



GREAT CANADIAN GAMING CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended March 31, 2005

(Unaudited – Prepared by Management)

As at May 5, 2005

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

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HIGHLIGHTS/OVERALL PERFORMANCE

Great Canadian Gaming Corporation (the “Company”, “we”, “our”) revenues for the first quarter of 2005 were \$54,651, up 64.3% from the first quarter of 2004 and down 3.6% from the fourth quarter of 2004. Net income for the first quarter of 2005 was \$9,259, up 73.8% from the first quarter of 2004 and down 4.4% from the fourth quarter of 2004. EBITDA (see definition on page 4) for the first quarter of 2005 was \$18,008, up 76.0% from the first quarter of 2004 and down 6.2% from the fourth quarter of 2004. Income from operations for the first quarter of 2005 was \$15,820, up 81.2% from the first quarter of 2004, and down 9.6% from the fourth quarter of 2004. Basic earnings per common share and diluted earnings per common share for the first quarter of 2005 were \$0.31 and \$0.30, respectively, compared to \$0.21 and \$0.20, respectively, for the first quarter of 2004 and \$0.35 and \$0.34, respectively, for the fourth quarter of 2004.

The Company’s management is pleased with the financial results for the first quarter of 2005 as they substantially exceed the performance in the first quarter of 2004. The results for the first quarter are slightly down from the fourth quarter of 2004, but are in line with expectations given the high level of growth and expansion activity with the Company. Management expects that the first half of 2005 will be a transition period as the Company builds itself to a larger scale of operation later in the year.

The Company presently has major capital expansion projects planned or underway at its River Rock Casino Resort (“River Rock”), Coquitlam Casino, Fraser Downs Racetrack & Casino (“Fraser Downs”), Hastings Racecourse and Bear Mountain Community Gaming Centre (“Bear Mountain”). As well, the Company is currently integrating Hastings Racecourse’s and Fraser Downs’ operations into its own, and recently entered into a purchase agreement to acquire Georgian Downs Limited and Georgian Downs Holdings Inc. (collectively, “Georgian Downs”). The benefit of these expansions and acquisitions will begin to be reflected in the financial results during the course of 2005 and 2006.

Financial results for the first quarter of 2005 have improved significantly over the first quarter of 2004. The Company opened the casino portion of the River Rock Casino Resort last June, which contributed \$15,171 more in revenues and \$6,592 more in EBITDA for the first quarter of 2005 than the two former casinos (Richmond & Renaissance) that closed in conjunction with the opening of River Rock. In two acquisitions last April and November, the Company acquired Hastings Entertainment Inc. (“HEI”), which operates the Hastings Racecourse. Despite the lack of live racing during the winter season, the Hastings Racecourse added \$1,985 in simulcast, food and beverage revenues and \$138 in EBITDA for the first quarter of 2005. From the acquisition date of March 18, 2005 to the quarter end, Orangeville Raceway Ltd. (“Orangeville”) added \$702 in revenues and \$331 in EBITDA.

The average number of tables open in the Company’s British Columbia casinos increased to 168 in the first quarter of 2005, or up 23% from the first quarter of 2004. The number of BC slot machines increased to 2,725 in the first quarter of 2005, or up 117% from the first quarter last year. The increase in the number of slots has helped improve operational efficiency in margin, with an 81% increase in income from operations resulting from a 59% increase in gaming and food and beverage revenues between the two first quarters. Human resources costs have improved from 53% of gaming and food and beverage revenues in the first quarter last year to

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51% of gaming and food and beverage revenues this quarter.

Financial performance in the first quarter was less than the financial performance of the fourth quarter of 2004. The first quarter's financial results, as compared to the fourth quarter, were influenced by:

- Two less operating days (90 days) in the first quarter compared to the fourth quarter (92 days), which decreased the diluted earnings per common share by \$0.01.
- An absolute reduction of 1% in the overall table games hold percentage for the quarter as compared to the prior quarter and month of April 2005. This variation is temporary and a normal part of casino gaming risk. This reduction decreased the diluted earnings per common share by \$0.02.
- A phenomenon called a "players' quarter" on table games, which results in a lowered table drop whenever table hold is reduced. The lowered table drop decreased diluted earnings per common share by \$0.01.
- An increase in competition from an expanded Burnaby casino and a new Vancouver casino, which affected primarily slot revenues. Based on experience, slot customers will tend to visit new facilities for a trial period, which results in a revenue decline for a short period. April 2005 results indicate a return to fourth quarter of 2004 levels of revenues. The expanded competition's impact on diluted earnings per common share was a decrease of \$0.02.
- The issuance of 1,500,000 common shares in a prospectus offering in January and 545,525 common shares from the exercise of options and warrants during the first quarter, without any significant immediate increase in income, had the effect of lowering diluted earnings per common share by \$0.02. The proceeds from the shares issued were used to fund acquisitions and expansions, the benefit of which has not been reflected in the financial results.
- The acquisition of Orangeville is included in the financial results from March 18, 2005. If the first quarter of 2005 reflected Orangeville's results for the full quarter, the diluted earnings per share would have increased by \$0.03. This \$0.03 would have exceeded the \$0.02 dilution in earnings per common share caused by the issuance of new share capital in the quarter.

These factors would have resulted in a normalized financial result for the first quarter that increases the reported diluted earnings per share by \$0.09.

For the month of April, the Company has seen both its table hold percentages and slot gaming revenues return to normal levels, as well as the start of live racing at Hastings Racecourse. In addition, the second quarter of 2005 will have 91 operating days and reflect a full quarter of financial results from Orangeville.

Total assets increased to \$465,954 at the first quarter end, an increase of 29% from the year-end. Working capital increased to \$31,098 at the quarter end, an increase of 15% from the

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year-end. The Facility Development Improvement Fund receivable increased to \$144,046 and net property, plant and equipment increased to \$183,202 at the quarter end. The FDIF receivable and property, plant and equipment collectively have increased 35% from the year-end, representing the continued capital investment on facilities construction, and the acquisition of Orangeville. Financing for the capital investments and acquisitions has come from a net increase in long-term debt of \$13,396 and a net increase in share capital of \$65,684.

During the remainder of 2005, the Company will focus on delivering on its capital expansion program, integrating the operations of HEI and Orangeville, improving operational effectiveness, and completing the acquisition of Georgian Downs. In addition, the Company will continue to seek opportunities to expand within Canada.

INTRODUCTION

General

The Company, with more than 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"), HEI and Orangeville.

Upon closing of the Georgian Downs acquisition, the Company will operate Georgian Downs Racecourse and Slots, located in Ontario, Canada.

Basis of Discussion & Analysis

This management discussion and analysis ("MD&A") of our results of operations, liquidity and capital resources, transactions with related parties, financial position, and other information is dated as of May 5, 2005. This MD&A should be read in conjunction with our unaudited interim consolidated financial statements for the three months ended March 31, 2005 and the accompanying notes ("Interim Financial Statements"), and our audited consolidated financial statements for the year ended December 31, 2004 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 in accordance with 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 may be omitted. Unless otherwise indicated all dollar figures are in Canadian currency.

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Definitions Used in the MD&A

Non-GAAP Measure

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 this 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 similarly titled measures used by other entities.

EBITDA – means Earnings Before Interest expense (net of interest income), income Taxes, Depreciation and Amortization, stock-based compensation and non-operating income. EBITDA is derived from the consolidated statement of income, and is computed as revenues less human resources, marketing and promotion, occupancy costs and operating supplies. EBITDA is a useful measure of cash available prior to debt service, capital expenditures, non-recurring or unusual items and income taxes. A reconciliation of EBITDA to the comparable GAAP measure is shown under “Results of Operation” of this MD&A. EBITDA includes \$1,424 in FDIF accretive income in the first quarter of 2005.

Other Definitions

Drop – means the collective amount of money customers are willing to wager against the casino, and is commonly computed as the aggregate of the money counted in the drop boxes. Drop is a measure of the customer activity at a casino.

FDIF – means Facility Development Improvement Fund. Our Casino Operational Services Agreements (“COSA”) at our BC casinos, our existing and expected Racing Casino Operational Services Agreements (“RCOSA”) at our BC racecourses and our expected Bingo Casino Operational Services Agreement (“BCOSA”) at our community gaming centre with BCLC provide for the reimbursement of certain of the Company’s qualifying capital and operational expenditures. Based on discussion with BCLC, we anticipate that our RCOSA for slots at Hastings Racecourse will also contain FDIF provisions and be similar to the RCOSA at Fraser Downs. Under new operational service agreements with BCLC, the FDIF concept has been renamed as the Facilities Development Commission.

The FDIF is calculated and reimbursed weekly at the rate of 3% of the win amount from casino gaming activities, 7% of the slot win and 5% of the bingo win from the community gaming centre and 5% of the slot win from the racecourse casino. As a result of the FDIF, we expect that a significant portion of the capital construction costs for our announced projects will be reimbursed by BCLC. The FDIF receivable is drawn down based on the gaming win at the rates indicated above and is irrevocable on the assumption that the Company continues to operate under valid COSAs, RCOSAs and BCOSA.

Hold percentage – means the ratio of table win divided by table drop. The hold percentage

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cannot be directly controlled and fluctuates with the statistical variations in casino games.

Non-operating income – means income (loss) from investments, foreign exchange gain (loss), interest and financing costs (net of interest income) and non-controlling interest.

Operating expenses – means amortization, human resources, stock-based compensation, marketing and promotion, occupancy costs and operating supplies.

Operating income (or income from operations) – means revenues less operating expenses.

Revenues – means the sum of the following:

- Casino gaming in BC – gaming win is net of commissions paid to BCLC (which are 60% of the win on most table games, 75% of the slot machine win at the casino facilities, and 80% of the slot win at racecourse facilities) and net of accruals for anticipated payouts of progressive slot machine jackpots and progressive table game payouts.
- Bingo and slots at a community gaming centre in BC – gaming win is net of commissions paid to BCLC (which are 82% of the win on slots, and 40% to 75% of the weekly bingo win).
- Horseracing in BC – racetrack gaming revenues represent total wagering less amounts returned as winning wagers, provincial and federal taxes, and includes the host track share of wagering on the Company's races simulcast to and received from other associations.
- Casino gaming in Washington - gaming win is net of county gaming taxes at various rates ranging from 10% to 14% for card and progressive jackpot games, 5% on pull-tabs and 2% on amusement games.
- Food and beverage operations – revenues are recorded at the retail price at the time of service.
- Other income - ATM commissions, advertising revenues, imputed interest and other income from ancillary services.

Win – the gaming win is generally the amount wagered on gaming activities, less the payout or prizes to winning customers. Win can fluctuate with the statistical variations of casino games.

Critical Accounting Estimates

Facility Development Improvement Fund ("FDIF")

For each BC casino location, the Company has entered into a ten year operational services agreement with a ten year renewal option with British Columbia Lottery Corporation ("BCLC"). Under these agreements, qualifying expenditures under the FDIF are recorded as a receivable from BCLC and as a reduction in the cost of the related asset or operating expense at the later of the time the expenditure is made by the Company or approval is given by BCLC.

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The FDIF receivable is non-interest bearing and is discounted using a discount rate management believes to be the market rate of interest for a similar instrument with similar terms and conditions. In addition, management estimates the amount of and timing of future reimbursements from BCLC based on current and committed scope of operations. The imputed discount accretes to the FDIF receivable over its term as other income.

Fair Value of Net Assets Acquired in Business Acquisitions

As part of the accounting for acquisitions made during the year, management estimates the fair market values of assets acquired for the purpose of allocating the purchase price. Where necessary, management supplements its estimates with opinions of independent third party advisors.

Long-lived Assets and Goodwill Impairment Test

Long-lived assets and goodwill are tested for impairment at least on an annual basis, normally at year end, or when other conditions exist that may indicate that impairment could exist in the carrying value of long-lived assets or goodwill. To identify whether long-lived asset impairment exists, the Company compares the fair market of undiscounted cash flows expected from the asset's use and eventual disposition against its carrying value. To identify whether goodwill impairment exists, the Company compares the fair value of the reporting unit to which the goodwill relates to the carrying value. When the carrying value exceeds its fair value, the excess over carrying value is charged to operations in the period in which the impairment occurred. The impairment tests had no impact on the Company's results for the period ended March 31, 2005.

Forward-Looking Statements

All statements other than statements of historical fact in this MD&A are forward-looking statements, including, without limitation, statements regarding future financial position, business strategy, proposed acquisitions, budgets, litigation, projected costs and plans, and objectives of or involving the Company. Readers can identify many of these statements by looking for words such as "believes", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words or the negative thereof.

There are no assurances that the plans, intentions, or expectations upon which these forward-looking statements are based will occur. Forward-looking statements are subject to risks, uncertainties and assumptions, which if different could cause results to differ materially from those expressed in the forward-looking statement. Some of the factors that could affect results include, without limitation, pending and proposed legislative or regulatory developments, competition from established competitors and new entrants in the gaming business, interest and exchange rate fluctuations, general economic conditions, acceptance and demand for new products and services, and fluctuations in operating results.

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,

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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.

THE COMPANY AND BUSINESS

Operations in Canada

In BC, casino gaming is governed by statutory regulations that are designed to maintain the integrity of the games played and to ensure that the industry participants are of good character. This is the responsibility of BCLC, which in turn engages service providers to operate the casinos on its behalf under the terms and conditions in separate COSAs. COSAs have an initial term of 10 years and a renewal option, under certain conditions, for a further 10 years. The Company's COSAs have initial term expiry dates between February 28, 2011 and June 23, 2014. BCLC is responsible for assessing the marketplace demands and determining the number of slot machines and table gaming mix by location, subject to contractual arrangement with operators. Similar regulatory provisions are in place in the BCOSA for bingo and slots at community gaming centres and in the RCOSA for slot machines at racecourse locations. BCLC has previously announced that no new COSAs will be issued. Existing bingo operators may apply to become a community gaming centre and upon successful application, enter into a BCOSA. Therefore, competition in BC is from a finite known group of suppliers.

The following table summarizes our gaming facilities and current approved operational levels as at March 31, 2005:

Name	Location	Slot Machines	Table Games	Operational Daily	
					Hours
Coquitlam	Coquitlam, BC	450	32		24
Holiday Inn Broadway	Vancouver, BC	-	36		20
Nanaimo	Nanaimo, BC	380	12		16
River Rock	Richmond, BC	1,000	88		24
View Royal	View Royal, BC	425	24		18
Fraser Downs	Surrey, BC	420	-		17.5 - 20
Jack O'Clubs (Seasonal)	Wells, BC	80	-		Closed presently
Bear Mountain	Dawson Creek, BC	50	-		14 - 18
		<u>2,805</u>	<u>192</u>		

Horseracing in BC is conducted under regulation and licensed by the Canadian Pari-Mutuel Agency ("CPMA") and the Racing Division of the Gaming Policy and Enforcement Branch ("GPEB). The CPMA regulates and supervises pari-mutuel betting on horseracing at racetracks across Canada and has a mandate to protect the wagering public against fraudulent practices and maintain a viable racing industry. The Racing Division of the GPEB develops fair and appropriate rules, provides effective management of racing events and issues licenses to participants in the horseracing industry in BC.

Slots gaming at Orangeville's Fraser Downs in Surrey, BC, and in the future at Hastings Racecourse, is the responsibility of BCLC and is governed by a RCOSA. The RCOSA at Fraser Downs provides for the Company to retain 20% of the win from slot machines. In addition, a further 10% of the win (from BCLC's 80% portion of the win) from slots will be added to the

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horseracing purses and racing development programs, which will help enhance the viability of racing operations. We anticipate the RCOSA for Hastings Racecourse to be similar to Fraser Downs.

The following table summarizes the racecourse operations and current operational levels as at March 31, 2005:

<u>Name</u>	<u>Location</u>	<u>Number of live race days</u>	<u>Simulcast betting</u>	<u>Slots Machines</u>
Hastings Racecourse	Vancouver, BC	83	Yes	-
Fraser Downs	Surrey, BC	92	Yes	420
Sandown	North Saanich, BC	20	Yes	-

Bingo and slots gaming at a community gaming centre is the responsibility of BCLC and is governed by a BCOSA. The Company retains 18% of the win from slots, and 60% of the first \$20, 40% of the next \$60 and 25% of the excess over \$80 weekly win (net of prizes) from bingo.

Operations in the United States

The Washington State Gambling Commission ("WSGC") is authorized to license charitable and commercial gambling activity in the state. There are presently no limits on licenses issued but applicants for licensing are subject to stringent investigation and scrutiny by WSGC. Gambling facilities in Washington fall into three categories: charitable, commercial and tribal. The regulations relating to each category are significantly different with WSGC overseeing all three categories. Generally, charitable gambling is more restrictive in scope of operations than commercial gambling, and commercial gambling is more restrictive in scope of operations than tribal gambling. The major differences between commercial casinos and tribal casinos are that commercial casinos are not permitted to operate slot machines or video lottery terminals, and are limited to 15 tables at each location.

The Company holds WSGC Service Supplier Licenses to operate four commercial casinos: Great American Casino Tukwila, Great American Casino Lakewood, Great American Casino Everett, and Great American Casino Kent. Each location operates the maximum 15 tables as well as providing food and beverage services. Service Supplier Licenses are generally renewed annually by WSGC in the absence of any violations or transgressions by the licensee.

Competitive Environment

In the past year, there have been a number of significant changes in the environment and marketplace in which we operate. We have participated in these changes with the opening of the River Rock Casino, expansion of the Coquitlam Casino, and the acquisitions and expansions of HEI, Orangeville and Bear Mountain.

Our competitors have also had some major developments in the past and current year. The first phase of Gateway's Burnaby expansion opened on December 16, 2004, with an additional 379 slots for a total of 679 and 32 gaming tables. On February 3, 2005, Edgewater opened its new casino at Vancouver's Plaza of Nations, which features 600 slots and 48 gaming tables. The

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opening of this new casino resulted in the closure of the Grand Casino.

These new developments have had an effect on our results, with the first quarter of 2005 experiencing slightly lower gaming revenues in our Greater Vancouver casinos. Based on past experience, management believes that any increases in the supply of gaming from these developments should be absorbed over time by the underserved market demand for gaming. Upon completion of the capital expansions underway at River Rock and Coquitlam, management expects that the added traffic from the hotel at River Rock and theatres at both facilities will help minimize the increased competitive pressure in the Greater Vancouver area. Preliminary gaming results for April 2005 indicate a return to fourth quarter of 2004 revenue levels.

Our primary competitor in BC currently has several other projects underway:

- The relocation of its Mandarin COSA in Vancouver to a new casino in Langley, which opened on May 5, 2005, and features 530 slots, 27 gaming tables and a 8-table poker room.
- The remaining phases of the Burnaby expansion which includes a new 100,000 sq. ft. replacement casino and hotel development across the street from the existing casino, to open at the end of 2006. Final rezoning approval is anticipated to be received by the end of the second quarter of 2005.
- Approval from the City of New Westminster to build a \$100 million destination resort casino with construction to begin shortly. When the new facility opens in 2006 with 900 slots, 50 tables and 20 poker tables, it is expected the two other New Westminster casinos will close down.

The competitive environment in Washington is also highly regulated but does not have the same significant barriers to entry for commercial casinos as in BC. Competition among commercial casinos 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.

SIGNIFICANT EVENTS & DEVELOPMENTS

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.

Conversion of debt to preferred shares of Creation Casinos Inc. ("Creation")

On April 26, 2005, the Company entered into an agreement in principle with Creation, whereby promissory notes due from Creation of \$6,816 plus accrued interest to March 31, 2005 of \$101 will be converted to preferred shares of Creation. The non-voting preferred shares will have a par value of \$100 per share, a 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.

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The agreement in principle is subject to certain conditions including Creation raising equity financing and regulatory approvals. The purpose of the conversion is to allow Creation to raise equity to pursue business opportunities, while enhancing the Company's position.

Acquisition of Georgian Downs in Ontario

On April 3, 2005, the Company entered into a purchase agreement to acquire all of the issued and outstanding shares of Georgian Downs for consideration of approximately \$25,000, plus the assumption of certain shareholder loans and other indebtedness of approximately \$23,000. The acquisition is subject to all applicable regulatory approval and is expected to close no earlier than June 30, 2005.

Georgian Downs, located in Innisfil, Ontario, just north of Toronto, is an operator of a standardbred racing facility and 400 slot machines. Georgian Downs currently offers live standardbred horseracing two days a week throughout the year, and simulcast wagering 364 days a year. Georgian Downs slot machines, which are owned and operated by the Ontario Lottery and Gaming Corporation, have the second highest average win per day in Ontario.

Acquisition of Orangeville in BC

On March 18, 2005, the Company acquired all of the issued and outstanding common shares of Orangeville for cash consideration of \$40,000 plus acquisition costs. As additional consideration, the Company agreed to trailer payments for a period of up to four years following the effective date based on defined levels of net gaming and racing revenues of the acquired operations.

Orangeville operates two standardbred racing facilities in BC: Fraser Downs in Surrey and Sandown in North Saanich on Vancouver Island. The acquisition of Orangeville will allow the Company to pursue various synergies and complements the acquisition of Hastings Racecourse. As a result of these acquisitions, the Company is the largest thoroughbred and standardbred racing operator in BC, and is able to operate year round horseracing and related activities.

Fraser Downs currently offers live standardbred horseracing nine months of the year, and operates up to 420 slot machines and off-track betting year-round. Sandown operates twenty live race days per year, and features off-track betting year-round. North Saanich council has approved the installation of up to 200 slot machines at Sandown, subject to a definitive proposal from the Company for the redevelopment of Sandown.

TBC Teletheatre B.C. ("TBC")

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%. The Company has consolidated TBC's financial position and the operating results and cash flows from March 18, 2005 in the Interim Financial Statements.

TBC's principal business activity is the operation of teletheatre wagering facilities in BC, which

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broadcasts horseracing from Hastings Racecourse, Fraser Downs and other racetracks in Canada and throughout the world.

Treasury Offering of Common Shares

On January 13, 2005, the Company completed, pursuant to a short form prospectus, an offering of 1,500,000 common shares at a price of \$41.50 per share for gross proceeds to the Company of \$62,250. The net proceeds of \$59,261 were used for the acquisitions Orangeville, Weinlager & Amici Caffè (Coquitlam) Ltd. and Weinlager & Amici Caffè (Victoria) Ltd. (collectively "Weinlager"), and to reduce an operating line of credit related to the acquisition of the Wall Financial Corporation's interest in HEI. In the financial statements, the net proceeds recorded were increased by the associated future income taxes benefit arising from the share issuance costs.

Acquisition of Weinlager & Amici Caffè (Coquitlam) Ltd. and Weinlager & Amici Caffè (Victoria) Ltd.

On January 10, 2005, the Company acquired the remaining 50% interest in Weinlager for cash consideration of \$1,225 plus acquisition costs, and terminated the management agreement held by Tiara Food & Beverage Concepts Ltd, which managed the food and beverage operations at the Company's Coquitlam, Holiday Inn, Nanaimo and View Royal Casinos.

Update on Major Expansions

On January 4, 2005, the Company acquired land in Dawson Creek for \$1,900. The Company plans to build a larger replacement community gaming centre on the new property that will include a bingo hall, an additional 50 slot machines, entertainment, food and beverage and a teletheatre. Bear Mountain will continue to operate in its present facility during construction of the new facility, which is expected to be completed in the fourth quarter of 2005. Municipal approval of relocation has passed the first and second readings, and construction is anticipated to start in early June. The estimated construction cost is \$6,000.

The Coquitlam casino expansion is underway and is scheduled for completion in the third quarter of 2005. The 1,100 seat multi-use theatre is scheduled for completion in the first quarter of 2006. The budget for the Coquitlam expansion was increased to approximately \$100,000, with \$34,865 expended as at March 31, 2005. The increase in construction budget is due in part to permit delays, revisions to electrical systems and higher costs associated with formwork and concrete tenders (due to current market conditions).

Phase two of River Rock is expected to open in the third quarter of 2005 and will add a 222 room all-suite hotel, additional restaurants and guest facilities, and a 1,000 seat multi-use theatre. We believe the opening of Phase two will increase resort traffic and add an even greater tourist component to the gaming operations. The overall construction budget is \$182,000, of which \$157,198 has been expended for construction costs as at March 31, 2005.

On July 22, 2004, Vancouver City Council approved the installation of 600 slot machines at the Hastings Racecourse. Subject to negotiations over the lease terms and development permits

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with the City of Vancouver, the Company is preparing a construction budget to upgrade and prepare the existing facility to accommodate the slot machines. Construction is expected to begin once negotiations with the City of Vancouver are satisfactorily concluded, with completion planned for the fourth quarter of 2005.

Expansion of Fraser Downs is currently underway and scheduled for completion in the second quarter of 2005. Upon completion, the facility will include a new simulcast area, modern atrium-styled welcome centre, a major show lounge with state-of-the-art audio-visual technology, and a parking lot with modern landscaping.

We expect that the majority of the capital expenditures on these projects should qualify for FDIF.

RESULTS OF OPERATIONS

	Three Months Ended March 31,		
	2005	2004	% Chg
Gaming revenues	\$ 46,824	\$ 31,518	49%
Food & beverage revenues	5,532	1,351	309%
Other income	2,295	395	481%
Revenues	54,651	33,264	64%
Human resources	26,577	17,523	52%
Other operating expenses	10,066	5,512	83%
	36,643	23,035	59%
EBITDA	18,008	10,229	76%
Stock-based compensation	721	691	4%
Amortization	1,467	809	81%
Income from operations	15,820	8,729	81%
Non-operating income	(302)	(93)	225%
Interest and financing, net	1,065	161	561%
Income taxes	5,798	3,334	74%
Net Income	\$ 9,259	\$ 5,327	74%
Earnings per common share:			
Basic	\$ 0.31	\$ 0.21	48%
Diluted	\$ 0.30	\$ 0.20	50%
Weighted average number of common shares:			
Basic	29,567,505	25,273,217	
Diluted	30,515,555	27,210,118	

The Company presents gaming revenues net of commissions paid to BCLC and various governments in the State of Washington under fixed rates contained in the various operational services agreements with BCLC and with various taxing jurisdictions in Washington State.

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The financial results for the first quarter of 2005 substantially exceed the results from the first quarter of 2004, primarily due to the Company's increased scope of operations arising from the opening of River Rock, and the acquisitions of HEI and Orangeville. The average number of tables open in the Company's BC casinos increased to 168 in the first quarter of 2005, or up 23% from the first quarter of 2004, and no change in the number of tables in Washington. The weighted average number of BC slots in the first quarter of 2005, is 2,316 (March 31, 2004 – 1,255), an increase of 84.5%. The number of slots at March 31, 2005, is 2,725 (March 31, 2004 – 1,255), an increase of 117%. The Company's current expansion programs are expected to add another 1,100 slots by the end of 2005.

The following table presents revenues on a gross basis:

	Three Months Ended March 31,		
	2005	2004	% Change
Gross table win	\$ 58,118	\$ 43,591	33%
Gross slot win	67,683	46,088	47%
Gross racetrack and other gaming revenues	6,403	326	1,864%
Gross food and beverage	5,532	1,351	309%
	137,736	91,356	51%
Less: BCLC commissions and Washington State taxes	(81,279)	(58,487)	39%
Racetrack purses and other gaming payouts	(4,101)	-	n/a
	52,356	32,869	59%
ATM revenues	647	261	148%
Other	1,648	134	1,130%
	\$ 54,651	\$ 33,264	64%

The following factors contributed to the increases in revenues and expenses for the three months ended March 31, 2005 compared to the same period in 2004:

- Opening of River Rock on June 25, 2004 - River Rock contributed \$19,270 to gaming revenues, \$2,562 to food and beverage and other income, and \$10,404 to EBITDA for the first quarter of 2005. The Company's table games only casinos at Bridgeport Road in Richmond and Renaissance Hotel in Vancouver (which closed in conjunction with the opening of River Rock) jointly generated \$6,652 in gaming revenues and \$3,812 in EBITDA for the first quarter of 2004.
- Acquisitions of the remaining interests in US operations - In the third quarter of 2004, the Company increased its holdings in Tukwila and Lakewood casinos in Washington to 100% ownership. The increased ownership resulted in an increase in revenues of \$1,634 and EBITDA of \$516 in the first quarter of 2005.
- Imputed FDIF discount - \$1,424 was accreted to the FDIF receivable as other income in the first quarter of 2005 (March 31, 2004 - \$NIL).
- Acquisition of 60% of HEI on April 8, 2004 and 40% on November 8, 2004 - HEI contributed \$1,623 to gaming revenues, \$362 to food and beverage and other income, and \$138 to EBITDA for the first quarter of 2005.

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- Acquisition of Orangeville on March 18, 2005 – Orangeville contributed \$598 to gaming revenues, \$104 to food and beverage and other income, and \$331 to EBITDA for the first quarter of 2005.

The increase in the number of slots has helped improve operational efficiency in margin, with an 81% increase in income from operations resulting from a 59% increase in gaming, and food and beverage revenues between the first quarter of 2005 and 2004.

Human resources, the largest component of the Company's expenses, increased by 52% for the first quarter of 2005 over the prior year's first quarter, compared to an increase in revenues of 64%. Human resources costs have improved from 53% of gaming and food and beverage revenues in the first quarter last year to 51% of gaming and food and beverage revenues this quarter. We expect that human resources, as a percentage of revenues, will decrease as greater operational synergies are achieved.

Canadian operations account for about 87% of the consolidated revenues (March 31, 2004 – 80%) and 83% of the operating expenses, (March 31, 2004 – 73%), while contributing basic earnings per common share of \$0.29 for the year to date. The significance of Canadian operations to the consolidated results is expected to increase given current expansion plans.

Upon gaining full ownership of its US subsidiaries in 2004, the Company was able to implement several restructuring initiatives to improve the efficiency and effectiveness of the Washington operations. As a result, the Washington operations recorded \$795 in income from operations in the first quarter of 2005 compared to a loss from operations of \$115 in the same period in 2004.

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QUARTERLY RESULTS SUMMARY

	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
Gaming Revenues:								
Gross table revenues	\$ 58,118	\$ 62,087	\$ 54,627	\$ 42,300	\$ 43,591	\$ 40,935	\$ 39,810	\$ 39,495
Gross slots revenues	67,683	71,524	70,830	47,780	46,088	43,123	41,168	39,150
	125,801	133,611	125,457	90,080	89,679	84,058	80,978	78,645
Less: BCLC commissions & Washington taxes	81,279	86,373	82,009	58,711	58,487	55,096	53,743	51,681
Net table & slots revenues	44,522	47,238	43,448	31,369	31,192	28,962	27,235	26,964
Racetrack & other gaming revenues	2,302	2,764	2,889	3,384	326	275	281	268
	\$ 46,824	\$ 50,002	\$ 46,337	\$ 34,753	\$ 31,518	\$ 29,237	\$ 27,516	\$ 27,232
Other Income								
Food & beverage revenues	\$ 5,532	\$ 4,263	\$ 3,858	\$ 2,000	\$ 1,351	\$ 1,521	\$ 883	\$ 503
ATM revenues	647	690	594	330	261	286	264	233
Other	1,648	1,708	286	430	134	111	194	106
	\$ 7,827	\$ 6,661	\$ 4,738	\$ 2,760	\$ 1,746	\$ 1,918	\$ 1,341	\$ 842
Revenues	\$ 54,651	\$ 56,663	\$ 51,075	\$ 37,513	\$ 33,264	\$ 31,155	\$ 28,857	\$ 28,074
Net Income	\$ 9,259	\$ 9,686	\$ 6,285	\$ 5,427	\$ 5,327	\$ 1,162	\$ 4,305	\$ 4,591
EBITDA	\$ 18,008	\$ 19,204	\$ 16,898	\$ 10,614	\$ 10,229	\$ 8,727	\$ 9,348	\$ 9,338
Earnings per common share:								
Basic	\$ 0.31	\$ 0.35	\$ 0.23	\$ 0.21	\$ 0.21	\$ 0.05	\$ 0.19	\$ 0.22
Diluted	\$ 0.30	\$ 0.34	\$ 0.22	\$ 0.19	\$ 0.20	\$ 0.05	\$ 0.17	\$ 0.20

Financial performance in the first quarter was less than the financial performance of the fourth quarter of 2004. The first quarter's financial results, as compared to the fourth quarter, were influenced by:

- Two less operating days (90 days) in the first quarter compared to the fourth quarter (92 days). If the first quarter's results were extrapolated to a 92-day quarter, the diluted earnings per share would increase by \$0.01.
- An absolute reduction of 1% in the overall table game hold percentage for the quarter as compared to the hold percentage achieved in the prior quarter and the month of April 2005. If the first quarter's hold percentage were increased by 1%, a normalized level of hold percentage, the diluted earnings per share would increase by \$0.02.
- A phenomenon called a "players' quarter" on table games. A "players' quarter" results in lowered levels of table drop because of a tendency for players to play less money when they are winning (i.e. when the hold percentage decreases, players retain more cash and are able to "recycle" the same amount of cash for a longer period). As the table hold percentage returns to a normal level, the level of gaming drop also tends to return. If the first quarter's table game drop were at the same level as in the fourth quarter, without

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duplication for the adjustment in hold percentage or additional days in the quarter, diluted earnings per share would have increased by \$0.01.

- An increase in competition from the expanded Burnaby casino and the new Vancouver casino, which affected slot revenues. Based on experience, new or expanded competition causes slot gaming revenues to temporarily drop as regular customers visit the new facilities. For the month of April 2005, slot revenue has returned to the fourth quarter of 2004 levels. If the first quarter slot revenues were at the same level as in the fourth quarter, without duplication for the additional days in the quarter, diluted earnings per share would have increased by \$0.02.
- The Company issued 1,500,000 common shares in a prospectus offering in January and a further 545,525 common shares from the exercise of options and warrants during the first quarter to fund the cost of acquisitions and expansions. The revenues and income from these acquisitions and expansions are not fully reflected in the first quarter's earnings per share. The impact of the increase in common shares outstanding during the quarter, without the corresponding net income from acquisitions or expansions had the effect of lowering diluted earnings per share by \$0.02.

The financial results of the first quarter include Orangeville for the period March 18, 2005 to March 31, 2005. If the first quarter of 2005 reflected Orangeville's results for the full quarter, the impact on the diluted earnings per share would be an increase of \$0.03.

The fourth quarter of 2004 net income was impacted by two events: (1) the sale of Creation shares, which resulted in a pre-tax gain of \$1,975 or \$0.07 on diluted earnings per common share; and (2) the payment to Allegiance Capital Corporation for the termination of legal proceeding against the Company and its officers, which resulted in a pre-tax expense of \$1,800 US or \$0.05 on a diluted earnings per common share.

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

SEGMENTED RESULTS OF OPERATIONS

Operating Results in British Columbia

	Three Months Ended March 31,		
	2005	2004	% Chg
Gaming revenues	\$ 41,014	\$ 26,390	55%
Food & beverage revenues	4,198	-	N/A
Other income	2,177	371	487%
Revenues	47,389	26,761	77%
Human resources	22,701	13,696	66%
Other operating expenses	7,962	3,127	155%
	30,663	16,823	82%
EBITDA	16,726	9,938	68%
Stock-based compensation	710	691	3%
Amortization	991	403	146%
Income from operations	\$ 15,025	\$ 8,844	70%
Earnings per common share:			
Basic	\$ 0.29	\$ 0.22	32%
Diluted	\$ 0.28	\$ 0.21	33%
Weighted average number of common shares:			
Basic	29,567,505	25,273,217	
Diluted	30,515,555	27,210,118	

In order to consolidate the BC operating results with Washington State operating results the following elimination adjustment is required:

Other income	\$ -	\$ (128)
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The primary reasons for the increase in gaming and food and beverage revenues and expenses for the three months ended March 31, 2005, compared to the same period in the prior year is the opening of River Rock in June 2004, and the acquisitions of HEI in April and November of 2004, and Orangeville in March 2005. Human resources, the Company's largest expense, increased by 66% in the first quarter of 2005 over the same quarter of the prior year, compared to a 71% increase in gaming and food and beverage revenues, due to improved efficiencies and the increased number of slots, which generate revenues without requiring as high labour content as table games. Other operating expenses increased as well as a result of increased costs of goods sold on food and beverage operations and increased marketing activities. The increase in other income is due to the accretive income on the FDIF receivable.

The tables below further segment our British Columbia revenues and costs by material gaming location. The information provided is stated in thousands of dollars, except for average tables

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

per day and slots per location.

Gaming revenues

	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
River Rock	\$ 19,270	\$ 20,494	\$ 18,315	\$ 1,363	\$ -	\$ -	\$ -	\$ -
Coquitlam	8,813	9,525	8,297	9,809	9,708	9,407	7,840	7,779
Holiday Inn	2,636	2,813	2,500	2,624	3,152	2,699	2,869	2,918
Richmond & Renaissance	-	-	-	5,960	6,652	5,634	6,726	6,792
View Royal	4,633	4,970	4,413	4,486	4,156	4,375	4,038	4,033
Nanaimo	3,080	3,325	3,273	2,993	2,722	2,805	2,470	2,940
Hastings Racecourse	1,623	2,643	3,246	3,048	-	-	-	-
Fraser Downs & Sandown	598	-	-	-	-	-	-	-
Other & Corporate	361	230	438	-	-	6	499	-
	\$ 41,014	\$ 44,000	\$ 40,482	\$ 30,283	\$ 26,390	\$ 24,926	\$ 24,442	\$ 24,462
Number of days in operations	90	92	92	91	91	92	92	91
Daily gaming revenues	\$ 456	\$ 478	\$ 440	\$ 333	\$ 290	\$ 271	\$ 266	\$ 269

Food and beverage and other income

	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
River Rock	\$ 2,562	\$ 2,506	\$ 1,779	\$ 129	\$ -	\$ -	\$ -	\$ -
Coquitlam	830	231	147	171	123	197	184	166
Holiday Inn	222	146	10	2	2	2	2	3
Richmond & Renaissance	-	-	4	12	9	11	10	9
View Royal	543	148	124	117	98	112	81	120
Nanaimo	184	45	40	17	15	20	19	(6)
Hastings Racecourse	362	631	1,297	1,136	-	-	-	-
Fraser Downs & Sandown	104	-	-	-	-	-	-	-
Other & Corporate	1,568	1,516	170	120	124	11	173	272
	\$ 6,375	\$ 5,223	\$ 3,571	\$ 1,704	\$ 371	\$ 353	\$ 469	\$ 564

EBITDA

	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
River Rock	\$ 10,404	\$ 11,336	\$ 10,461	\$ 948	\$ -	\$ -	\$ -	\$ -
Coquitlam	5,243	5,676	4,941	6,230	6,580	6,255	4,909	4,639
Holiday Inn	435	562	473	733	1,080	640	972	1,069
Richmond & Renaissance	-	(6)	74	3,130	3,812	2,753	3,736	3,690
View Royal	2,263	2,351	2,143	1,964	2,059	2,231	1,925	1,827
Nanaimo	1,106	1,198	1,455	1,069	876	1,057	686	1,148
Hastings Racecourse	138	236	937	217	-	-	-	-
Fraser Downs & Sandown	331	-	-	-	-	-	-	-
Other & Corporate	(3,194)	(3,293)	(4,150)	(3,482)	(4,469)	(3,669)	(2,686)	(3,282)
	\$ 16,726	\$ 18,060	\$ 16,334	\$ 10,809	\$ 9,938	\$ 9,267	\$ 9,542	\$ 9,091

Note: Other and Corporate includes results for Jack O'Clubs Gaming Hall Ltd, Bear Mountain and TBC.

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

Average tables open / day

	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
River Rock	83	68	64	53	-	-	-	-
Coquitlam	32	32	31	32	32	32	35	35
Holiday Inn	28	28	27	30	31	29	29	31
Richmond & Renaissance	-	-	-	45	48	47	48	48
View Royal	16	16	15	16	17	16	16	17
Nanaimo	9	9	9	9	9	9	10	10
	168	153	146	185	137	133	138	141

Average slot machines

	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
River Rock	1000	1,000	1,000	950	-	-	-	-
Coquitlam	450	450	450	450	450	450	314	300
View Royal	425	425	425	425	425	425	425	356
Nanaimo	380	380	380	380	380	380	380	323
Fraser Downs	61	-	-	-	-	-	-	-
	2,316	2,255	2,255	2,205	1,255	1,255	1,119	979

On December 16, 2004, the number of tables at River Rock was increased from 78 to 86, and an additional 2 tables were added on February 2, 2005

Casino gaming revenues decreased by \$2,695 or 6.5% from the fourth quarter of 2004, mainly due to two less operating days in the first quarter of 2005, increased competition, and reduction in the overall table games hold percentage. (See quarterly results for further information). Subsequent to the quarter-end, preliminary casino gaming revenues have returned to the fourth quarter of 2004 levels.

There was a reduction of \$1,020 in racing gaming revenues from Hastings Racecourse from the fourth quarter to the first quarter. During the winter season, Hastings Racecourse does not offer live racing; its winter operations are limited to simulcast racing, and food and beverage. Live racing at Hastings Racecourse resumed on April 16, 2005.

The decrease in casino and racetrack gaming revenues was offset by the acquisition of Orangeville, which added live and simulcast racing and slot revenues of \$598 for the period from March 19, 2005, to March 31, 2005.

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

Operating Results in Washington

	Three Months Ended March 31,		
	2005	2004	% Chg
Gaming revenues	\$ 5,810	\$ 5,128	13%
Food & beverage revenues	1,334	1,351	(1%)
Other income	118	152	(22%)
Revenues	7,262	6,631	10%
Human resources	3,876	3,955	(2%)
Other operating expenses	2,104	2,385	(12%)
	5,980	6,340	(6%)
EBITDA	1,282	291	341%
Stock-based compensation	11	-	n/a
Amortization	476	406	17%
Income (loss) from operations	\$ 795	\$ (115)	791%
Earnings (loss) per common share:			
Basic	\$ 0.02	\$ (0.01)	300%
Diluted	\$ 0.02	\$ (0.01)	300%
Weighted average number of common shares:			
Basic	29,567,505	25,273,217	
Diluted	30,515,555	27,210,118	

In order to consolidate the BC operating results with Washington State operating results, the following elimination adjustment is required:

Human Resources	\$	-	\$	(128)
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The increase in Washington gaming revenues for the three months ended March 31, 2005, compared to the same period in the previous year is primarily due to the acquisition of the remaining non-controlling interests in the US subsidiaries in July 2004. The US subsidiaries were proportionately consolidated prior to the acquisition and are now fully consolidated.

With the acquisitions of the remaining non-controlling interests in the third quarter of 2004, the Company was in a better position to implement needed changes and was able to achieve administrative efficiencies, maximize operating synergies, and, through its parent company, secure a more favourable and simplified capital structure. As a result of these changes, the Washington operations have achieved their second consecutive profitable quarter of operations.

The tables below further segment our Washington revenues and costs by casino location. The information provided is based on the Company's ownership percentage at the time, and is stated in CAD thousands of dollars, except for average tables per day.

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

Gaming revenues

	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
Kent	\$ 963	\$ 985	\$ 926	\$ 956	\$ 889	\$ 448	\$ -	\$ -
Everett	1,049	1,179	1,311	1,461	1,845	1,447	1,277	1,524
Lakewood	1,938	1,657	1,621	1,017	1,334	1,458	659	-
Tukwila	1,860	2,181	1,997	1,036	1,060	958	1,138	1,246
Other & Corporate	-	-	-	-	-	-	-	-
	\$ 5,810	\$ 6,002	\$ 5,855	\$ 4,470	\$ 5,128	\$ 4,311	\$ 3,074	\$ 2,770
Number of days in operations	90	92	92	91	91	92	92	91
Daily gaming revenues	\$ 65	\$ 65	\$ 64	\$ 49	\$ 56	\$ 47	\$ 33	\$ 30

Food and beverage and other income

	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
Kent	\$ 186	\$ 163	\$ 160	\$ 159	\$ 163	\$ 102	\$ -	\$ -
Everett	260	286	301	320	363	327	263	285
Lakewood	629	630	511	451	676	893	422	-
Tukwila	381	359	324	178	237	288	243	258
Other & Corporate	(4)	-	-	79	64	79	84	14
	\$ 1,452	\$ 1,438	\$ 1,296	\$ 1,187	\$ 1,503	\$ 1,689	\$ 1,012	\$ 557

EBITDA

	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
Kent	\$ 61	24	\$ (77)	\$ (239)	\$ (359)	\$ (400)	\$ -	\$ -
Everett	76	94	122	142	484	255	91	241
Lakewood	874	411	213	(177)	89	(369)	(661)	(18)
Tukwila	683	803	554	190	225	140	176	203
Other & Corporate	(412)	(188)	(248)	(111)	(148)	(166)	200	(179)
	\$ 1,282	\$ 1,144	\$ 564	\$ (195)	\$ 291	\$ (540)	\$ (194)	\$ 247

Average tables open / day

	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004	Q4 2003	Q3 2003	Q2 2003
Kent	10	10	10	10	10	10	10	-
Everett	12	12	11	11	11	11	11	11
Lakewood	13	13	13	15	15	15	15	-
Tukwila	15	15	15	15	15	15	15	15
	50	50	49	51	51	51	51	26

Income from operations and EBITDA in the first quarter of 2005 increased from improved efficiency and effectiveness of operations arising from the restructuring that took place in the third quarter of 2004. Because of these improved efficiencies, the Company was able to reduce costs relating to human resources and occupancy costs.

EBITDA for "Other & Corporate" decreased in the first quarter of 2005 compared to the fourth quarter of 2004, and is primarily due to increased human resources due to the centralization of the administrative duties. This increase in human resources is offset with a decrease in human resources at the individual locations, and overall Washington EBITDA has increased by 12%.

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The Washington casinos do not achieve the same level of EBITDA relative to revenues as compared to BC due to the greater number of competitors, limited size of operations, lower betting limits, limited hours of operations and lack of slot machines.

LIQUIDITY AND CAPITAL RESOURCES

Financial Position

As at	March 31, 2005	December 31, 2004
Cash and cash equivalents	\$ 43,139	\$ 43,133
Other current assets	29,816	25,880
Property, plant and equipment	183,202	125,352
FDIF receivable, long-term portion	126,046	102,065
Other assets	83,751	65,985
	\$ 465,954	\$ 362,415
Current liabilities	\$ 41,857	\$ 41,973
Long-term debt	167,555	154,000
Other long-term liabilities	27,336	12,372
Shareholders' equity	229,206	154,070
	\$ 465,954	\$ 362,415

Total assets have increased by 29% since December 31, 2004, primarily due to the construction of River Rock, Coquitlam expansion and the acquisition of Orangeville. Other current assets increased mainly due to the increase of \$3,000 for the FDIF current receivable. The increase in other assets is mainly due to \$21,278 allocated to intangible assets for electronic gaming rights and horseracing licence. The 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 for Fraser Downs are amortized straight-line over the remaining 19 year term of the operational services agreement. The horseracing licence is the estimated fair value of the right to operate live horse racing at Fraser Downs and Sandown granted by the GPEB and CPMA plus the future income tax effect of \$3,757. The licence has an indefinite life and is not subject to amortization.

In the three months ended March 31, 2005, the Company spent \$30,505 for the capital projects underway at River Rock, Coquitlam and Orangeville. In the first quarter of 2005, BCLC approved \$10,905 for construction costs relating to River Rock. The FDIF receivable is non-interest bearing and is estimated to be collected over approximately nine years. This additional receivable was recorded at its fair market value using a discount rate of 4.37% per annum. The imputed discount of \$8,591 was applied in the first quarter of 2005 to reduce the FDIF receivable and increase the related asset.

Total liabilities have increased by 14% since December 31, 2004, mostly due to the draw down on the \$100,000 credit facility of \$13,536, and the future income tax liability arising from the acquisition of Orangeville of \$16,120.

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

Shareholders' equity increased by 49% mainly due to the treasury offering of 1,500,000 common shares in January 2005, and the exercise of stock options and warrants.

Changes in Cash Position

Cash flows:	Three Months Ended March 31,	
	2005	2004
Cash inflow from operating activities	\$ 43	\$ 5,997
Cash inflow from financing activities	76,976	4,125
Cash outflow from investing activities	(77,000)	(24,384)
Effect of foreign exchange on cash and cash equivalents	(13)	148
Increase (decrease) in cash	\$ 6	\$ (14,114)

The Company's cash and cash equivalents as at March 31, 2005 amounted to \$43,139, an increase of \$6, compared to \$43,133 at the end of 2004. Working capital has increased by \$4,058 from \$27,040 at the end of the year to \$31,098 as at March 31, 2005.

The primary financing activities for the first quarter of 2005 were the issuance of common shares for net cash proceeds of \$63,898, and a draw down on the \$100,000 credit facility of \$13,536 to finance the River Rock construction and the Coquitlam expansion. In the first three months of the current year, \$458 of debt was repaid.

The Company used \$77,000 for investing activities in the three months ended March 31, 2005, primarily for the acquisitions of Orangeville and Weinlager for an aggregate cash amount of \$34,505, and property, plant and equipment of \$31,110 mainly for the construction of River Rock and the Coquitlam expansion, and \$9,262 to prepay the leases on land presently occupied by River Rock up to the year 2041, offset with \$3,707 FDIF received.

Outstanding Share Data

As at March 31, 2005, there were 30,041,403 common shares outstanding as compared to 27,995,878 common shares as at December 31, 2004. During the three months ended March 31, 2005, there were 1,500,000 shares issued through a treasury offering for net proceeds of \$59,261, 280,525 shares issued through the exercise of options for proceeds of \$1,820 and 265,000 shares issued through the exercise of warrants for proceeds of \$2,817.

As at March 31, 2005, there were 145,000 warrants outstanding at a weighted average exercise price of \$13.47, and 1,321,700 stock options outstanding at a weighted average exercise price of \$20.13. Each warrant is convertible into one common share, and each stock option is convertible into one common share. The warrants outstanding have expiry dates of July 11, 2005 and July 16, 2005.

The book value of each common share at March 31, 2005, is \$7.63 per common share calculated by dividing shareholders' equity by the 30,041,403 common shares outstanding.

Subsequent to the quarter end, 300 stock options were exercised at \$2.25 per common share and there were 30,401,703 common shares outstanding as at May 5, 2005.

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

Future Cash Requirements

The Company believes that its current capital plans and requirements can be funded from existing cash, cash generated from operations, credit and debt facilities, and the proceeds from exercise of stock options and warrants. To the extent that these resources are inadequate, or the Company pursues other business opportunities, the Company may raise additional funds through the expansion of credit lines, public or private debt or equity financing. 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. No assurance can be given that additional financing will be available, or that it can be obtained on terms favourable to the Company and its shareholders. If adequate funds are not available, the Company may be required to delay, limit, or eliminate some or all of its proposed expansions. The Company believes it will be able to meet all its debt covenants even if current capital plans and requirements are funded from debt.

COMMITMENTS, GUARANTEES, CONTINGENCIES AND LITIGATION

Commitments

Contractual Obligations	Payments Due by Period as at March 31, 2005				
	Less than 1 year	1 - 3 years	4 - 5 years	More than 5 years	Total
Long-term debt	\$ 460	\$ 14,485	\$ 41,076	\$ 111,742	\$ 167,763
Capital lease obligations	241	252	-	-	493
Operating leases and contracts	2,430	3,518	2,301	2,462	10,711
Purchase commitments	160,633	-	-	-	160,633
Acquisitions (Georgian Downs)	48,000	-	-	-	48,000
Total	\$ 211,764	\$ 18,255	\$ 43,377	\$ 114,204	\$ 387,600

The purchase commitments include planned expansions for the construction of River Rock, and the Coquitlam, HEI, Orangeville and Bear Mountain expansions.

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 (\$3,663 on an after-tax basis, or \$0.13 per share on a fully diluted basis). The restructuring liability as at March 31, 2005 is \$1,372, which consists primarily of severances.

Under the River Rock COSA, the Company is required to pay BCLC an amount equal to 0.75% of the River Rock gaming win for future BCLC marketing programs. The Company is treating this amount as prepaid expense until such time as BCLC commences its marketing program. As at March 31, 2005, the prepaid amount was \$1,302. This rate increases to 1.5% of the gaming win beginning in April 2006.

As part of its RCOSA, 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.

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

The Fraser Downs 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 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 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.

Food and beverage employees at Hastings Racecourse are members of UNITE HERE!, Local 40 (formerly Hotel Employees Restaurant Employees Bartenders Union). Their collective agreement expired March 31, 2005 and collective bargaining has commenced.

Guarantees & Letters of Credit

The Company has guaranteed debt of \$540 on behalf of an affiliate, and has issued letters of credit to guarantee performance under contracts and gaming cash floats in the aggregate amount of \$23,437 at March 31, 2005.

Contingencies

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

Litigation

One proceeding that we consider to be outside the normal course of business is the petition issued by the Musqueam Indian Band against the City of Richmond on March 22, 2004, asserting that the City did not give sufficient prior notice to the community before issuing the development permit for the River Rock Casino Resort. We were not named as a party to the proceeding initially and do not anticipate that the proceeding will interrupt or delay construction. However, out of consideration of the Company's interest, we have added the Company as a party to the action in order to ensure that our position is heard. The matter was heard by the BC Supreme Court in late February 2005 and no decision has yet been rendered.

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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;
- Expensed \$322 (March 31, 2004 - \$Nil) for staff training services 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 and are at fair market value with normal commercial terms.

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 or on the Company's website www.gcgaming.com.