corporation ("GAGC"), Hastings Entertainment Inc. ("HEI"), Orangeville Raceway Limited ("Orangeville"), Metropolitan Entertainment Group ("MEG"), and Georgian Downs Limited and Georgian Downs Holdings Inc. (collectively "Georgian Downs").

Upon closing of the acquisition of Ontario Racing Inc. ("ORI"), the Company will operate Flamboro Downs, a standardbred racecourse with slot machines located in Ontario, Canada and will employ a further 300 employees (Note 16).

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, except as described below:

a) Revenue recognition

Revenues in Nova Scotia are net of taxes paid to the Province of Nova Scotia and the capital reserve account (Note 2(b)).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Capital reserve account

Under the original operating contract with the Nova Scotia Gaming Corporation ("NSGC"), NSGC contributed to a capital reserve account, based on a minimum of 1.5% of annual gross operating revenues (as defined in the operating contract), which was intended to provide for replacement of certain qualified capital expenditures. The funding of the capital reserve account was recorded as a reduction of revenues. The replacement assets acquired using funds from the reserve are the property of the NSGC. Under the Amended and Restated Operating Contract, NSGC increased its contribution to the capital reserve account from 1.5% to 5% (Note 3(b)(ii)).

c) Operator's capital investment and mandatory deferrals

Under the original operating contract with the NSGC, MEG was entitled to repayment of its capital investment, through the operator's capital investment ("OCI") and mandatory deferrals ("MD"), based on certain terms and conditions as defined in the contract.

The OCI was initially recorded at fair value using a discount rate of 2.91% which management believes to be the market rate of interest for a similar instrument with similar terms and conditions. The OCI and MD receivables accrue interest on the outstanding balance at 12% and prime plus 1% per annum, respectively.

Interest payments of the OCI and MD are recorded as interest income. The premium on the OCI receivable will be amortized over the term of the OCI.

d) Hedges

The Company utilizes derivative financial instruments in the management of its interest rate exposures. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objectives and strategies for undertaking various hedge transactions. The Company also assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives used in hedging transactions are effective in offsetting changes in fair values or cash flows of hedged items.

The Company entered into a bond forward transaction to manage its fixed interest rate exposure on the issuance of its Series B Senior Secured Notes ("Series B Notes"). The Company designated the bond forward agreement as a hedge of the anticipated proceeds of the Series B Notes. Interest expense on the debt is adjusted to include the payment received under the bond forward contract (Note 9).

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Comparative figures

Certain of the prior period's comparative figures have been reclassified to conform to the current period's presentation. Specifically, the FDIF accretive income previously shown as Revenues is now presented as Accretive income (Note 11). Historical common share information has been recomputed to reflect the subdivision of the Company's common shares (Note 10(a)) on a five for two basis.

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.

a) Georgian Downs

On July 2, 2005, Great Canadian Gaming (Ontario) Ltd. ("GCGO") acquired all of the outstanding shares of Georgian Downs Limited and Georgian Downs Holdings Inc. (collectively "Georgian Downs") as a bare trustee for the Company until regulatory approval was received. Georgian Downs, located in Innisfil, Ontario, is an operator of a standardbred racing facility and a siteholder for the Ontario Lottery Gaming Corporation ("OLGC") for slot machines.

On September 30, 2005, following receipt of all regulatory approvals, the bare trustee arrangement was cancelled and the Company received legal title to all of the outstanding shares of GCGO. The Company has consolidated Georgian Downs' financial position as at September 30, 2005. For the period from July 2, 2005 to September 30, 2005, the Company included the operating results of Georgian Downs under the equity method, which is included in income (loss) from investments, as the Company had significant influence.

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

Cash	$ 25,592
Acquisition costs	1,446
Total purchase price	$ 27,038

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

3. ACQUISITIONS (Continued)

a) Georgian Downs (Continued)

Cash	$ 1,359
Accounts receivable	1,220
Other current assets	1,079
Property, plant and equipment	29,440
Intangible assets	30,929
Accounts payable and accrued liabilities	(2,839)
Due to the Company	(22,308)
Future income taxes	(11,563)
Long-term debt	(279)
Net assets acquired	$ 27,038

b) Metropolitan Entertainment Group

i) Acquisition

On May 31, 2005, the Company completed the purchase of 100% of the partnership interests of MEG, a Nova Scotia partnership which owns Casino Nova Scotia Halifax and Casino Nova Scotia Sydney, for cash consideration of US$73,700 ($93,117). Casino Nova Scotia Halifax and Casino Nova Scotia Sydney operated pursuant to a casino operating contract with the NSGC. Effective July 1, 2005, MEG entered into an Amended and Restated Operating Contract ("AROC") with the NSGC, which changed the terms and conditions of the original operating contract (Note 3(b)(ii)). The Company has consolidated MEG's financial position, operating results and cash flows for the month of June pursuant to the terms and conditions of the then existing operating contract.

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

Cash	$ 93,117
Acquisition costs	1,238
Total purchase price	$ 94,355
Cash	$ 8,207
Accounts receivable	1,039
Prepaid expenses and deposits	1,099
OCI and MD receivables	50,856
Property, plant and equipment	57,810
Gaming revenue payable	(32)
Accounts payable and accrued liabilities	(9,584)
Future income taxes	(15,040)
Net assets acquired	$ 94,355

3. ACQUISITIONS (Continued)

b) Metropolitan Entertainment Group (Continued)

i) Acquisition (Continued)

On May 31, 2005, the Company initiated its integration of MEG to improve the synergy of its operations, reduce costs and improve profitability. As a result, the Company accrued $2,762 of liabilities related to the restructuring, of which the primary component is severance. As at September 30, 2005, $624 remains in accounts payable and accrued liabilities.

ii) Amendment of NSGC Operating Contract

Effective July 1, 2005, MEG entered into an Amended and Restated Operating Contract ("AROC") with the NSGC. Under the AROC, the fee payable to MEG for services provided in connection with the operation of the Sydney and Halifax casinos will be 52.725% of the total facilities' revenue. The NSGC will contribute 5% of the total facilities' revenue for the purpose of making capital improvements to the casino properties ("Capital Reserve Account"). Approved expenditures incurred by MEG on behalf of NSGC in improving the casino facilities will be reimbursed from this Capital Reserve Account. The fee may be reviewed if certain changes to operations prescribed or directed by the NSGC adversely affect expenses or revenues of MEG.

Upon signing of the agreement, MEG continues to be entitled to a repayment of $24,255 operator's capital investment ("OCI"), which is the balance owed to MEG under the original operating contract in respect of unpaid approved development costs incurred by MEG, plus interest on the outstanding balance at 12% per annum. MEG is also entitled to a repayment of $24,544 mandatory deferral ("MD"), which is an amount equal to the balance owed to MEG under the original operating contract. The OCI is receivable at $1,094 per month to April 2007 and the MD is receivable at $100 per month to April 2007 and $900 per month thereafter to May 2009.

The term of the AROC is ten years commencing July 1, 2005 and MEG has an option to renew the agreement for a further ten years. MEG also has been granted a right of first opportunity to negotiate with the NSGC with respect to any proposal by the NSGC to pursue the development and operation of any new racetrack/casino facility in Nova Scotia.

c) Orangeville Raceway Limited

On March 18, 2005, the Company completed the purchase of 100% of the outstanding common shares of 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. 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").

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

3. ACQUISITIONS (Continued)

c) Orangeville Raceway Limited (Continued)

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

Cash	$ 40,000
Acquisition costs	265
Total purchase price	$ 40,265
Cash	$ 3,602
FDIF receivable	14,684
Other current assets	1,381
Property, plant and equipment	27,241
Intangible assets	20,966
Accounts payable and accrued liabilities	(4,351)
Income taxes payable	(870)
Long-term debt	(6,099)
Future income taxes	(16,289)
Net assets acquired	$ 40,265

d) 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, telephone and internet wagering facilities in BC, which broadcast horseracing from Hastings Racecourse, Fraser Downs and other racetracks in Canada and throughout the world.

e) Weinlager & Amici Caffe (Coquitlam) Ltd. and Weinlager & Amici Caffe (Victoria) Ltd.

On January 10, 2005, the Company purchased the remaining 50% interest in Weinlager & Amici Caffe (Coquitlam) Ltd. and Weinlager & Amici Caffe (Victoria) Ltd. (collectively "Weinlager") for cash consideration of $1,225 and acquisition costs of $103. The transaction resulted in the Company owning 100% of Weinlager. Weinlager formerly operated the food and beverage facilities at the Company's Coquitlam, Holiday Inn, Nanaimo and View Royal casinos.

The allocation of the purchase price to the fair value of the net assets acquired is as follows: $812 to property, plant and equipment, $1,427 to goodwill, and $298 to other assets, reduced by $143 of bank indebtedness, $375 of other liabilities, and $691 due to the Company.

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

4. PROMISSORY NOTES RECEIVABLE

	September 30, 2005	December 31, 2004
Promissory note from Queen of Diamonds Cruises (VCC) Limited bearing no interest, with a limited recourse pledge of the proceeds from the sale of the vessel, M.V. Queen of Diamonds, and repayable upon demand (Note 8)	**$ 1,400**	$ -
Promissory notes from Creation, a company with a director who is a member of senior management of the Company, bearing interest at 6% per annum, converted to Class A Preference Shares (Note 8)	**-**	6,816
Promissory notes from senior management of the Company and a director of a wholly-owned subsidiary, bearing interest between 4% to 6% per annum, with varying repayment terms	**256**	288
Other promissory notes which are unsecured, primarily non-interest bearing, with varying repayment terms (December 31, 2004 – primarily bearing interest at 6% per annum)	**2,089**	1,997
	$ 3,745	$ 9,101
Less: current portion	**3,145**	1,639
	$ 600	$ 7,462

5. DUE FROM PROVINCIAL GAMING CORPORATIONS

Due from Provincial Gaming Corporations includes the Facility Development Improvement Fund (“FDIF”) due from BCLC, and OCI and MD due from NSGC:

	BCLC	NSGC	Total
Current	$ 19,000	$ 15,948	**$ 34,948**
Long-term	188,470	31,827	**220,297**
	$ 207,470	$ 47,775	**$ 255,245**

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

5. DUE FROM PROVINCIAL GAMING CORPORATIONS (Continued)

a) Facilities Development Improvement Fund due from BCLC

FDIF receivable, December 31, 2004	$	**117,065**
FDIF receivable from acquisition of Orangeville (Note 3(c))		**14,684**
Qualified assets approved by BCLC		**119,663**
Qualified expenditures approved by BCLC		**6,002**
FDIF reimbursement received		**(12,127)**
		245,287
Imputed discount applied		**(43,112)**
Accretive income		**5,295**
		207,470
Less: current portion, September 30, 2005		**19,000**
	$	**188,470**

The long-term portion of FDIF receivable approved during the period was discounted over periods up to approximately twelve years at discount rates ranging from 4% to 4.4% per annum.

b) Operator's Capital Investment and Mandatory Deferral due from NSGC

OCI and MD receivables, December 31, 2004	$	**-**
OCI and MD receivables from acquisition of MEG (Note 3(b))		**50,856**
OCI premium amortization		**(511)**
OCI and MD repayment received		**(2,877)**
		47,468
Interest receivable		**307**
		47,775
Less: current portion, September 30, 2005		**15,948**
	$	**31,827**

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

6. PROPERTY, PLANT AND EQUIPMENT

As at September 30, 2005

	Original Cost	Less: FDIF Qualified	Adjusted Cost	Accum-ulated Amort-ization	Net Book Value
Land	**$ 26,736**	**$ 11,402**	**$ 15,334**	**$ -**	**$ 15,334**
Buildings	**314,004**	**112,911**	**201,093**	**4,021**	**197,072**
Properties under development	**124,238**	**50,010**	**74,228**	**-**	**74,228**
Aircraft	**6,855**	**-**	**6,855**	**29**	**6,826**
Equipment	**46,602**	**24,295**	**22,307**	**10,443**	**11,864**
ERP systems	**4,663**	**-**	**4,663**	**2,389**	**2,274**
Equipment under capital lease	**1,295**	**-**	**1,295**	**435**	**860**
Leasehold interests	**8,606**	**7,959**	**647**	**46**	**601**
Leasehold improvements	**20,236**	**7,784**	**12,452**	**2,166**	**10,286**
	$ 553,235	**$ 214,361**	**$ 338,874**	**$ 19,529**	**$ 319,345**

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.

The aircraft is amortized straight-line over twenty years.

See Note 9 for interest and financing costs capitalized to property, plant and equipment.

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

7. INTANGIBLE ASSETS

Balance net, December 31, 2004	$	**28,629**
Georgian Downs' agreements and licences (Note 3(a))		**30,929**
Orangeville electronic gaming rights (Note 3(c))		**10,483**
Orangeville horseracing licence (Note 3(c))		**10,483**
Amortization		**(1,086)**
Foreign exchange translation		**(3)**
Balance net, September 30, 2005	$	**79,435**

Georgian Downs' agreements and licences are based on the preliminary allocation of the purchase price and are amortized straight-line over a ten-year period.

Orangeville electronic gaming rights represent the estimated fair value of the right to operate slot machines and electronic gaming positions at Fraser Downs based on a preliminary allocation of the purchase price. 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 based on a preliminary allocation of the purchase price. The right to operate horseracing is granted by the Gaming Policy and Enforcement Branch of British Columbia and Canadian Pari-Mutuel Agency. The licence has an indefinite life and is not subject to amortization.

8. OTHER ASSETS

	Ownership Interest		**September 30, 2005**		December 31, 2004
Investments:					
Creation Casinos Inc. ("Creation")					
Common shares	8%	**$**	**90**	$	90
Class A Preference Shares, Series One			**7,400**		-
TBC (Note 3(d))	-		**-**		895
Wells Hotel Ltd.	49%		**713**		715
Weinlager (Note 3(e))	-		**-**		(116)
Queen of Diamonds Cruises Ltd. and Queen of Diamonds Cruises (VCC) Limited ("Queen of Diamonds") (owership interest December 31, 2004 - 11% and 47%)	10% and Nil		**-**		361
Advances receivable from equity investees			**341**		1,124
Deferred financing costs, net of amortization of $439 (December 31, 2004 - $59)			**5,893**		2,787
		$	**14,437**	$	5,856

8. OTHER ASSETS (Continued)

Queen of Diamonds

On July 15, 2005, the Company disposed of its interest in Queen of Diamonds Cruises (VCC) Limited and reduced its interest in Queen of Diamonds Cruises Ltd. to approximately 10%. The Company recorded a loss of $957 ($700 net of tax), which is included in loss from disposal of land and investment, net for the nine month period ended September 30, 2005.

On July 15, 2005, the Company acquired a non-interest bearing promissory note receivable of $1,400 from Queen of Diamonds Cruises (VCC) Limited. The promissory note receivable is secured by a limited recourse pledge of the proceeds from the sale of the vessel, M.V. Queen of Diamonds, owned by Queen of Diamonds Cruises Ltd.

Creation Casinos Inc.

On June 15, 2005, the Company completed the conversion of $6,816 in promissory notes receivable, $101 in accrued interest, and $483 in capital lease obligation guaranteed by the Company into 74,000 Class A Preference Shares, Series One of Creation (the "Preference Shares"). The Preference Shares have a par value of $100 per share, are non-voting, and carry the right to receive non-cumulative annual dividends of $3.00 per share commencing after December 31, 2005, for each fiscal year in which Creation realizes positive net income at least equivalent to 3% of the par value of the Preference Shares outstanding at the end of such year. The Preference Shares contain a provision for mandatory redemption to the extent of 25% of net operating cash flow and are otherwise redeemable at the discretion of Creation. Creation has one director who is also part of the senior management of the Company.

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

9. LONG-TERM DEBT

		September 30, 2005		December 31, 2004
Series A Senior Secured Notes – see terms below	**$**	**150,000**	$	150,000
Series B Senior Secured Notes – see terms below		**150,000**		-
Credit Facility – facility limit of $200,000, bearing interest at the Toronto-Dominion Bank's Canadian prime rate, repayable on September 27, 2007		**53,000**		-
HEI Promissory Note – bearing interest at 6% per annum, repayable in quarterly instalments of principal and interest of $175, until December 31, 2012, and secured by general security agreement with a first charge against all of HEI's assets		**4,004**		4,339
Obligations under capital leases and other debt		**491**		521
	$	**357,495**	$	154,860
Less: current portion		**683**		860
	$	**356,812**	$	154,000

The repayments of long-term debt for the years ended September 30 are as follows:

2006	$	683
2007		53,664
2008		20,596
2009		20,609
2010		20,597
Thereafter		241,346
	$	357,495

During the nine months ended September 30, 2005, interest and financing costs of $5,494 (September 30, 2004 - $1,043) are net of interest income of $1,597 (September 30, 2004 - $797), capitalized interest on construction of $4,664 (September 30, 2004 - $1,149) and interest costs recovered through the FDIF of $34 (September 30, 2004 - $1,104).

During the three months ended September 30, 2005, interest and financing costs of $2,625 (September 30, 2004 - $245) are net of interest income of $771 (September 30, 2004 - $196), capitalized interest on construction of $2,467 (September 30, 2004 - $157) and interest costs recovered through the FDIF of $Nil (September 30, 2004 - $1,104).

9. LONG-TERM DEBT (Continued)

On July 21, 2005, the Company issued 5.50% $150,000 Series B Senior Secured Notes ("Series B Notes"). The Series B Notes pay interest semi-annually on January 21 and July 21 of each year, commencing January 21, 2006. The Series B Notes mature on July 21, 2015. The Series B Notes rank pari passu with both the Company's Series A Notes and $200,000 Credit Facility. The proceeds from the Series B Notes were used to reduce the amounts outstanding under the Credit Facility, which was used to fund acquisitions, and for general working capital purposes.

On June 27, 2005, the Company entered into a bond forward transaction, based on the ten-year Government of Canada bond yield rate, to hedge the interest rate associated with the issuance of the Series B Notes. The bond forward resulted in a cash receipt gain of $1,736 on July 21, 2005, which will be deferred and amortized to reduce the coupon rate of interest over the ten-year term of the Series B Notes. The bond forward transaction results in reducing the effective interest rate on the Series B Notes from 5.50% to 5.38%.

On September 29, 2004, the Company issued 5.74% $150,000 Series A Senior Secured Notes ("Series A Notes"). The Series A Notes pay interest semi-annually on March 29 and September 29 of each year, commencing March 29, 2005. The Series A Notes mature 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 date at September 29, 2014.

Provided that no default has occurred and is continuing, the Series A Notes and Series B Notes (collectively 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.

The Notes and Credit Facility are guaranteed by the Company and its principal subsidiaries. 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 September 30, 2005, the Company is in compliance with the Notes' and Credit Facility's financial and operating covenants.

10. SHARE CAPITAL

a) Share subdivision

On June 9, 2005, the Company's common shares were subdivided on a five-for-two split basis. All references to the number of common shares and per share amounts have been retroactively restated to reflect the share subdivision.

b) 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 September 30, 2005 was 79,344,620 (December 31, 2004 – 69,989,689).

c) Treasury offering of common shares

On January 13, 2005, the Company completed an offering of 3,750,000 common shares at $16.60 per share for gross proceeds of $62,250. The cost of the offering, net of future income taxes, reduced the gross proceeds by $1,958. The net proceeds were used for the acquisitions of Orangeville, Weinlager, and to reduce an operating line of credit used to fund the termination of the share purchase agreement with Wall Financial Corporation.

d) Private placement of Special Warrants

On August 3, 2005, the Company completed a placement of 3,703,704 special warrants (the "Special Warrants") at a price of $20.25 per Special Warrant for gross proceeds of $75,000. The cost of the placement, net of future income taxes, reduced the gross proceeds by $2,291. The net proceeds were used to reduce the funds drawn down on the Credit Facility for recent acquisitions and construction, and general operating activities.

Each Special Warrant was exercisable, at no additional cost, into one common share of the Company after the Company filed a short form prospectus to qualify the distribution of the common shares underlying the special warrants. The Company filed a short form prospectus and obtained a final receipt on August 31, 2005. On September 8, 2005, the 3,703,704 special warrants were converted into common shares.

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

10. SHARE CAPITAL (Continued)

e) Stock-based compensation plans

i) Stock option plans

At the Annual General Meeting held on June 15, 2005, the Company adopted a new stock option plan to conform to the TSX Company Manual amendments made effective January 1, 2005, and transferred all outstanding stock options under the 1999 and 2003 plans to the new 2005 plan. Under the 2005 Plan, the maximum number of stock options reserved for issuance is limited to 10% of the common shares issued and outstanding from time to time.

Stock options are as follows:

	Options	Weighted-Average Exercise Price
Outstanding at December 31, 2004	**4,005,564**	**$ 7.10**
Granted	**2,641,250**	**18.22**
Exercised	**(876,227)**	**2.85**
Outstanding at September 30, 2005	**5,770,587**	**$ 12.83**

During the nine months ended September 30, 2005, the total compensation expense related to the fair value of stock options was $3,324 (September 30, 2004 - $1,273), of which $3,266 (September 30, 2004 - $1,222) was to employees and directors and $58 (September 30, 2004 - $51) was to consultants.

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 September 30, 2005, 192,465 (December 31, 2004 – 186,505) common shares were held under the Plan and 31% of employees participated in the Plan (December 31, 2004 – 23%).

f) Warrants

	Equivalent # of Common Shares	Weighted-Average Exercise Price
Outstanding and exercisable at December 31, 2004	**1,187,590**	**$ 4.50**
Exercised	**(1,025,000)**	**4.65**
Expired/Cancelled	**(162,590)**	**3.50**
Outstanding at September 30, 2005	**-**	**$ -**

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

11. REVENUES

	Three months ended September 30, 2005	2004
Gross table win	**$ 54,884**	$ 54,627
Gross slot win	**104,129**	70,830
Gross racetrack	**26,136**	7,857
Food and beverage	**9,235**	3,858
Hotel revenues	**399**	-
Other gaming revenues	**277**	597
	195,060	137,769
Less: Gaming commissions and taxes	**(101,225)**	(82,959)
Racetrack purses	**(19,991)**	(4,615)
	73,844	50,195
ATM revenues	**873**	594
Other	**348**	286
	$ 75,065	$ 51,075

	Nine months ended September 30, 2005	2004
Gross table win	**$ 171,278**	$ 140,518
Gross slot win	**261,234**	164,698
Gross racetrack	**60,016**	15,482
Food and beverage	**22,276**	7,209
Hotel revenues	**399**	-
Other gaming revenues	**1,261**	1,277
	516,464	329,184
Less: Gaming commissions and taxes	**(278,038)**	(200,158)
Racetrack purses	**(44,895)**	(9,209)
	193,531	119,817
ATM revenues	**2,388**	1,185
Other	**921**	850
	$ 196,840	$ 121,852

Previously, for the three months ended March 31, 2005, other revenues included $1,424 of FDIF accretive income. The FDIF accretive income has since been reclassified to accretive income below income from operations.

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

12. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended September 30,	
Changes in non-cash operating working capital	**2005**	2004
Accounts receivable	**$ (232)**	$ 3,870
Prepaid expenses and deposits	**857**	(1,494)
Accounts payable and accrued liabilities	**(2,989)**	951
Income taxes payable	**1,260**	20
	$ (1,104)	$ 3,347

	Nine months ended September 30,	
Changes in non-cash operating working capital	**2005**	2004
Accounts receivable	**$ (795)**	$ (1,001)
Prepaid expenses and deposits	**(6,982)**	(3,174)
Accounts payable and accrued liabilities	**1,080**	4,090
Income taxes payable	**1,278**	(888)
	$ (5,419)	$ (973)

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 and cash flows:

Three months ended September 30, 2005

	Canada	US	Inter-company	Total
Revenues	**$ 67,886**	**$ 7,179**	**$ -**	**$ 75,065**
Amortization	**2,370**	**468**	**-**	**2,838**
Interest and financing, net	**2,607**	**18**	**-**	**2,625**
Income taxes	**5,283**	**392**	**-**	**5,675**
Net income	**8,162**	**864**	**-**	**9,026**
Expenditures for property, plant and equipment, net of related accounts payable	**69,303**	**48**	**-**	**69,351**

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

13. SEGMENTED INFORMATION (Continued)

Three months ended September 30, 2004

	Canada	US	Inter-company	Total
Revenues	$ 44,053	$ 7,151	$ (129)	$ 51,075
Amortization	533	655	-	1,188
Interest and financing, net	(405)	650	-	245
Restructuring costs	4,034	1,523		5,557
Income taxes (recovery)	3,735	(599)	-	3,136
Net income (loss)	8,739	(2,454)	-	6,285
Expenditures for property, plant and equipment, net of related accounts payable	35,910	232	-	36,142

Nine months ended September 30, 2005

	Canada	**US**	**Inter-company**	**Total**
Revenues	**$ 174,672**	**$ 22,168**	**$ -**	**$ 196,840**
Amortization	**5,011**	**1,430**	**-**	**6,441**
Interest and financing, net	**5,396**	**98**	**-**	**5,494**
Income taxes	**16,084**	**524**	**-**	**16,608**
Net income	**26,337**	**2,407**	**-**	**28,744**
Expenditures for property, plant and equipment, net of related accounts payable	**146,337**	**233**	**-**	**146,570**

Nine months ended September 30, 2004

	Canada	US	Inter-company	Total
Revenues	$ 102,801	$ 19,439	$ (388)	$ 121,852
Amortization	1,604	1,662	-	3,266
Interest and financing, net	(562)	1,605	-	1,043
Restructuring costs	4,034	1,523	-	5,557
Income taxes (recovery)	10,965	(1,204)	-	9,761
Net income (loss)	20,748	(3,709)	-	17,039
Expenditures for property, plant and equipment, net of related accounts payable	105,328	465	-	105,793

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

13. SEGMENTED INFORMATION (Continued)

Balance sheet:

As at September 30, 2005

	Canada	US	Inter-company	Total
Property, plant and equipment	**$ 297,987**	**$ 21,358**	**$ -**	**$ 319,345**
Goodwill	**13,571**	**7,637**	**-**	**21,208**
Intangible assets	**79,330**	**105**	**-**	**79,435**
Total assets	**807,515**	**39,395**	**(39,704)**	**807,206**

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. RELATED PARTY TRANSACTIONS

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

During the nine months ended September 30, 2005 and 2004, the Company had the following transactions with related parties:

a) Other income includes:
   i) interest income of $111 (2004 - $11) received from senior management and a company that has a director who is a member of senior management of the Company.
   ii) ATM revenues of $217 (2004 - $ 214) received from a company that had a director (resigned director position in April 2005) who is a member of senior management of the Company.

b) Human resource expenses include:
   i) Dealer training services of $714 (2004 - $730) provided by a company controlled by a director of the Company.
   ii) Consulting services of $128 (2004 - $558) provided by a director of the Company and a company controlled by a director of the Company.

c) Accounts payable and accrued liabilities include $513 (2004 - $697) relating to severance for a former employee, who is also a director of the Company.

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

14. RELATED PARTY TRANSACTIONS (Continued)

During the three months ended September 30, 2005 and 2004, the Company had the following transactions with related parties:

d) Human resource expenses included dealer training services of $186 (2004 - $234) provided by 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.

15. COMMITMENTS AND CONTINGENCIES

a) *Capital expansion*

The Company's capital expansion plans require estimated expenditures of approximately $125,000 over the next twelve months, which the Company expects to be funded by existing cash, cashflow from operations, and advances from debt facilities.

b) *Letters of credit*

As at September 30, 2005, letters of credit in the amount of $27,918 were outstanding as security in connection with gaming cash floats and road improvements, landscaping and development permits.

c) *Commitments*

Under the terms of various operating leases and contracts, the Company is committed to future minimum contractual payments as follows:

September 30,2006	$ 3,282
2007	2,475
2008	1,935
2009	1,651
2010	1,703
Thereafter	8,624
	$ 19,670

d) *Trailing payments on acquisition*

As part of the acquisitions of O'Aces LLC, Vetter Management Ltd. 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.

16. SUBSEQUENT EVENTS

Acquisition of Flamboro Downs

On July 6, 2005, the Company entered into an agreement in principle to acquire all of the outstanding shares of ORI, a wholly owned subsidiary of Magna Entertainment Corporation ("MEC"). ORI owns and operates Flamboro Downs, a standardbred racetrack and siteholder for slot machines operated by the OLGC in Flamborough, Ontario. The acquisition was subject to required regulatory approvals, the completion of customary due diligence, and the negotiation of a definitive purchase and sale agreement.

As at September 30, 2005, the Company has paid $33,761 in trust for the acquisition of ORI, which is included in advance and deposit on acquisitions.

On October 19, 2005 after obtaining the required regulatory approvals, the Company completed the purchase of the outstanding common shares of ORI for cash consideration of $33,761, net of the assumption of existing debt of $44,194. The Company will allocate the purchase price on a preliminary basis to the fair value of net assets acquired in the fourth quarter of 2005.