



GREAT CANADIAN GAMING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three Month Period Ended March 31, 2007

As at May 14, 2007

(Expressed in millions, except per share information)

GREAT CANADIAN GAMING CORPORATION

Management's Discussion & Analysis

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INTRODUCTION

Basis of Discussion and Analysis

This management's discussion and analysis ("MD&A") of the financial highlights, consolidated results of operations, consolidated quarterly results trend, liquidity and capital resources, and other financial information of Great Canadian Gaming Corporation (the "Company", "we", "our") is dated as of May 14, 2007. This MD&A should be read in conjunction with our unaudited interim consolidated financial statements for the three month period ended March 31, 2007 and the accompanying notes ("Interim Financial Statements") and our audited consolidated financial statements for the year ended December 31, 2006 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 are omitted. Unless expressly stated otherwise, all financial information is expressed in Canadian dollars.

Non-GAAP Measures

The following non-GAAP definitions are used in this MD&A because management believes that they provide useful information regarding our ongoing operations. Readers are cautioned that the definitions are not recognized measures under Canadian GAAP, do not have standardized meanings prescribed by GAAP, and should not be construed to be alternatives to net earnings determined in accordance with GAAP or as indicators of performance or liquidity or cash flows. Our method of calculating these measures may differ from the method used by other entities and accordingly our measures may not be comparable to similarly titled measures used by other entities.

EBITDA as defined by the Company means Earnings Before Interest and financing costs (net of interest income), Income Taxes, Depreciation and Amortization, stock-based compensation, restructuring costs, goodwill impairment, foreign exchange gain, and non-controlling interests. EBITDA is derived from the consolidated statements of earnings, and can also be computed as revenues less human resources expenses and property, marketing and administration expenses. We believe EBITDA is a useful measure because it provides information to both management and investors with respect to the operating and financial performance of the Company. A reconciliation of EBITDA to net earnings (loss) under GAAP is shown in the "Consolidated Results of Operations" section in this MD&A.

Gross revenues means revenues on the consolidated statements of earnings plus the portion of the gaming win and other revenues retained by British Columbia Lottery Corporation ("BCLC") and Nova Scotia Gaming Corporation ("NSGC"); gaming taxes paid to Washington State; accruals for payouts of progressive games; payments to horse racing pools; and promotional allowances. Gross revenues includes slot commissions in Ontario which represent 10% of the win from slot machines operated by the Ontario Lottery and Gaming Corporation ("OLG").

The following non-GAAP measures have common definition in the gaming industry. Table drop means the collective amount of money customers wager on table games against the casino, and is commonly computed as the aggregate of money counted in the casino drop boxes. Table hold is calculated as the table drop plus or minus the net change in table chip inventory. Table hold percentage is the ratio of table hold divided by table drop. Table hold percentage fluctuates with the statistical variations or volatility inherent in casino games. Poker rake is the commission we earn from poker games at our casinos, and is calculated as a fixed percentage of the amount wagered by customers on every hand of poker played. Slot coin in is the aggregate of money customers have placed into slots or electronic machines. Slot win

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is the slot coin in less the payout or prizes to winning customers. Slot win per machine per day ("Slot Win/Slot/Day") is the average daily slot win earned by one slot machine, and is calculated as the slot win divided by the number of days in the period, divided by the average number of slot machines that operated during the period. Slot win percentage is the ratio of slot win divided by slot coin in.

Forward-Looking Statements

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

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

The Company cautions that this list of factors is not exhaustive. These factors and other risks and uncertainties are discussed in the Company's continuous disclosure documents filed with the Canadian securities regulatory authorities from time to time, including in the "Risk Factors" section of the Company's Annual Information Form for fiscal 2006, and as identified in the Company's disclosure record on www.sedar.com.

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

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FINANCIAL HIGHLIGHTS

	First Quarter		%	Fourth Quarter	%
	2007	2006	Change	2006	Change
Revenues	\$ 95.6	\$ 91.3	5%	\$ 98.1	(3%)
EBITDA ⁽¹⁾	\$ 25.4	\$ 21.7	17%	\$ 25.4	0%
Human resources as a % of Revenues before promotional allowances	44.4%	46.6%		44.8%	
EBITDA as a % of Revenues	26.6%	23.8%		25.9%	
Net earnings (loss)	\$ 4.3	\$ 0.9	378%	\$ (11.5)	N/M ⁽²⁾
Earnings (loss) per common share:					
Basic	\$ 0.05	\$ 0.01		\$ (0.13)	
Diluted	\$ 0.05	\$ 0.01		\$ (0.13)	
Total assets	\$ 991.5	\$ 955.1	4%	\$ 940.7	5%
Long-term debt, excluding current portion	\$ 385.9	\$ 395.1	(2%)	\$ 390.3	(1%)

⁽¹⁾ EBITDA is a non-GAAP measure and is defined in the Introduction - Non-GAAP measures section of this MD&A

⁽²⁾ Not meaningful.

Financial Highlights

For Great Canadian Gaming Corporation, the first quarter of 2007 showed continued progress towards our goals of driving better efficiencies and increased value from our past expansions and acquisitions. Our revenues increased 5% and our EBITDA increased 17% over the first quarter of 2006. This translated to an increase in our EBITDA as a percentage of revenues for the first quarter of 2007 to 26.6% compared to 23.8% in the first quarter of 2006. Contributing to this improvement were labour efficiencies realized in the first quarter of 2007, as demonstrated by the 2.2 percentage point decrease in human resources expenses as a percentage of revenues before promotional allowances from the 46.6% realized in the first quarter of 2006. The increase in our consolidated results over the first quarter of 2006 reflects a continued trend towards improved operating results driven by revenue growth at the majority of our properties and the continued realization of efficiencies at both the site and head office levels. During the first quarter of 2007, we also refinanced our Bridge Credit Facility with new debt that provides the Company with a more flexible debt structure, a leverage more typical of the industry, the opportunity to lower our overall cost of capital, and the capacity to fund future value-enhancing growth and expansion opportunities.

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CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes our consolidated operating results for the three months ended March 31, 2007 with comparatives to prior periods.

	First Quarter		%	Fourth Quarter		%
	2007	2006	Change	2006	Change	
Gaming revenues	\$ 70.7	\$ 66.4	6%	\$ 69.9	1%	
Racetrack revenues	6.6	6.4	3%	7.5	(12%)	
Facility Development Commission	5.0	4.7	6%	4.8	4%	
Hospitality and other revenues	15.8	16.0	(1%)	18.4	(14%)	
	98.1	93.5	5%	100.6	(2%)	
Less: promotional allowances	(2.5)	(2.2)	14%	(2.5)	0%	
Revenues	95.6	91.3	5%	98.1	(3%)	
Human resources	43.6	43.6	0%	45.1	(3%)	
Property, marketing and administration	26.6	26.0	2%	27.6	(4%)	
	70.2	69.6	1%	72.7	(3%)	
EBITDA ⁽¹⁾	25.4	21.7	17%	25.4	0%	
Human resources as a % of Revenues before promotional allowances	44.4%	46.6%		44.8%		
EBITDA as a % of Revenues	26.6%	23.8%		25.9%		
Amortization	9.4	9.2	2%	10.1	(7%)	
Stock-based compensation	1.4	2.2	(36%)	1.3	8%	
Restructuring costs	-	1.6	N/M ⁽²⁾	7.0	N/M ⁽²⁾	
Interest and financing costs, net	6.8	5.4	26%	6.6	3%	
Goodwill impairment	-	-	N/M ⁽²⁾	9.9	N/M ⁽²⁾	
Other expenses	0.2	0.1	100%	0.5	(60%)	
Income taxes	3.3	2.3	43%	1.5	78%	
Net earnings (loss)	\$ 4.3	\$ 0.9	378%	\$ (11.5)	N/M ⁽²⁾	
Earnings (loss) per common share:						
Basic	\$ 0.05	\$ 0.01		\$ (0.13)		
Diluted	\$ 0.05	\$ 0.01		\$ (0.13)		
Weighted average number of common shares (in thousands):						
Basic	86,408	79,729		86,133		
Diluted	86,802	80,822		86,133		

⁽¹⁾ "EBITDA" is a non-GAAP measure and is defined in the Introduction - Non-GAAP Measures section of this MD&A.

⁽²⁾ Not meaningful

Discussion of Results

The discussion of our operating results is covered in two sections. Revenues, human resources, property, marketing and administration, and EBITDA are discussed on a property or, where appropriate, group of similar properties basis. Items excluded from EBITDA are discussed on a consolidated basis. The following table reconciles the property results to the consolidated results of operations above.

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REVENUES and EBITDA ⁽¹⁾

	First Quarter		%	Fourth Quarter		%
	2007	2006	Change	2006	Change	
REVENUES						
Casinos						
River Rock Casino Resort	\$ 29.6	\$ 26.3	13%	\$ 28.5	4%	
Boulevard Casino	14.9	15.4	(3%)	15.7	(5%)	
Vancouver Island Casinos	10.3	10.1	2%	10.2	1%	
Other BC Casinos	4.4	3.4	29%	4.2	5%	
Nova Scotia Casinos	11.0	11.4	(4%)	12.4	(11%)	
Great American Casinos	7.6	6.4	19%	7.5	1%	
	77.8	73.0	7%	78.5	(1%)	
Racinos						
BC Racinos	9.8	8.9	10%	10.4	(6%)	
Georgian Downs	2.8	4.1	(32%)	4.1	(32%)	
Flamboro Downs	5.1	5.3	(4%)	5.1	0%	
	17.7	18.3	(3%)	19.6	(10%)	
Corporate & Other	0.1	-	N/M ⁽²⁾	-	N/M ⁽²⁾	
Total Revenues	\$ 95.6	\$ 91.3	5%	\$ 98.1	(3%)	
EBITDA ⁽¹⁾						
Casinos						
River Rock Casino Resort	\$ 11.7	\$ 9.8	19%	\$ 9.8	19%	
Boulevard Casino	5.5	6.7	(18%)	6.6	(17%)	
Vancouver Island Casinos	5.5	5.5	0%	5.7	(4%)	
Other BC Casinos	1.2	0.7	71%	1.0	20%	
Nova Scotia Casinos	2.2	1.2	83%	2.2	0%	
Great American Casinos	1.8	1.2	50%	1.9	(5%)	
	27.9	25.1	11%	27.2	3%	
Racinos						
BC Racinos	2.2	1.3	69%	2.0	10%	
Georgian Downs	0.8	1.5	(47%)	1.4	(43%)	
Flamboro Downs	1.6	1.6	0%	1.6	0%	
	4.6	4.4	5%	5.0	(8%)	
Corporate & Other	(7.1)	(7.8)	9%	(6.8)	(4%)	
Total EBITDA ⁽¹⁾	\$ 25.4	\$ 21.7	17%	\$ 25.4	0%	

⁽¹⁾ EBITDA is a non-GAAP measure defined in the Introduction - Non-GAAP Measures section of this MD&A.

⁽²⁾ Not meaningful.

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Casinos

River Rock Casino Resort ⁽¹⁾

	First Quarter		%	Fourth Quarter	%
	2007	2006	Change	2006	Change
Gaming revenues	\$ 21.5	\$ 18.5	16%	\$ 19.4	11%
Facility Development Commission	1.8	1.6	13%	1.7	6%
Hospitality and other revenues	6.9	6.7	3%	8.0	(14%)
Revenues before promotional allowances	30.2	26.8	13%	29.1	4%
Less: Promotional allowances	(0.6)	(0.5)	20%	(0.6)	0%
Revenues	29.6	26.3	13%	28.5	4%
Human resources	11.5	10.8	6%	11.4	1%
Property, marketing and administration	6.4	5.7	12%	7.3	(12%)
EBITDA ⁽²⁾	\$ 11.7	\$ 9.8	19%	\$ 9.8	19%

Human resources as a % of Revenues before promotional allowances

38.1% 40.3% 39.2%

EBITDA as a % of Revenues

39.5% 37.3% 34.4%

⁽¹⁾ The results of the teletheatre at the River Rock Casino Resort are included in the results of our BC Racinos as it is operated by TBC Teletheatres B.C.

⁽²⁾ EBITDA is a non-GAAP measure defined in the Introduction - Non-GAAP Measures section of this MD&A.

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Average
Table Drop	\$ 134.2	\$ 122.0	\$ 122.7	\$ 116.6	\$ 115.7	\$ 107.0	\$ 104.3	\$ 113.6	
Table Hold	\$ 32.8	\$ 27.3	\$ 30.7	\$ 26.8	\$ 26.7	\$ 26.6	\$ 25.0	\$ 28.5	
Table Hold %	24.4%	22.4%	25.0%	23.0%	23.1%	24.9%	24.0%	25.1%	24.0%
Poker Rake	\$ 1.9	\$ 2.1	\$ 1.8	\$ 1.6	\$ 1.7	\$ 1.9	\$ 1.9	\$ 1.9	
Slot Coin In	\$ 374.0	\$ 363.4	\$ 378.8	\$ 374.3	\$ 342.6	\$ 355.9	\$ 337.8	\$ 321.3	
Slot Win	\$ 27.3	\$ 27.1	\$ 28.8	\$ 27.8	\$ 26.0	\$ 26.4	\$ 25.0	\$ 24.1	
Slot Win/Slot/Day ⁽¹⁾	\$ 330	\$ 320	\$ 340	\$ 333	\$ 315	\$ 287	\$ 272	\$ 265	
Slot Win %	7.3%	7.5%	7.6%	7.4%	7.6%	7.4%	7.4%	7.5%	7.5%

⁽¹⁾ Slot Win/Slot/Day is an average, presented in dollars.

Revenues

In the first quarter of 2007, River Rock's gaming revenues increased over the first quarter of 2006 due to increased table drop, table hold, and slot win. River Rock also experienced higher table hold percentage which increased by 1.3 percentage points from the first quarter of 2006 and 0.4 percentage points above the trailing 8 quarter average. We believe the increased table drop and table hold compared to the first quarter of 2006 was primarily driven by our high limit play on hand-held baccarat. The increase in slot coin in compared to the first quarter of 2006 is evidence of the gradual maturity of the property, helped by the additional entertainment offerings including the hotel and show theatre that were opened in the third quarter of 2005. Gaming revenues in the first quarter of 2007 increased over the fourth quarter of 2006, primarily due to increased table drop and related table hold connected with Chinese New Year and a 2.0 percentage point higher table hold percentage compared to that realized in the fourth quarter of 2006. We believe River Rock was also negatively affected by severe weather conditions in the fourth quarter of 2006 that hindered our customers' ability to visit the property.

In the first quarter of 2007, hospitality and other revenues increased 3% over the first quarter of 2006 and decreased 14% from the fourth quarter of 2006. The increase in hospitality and other revenues relative to the first quarter of 2006 was primarily the result of a 1 percentage point increase to 69% in the average

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hotel occupancy rate, coupled with a \$19 dollar increase in Average Daily room Rate ("ADR") to \$152 dollars. In addition, food and beverage revenues increased in the first quarter of 2007 compared to the first quarter of 2006 due to an increased emphasis on group sales that is partly also related to the improved hotel occupancy rates. The decrease in hospitality and other revenues in the first quarter of 2007 relative to the fourth quarter of 2006 was primarily due to a decline in food and beverage revenues, since the fourth quarter benefited from hosting more meetings and functions during the Christmas and New Year's holiday season.

River Rock hotel's revenue per available room ("REVPAR") was \$105 dollars in the first quarter of 2007 compared to \$91 dollars in the first quarter of 2006 and \$113 dollars in the fourth quarter of 2006. The seasonal decline in REVPAR in the first quarter of 2007 compared to the fourth quarter of 2006 was primarily due to a 3 percentage point decrease to 69% in the average hotel occupancy rate, coupled with a \$5 dollar decrease in ADR.

Expenses

Human resources as a percentage of revenues before promotional allowances decreased in the first quarter of 2007 compared to the first and fourth quarters of 2006. We believe this improvement resulted from our continued efforts to manage staffing levels to meet customer demand.

Property, marketing and administration expenses increased by 12% in the first quarter of 2007 compared to the first quarter of 2006, primarily due to an increase in marketing and promotion expenses arising from higher spend from the BCLC marketing trust account on initiatives such as advertising for the Johnny Chan Poker Classic that was held at River Rock from May 6 to May 13, 2007, and which featured an appearance by two-time World Series of Poker champion and Texas hold 'em legend Johnny Chan. We also incurred higher marketing and promotion expenditures in the first quarter of 2007 relative to the first quarter of 2006 in connection with advertising for the increased number of theatre events. Property, marketing and administration expenses in the first quarter of 2007 decreased 12% compared to the fourth quarter of 2006, which was consistent with the above-mentioned decline in food and beverage revenues realized during the period.

EBITDA

EBITDA in the first quarter of 2007 increased by 19% over the first quarter of 2006 while revenues increased by 13%. EBITDA as a percentage of revenues in the first quarter of 2007 has improved 2.2 percentage points over the first quarter of 2006 primarily from increased gaming revenues and our continuing efforts to managing staffing levels to meet customer demand. This improvement in EBITDA was realized in spite of higher spending in the first quarter of 2007 from the BCLC marketing trust account. EBITDA as a percentage of revenues in the first quarter of 2007 has improved 5.1 percentage points over the fourth quarter of 2006 primarily due to increased gaming revenues and labour efficiencies in the first quarter of 2007 driven by higher table drop and table hold connected with Chinese New Year and a higher table hold percentage.

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Boulevard Casino ⁽¹⁾

	First Quarter		%	Fourth Quarter		%
	2007	2006	Change	2006	Change	
Gaming revenues	\$ 12.4	\$ 12.9	(4%)	\$ 12.8	(3%)	
Facility Development Commission	1.2	1.2	0%	1.2	0%	
Hospitality and other revenues	1.7	1.7	0%	2.0	(15%)	
Revenues before promotional allowances	15.3	15.8	(3%)	16.0	(4%)	
Less: Promotional allowances	(0.4)	(0.4)	0%	(0.3)	33%	
Revenues	14.9	15.4	(3%)	15.7	(5%)	
Human resources	6.2	5.9	5%	5.9	5%	
Property, marketing and administration	3.2	2.8	14%	3.2	0%	
EBITDA ⁽²⁾	\$ 5.5	\$ 6.7	(18%)	\$ 6.6	(17%)	

Human resources as a % of Revenues before promotional

allowances **40.5%** 37.3% 36.9%

EBITDA as a % of Revenues **36.9%** 43.5% 42.0%

⁽¹⁾ The results of the teletheatre at the Boulevard Casino are included in the results of our BC Racinos as it is operated by TBC Teletheatres B.C.

⁽²⁾ EBITDA is a non-GAAP measure defined in the Introduction - Non-GAAP Measures section of this MD&A.

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Average
Table Drop	\$ 47.1	\$ 51.4	\$ 51.9	\$ 52.2	\$ 58.6	\$ 43.9	\$ 35.5	\$ 43.1	
Table Hold	\$ 9.5	\$ 11.5	\$ 10.3	\$ 9.0	\$ 11.8	\$ 9.4	\$ 7.4	\$ 9.2	
Table Hold %	20.2%	22.4%	19.8%	17.2%	20.1%	21.4%	20.8%	21.3%	20.4%
Poker Rake	\$ 1.4	\$ 1.4	\$ 1.3	\$ 1.1	\$ 1.2	\$ 0.5	\$ 0.1	\$ 0.4	
Slot Coin In	\$ 443.3	\$ 404.7	\$ 405.2	\$ 405.0	\$ 398.5	\$ 319.8	\$ 267.0	\$ 276.3	
Slot Win	\$ 30.7	\$ 28.9	\$ 28.8	\$ 28.5	\$ 28.8	\$ 23.3	\$ 18.5	\$ 19.1	
Slot Win/Slot/Day ⁽¹⁾	\$ 364	\$ 335	\$ 330	\$ 318	\$ 325	\$ 263	\$ 447	\$ 466	
Slot Win %	6.9%	7.1%	7.1%	7.0%	7.2%	7.3%	6.9%	6.9%	7.1%

⁽¹⁾ Slot Win/Slot/Day is an average, presented in dollars.

Revenues

For the first quarter of 2007, gaming revenues for the Boulevard Casino decreased 4% compared to the first quarter of 2006 and decreased 3% compared to the fourth quarter of 2006. This decline is attributable to a drop in Boulevard's table hold, and is almost fully offset by an increase in slot win. For the first quarter of 2007, our slot coin-in increased by 11% over the first quarter of 2006 and by 10% over the fourth quarter of 2006. Our slot win increased by 7% over the first quarter of 2006 and by 6% over the fourth quarter of 2006. These metrics are very encouraging, and support our belief that the Coquitlam demographic has a strong preference for slot machines. The September 2006 addition of a show theatre to this property has also served as a catalyst for slot performance. However, Boulevard's first quarter performance also underscores our need to build its table market. While results from the first quarter of 2006 are influenced by the increased visitation the property received immediately after opening, the results of recent quarters reveal that table drop continues to decline at this property. We are thus enacting several strategies, including the addition of new on-floor entertainment options, more table game tournaments, and targeted marketing campaigns. We are also seeking to improve Boulevard's table game layout, and to concentrate these offerings in one room. We feel this will result in both improved atmosphere and labour efficiency, and lead to a rebound in this property's table play.

Hospitality and other revenues in the first quarter of 2007 were consistent with the first quarter of 2006 and decreased relative to the fourth quarter of 2006 due to seasonality.

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Expenses

Human resources as a percentage of revenues before promotional allowances increased over the first and fourth quarters of 2006 primarily as a result of the lower gaming revenues mentioned previously. We expect the planned changes to the table gaming floor will help to improve labour efficiency at the property.

Property, marketing and administration expenses increased by 14% compared to the first quarter of 2006, primarily due to the opening of the Red Robinson Show Theatre in the third quarter of 2006. We will continue to concentrate our marketing efforts on the show theatre and targeted promotions rather than general broad-based initiatives. The show theatre has been an effective medium to draw a pre-determined target market patron to our properties, which with a superior show performance, has resulted in extended stays at the property, increased spending and most importantly increased gaming revenues, primarily from slots. Our marketing and entertainment group continues to work with BCLC to increase revenues at all our properties by focusing on special concerts, events and community initiatives, as well as on reward programs to reinforce property branding and increase customer retention, visits and satisfaction.

EBITDA

EBITDA and EBITDA as a percentage of revenues in the first quarter of 2007 declined compared to the first and fourth quarters of 2006. While our slot operations at the Boulevard Casino performed well in the first quarter of 2007, the results underscore our need to build this casino's table market. We expect the property's EBITDA to improve from the steps we will or have already taken to expand our entertainment options on the gaming floor, implement more tournaments, focus our marketing efforts on the show theatre and targeted promotions, and improve the property's table game layout. We believe these initiatives will draw more customers to the property and increase labour efficiency.

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Vancouver Island Casinos (View Royal Casino and Nanaimo Casino)

	First Quarter		%	Fourth Quarter		%
	2007	2006	Change	2006	2006	Change
Gaming revenues	\$ 8.5	\$ 8.4	1%	\$ 8.5		0%
Facility Development Commission	1.0	1.0	0%	1.0		0%
Hospitality and other revenues	1.0	0.9	11%	1.0		0%
Revenues before promotional allowances	10.5	10.3	2%	10.5		0%
Less: Promotional allowances	(0.2)	(0.2)	0%	(0.3)		(33%)
Revenues	10.3	10.1	2%	10.2		1%
Human resources	3.4	3.4	0%	3.4		0%
Property, marketing and administration	1.4	1.2	17%	1.1		27%
EBITDA ⁽¹⁾	\$ 5.5	\$ 5.5	(0%)	\$ 5.7		(4%)
Human resources as a % of Revenues before promotional allowances	32.4%	33.0%		32.4%		
EBITDA as a % of Revenues	53.4%	54.5%		55.9%		

⁽¹⁾ EBITDA is a non-GAAP measure defined in the Introduction - Non-GAAP Measures section of this MD&A.

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Average
Table Drop	\$ 15.3	\$ 15.5	\$ 16.6	\$ 16.4	\$ 15.6	\$ 16.2	\$ 15.5	\$ 16.0	
Table Hold	\$ 3.7	\$ 3.7	\$ 3.7	\$ 4.0	\$ 3.5	\$ 3.7	\$ 3.7	\$ 3.6	
Table Hold %	24.2%	23.9%	22.3%	24.4%	22.4%	22.8%	23.9%	22.5%	23.3%
Poker Rake	NA	NA	NA	NA	NA	NA	NA	NA	
Slot Coin In	\$ 393.3	\$ 399.4	\$ 412.0	\$ 408.2	\$ 382.2	\$ 378.3	\$ 370.6	\$ 362.8	
Slot Win	\$ 29.0	\$ 29.2	\$ 30.1	\$ 29.7	\$ 28.6	\$ 27.4	\$ 27.7	\$ 27.1	
Slot Win/Slot/Day ⁽¹⁾	\$ 394	\$ 388	\$ 400	\$ 399	\$ 395	\$ 370	\$ 374	\$ 370	
Slot Win %	7.4%	7.3%	7.3%	7.3%	7.5%	7.2%	7.5%	7.5%	7.4%

⁽¹⁾ Slot Win/Slot/Day is an average, presented in dollars.

NA = Not applicable, as poker is not offered at these casinos.

Revenues

Gaming revenues for the first quarter of 2007 remained relatively consistent with the first and fourth quarters of 2006. Table drop in the first quarter of 2007 decreased slightly relative to the first and fourth quarters of 2006, but the casinos benefited from a slightly higher table hold percentage. Slot operations continued to grow, showing a 3% increase in the coin-in from the first quarter of 2006.

Hospitality and other revenues for the first quarter of 2007 have also remained relatively consistent with the first and fourth quarters of 2006, as visitation to our Vancouver Island facilities remained relatively consistent with prior periods.

Expenses

Human resources expenses in the first quarter of 2007 remained consistent with the first and fourth quarters of 2006. Human resources as a percentage of revenues before promotional allowances decreased slightly over the first quarter of 2006.

Property, marketing and administration expenses in the first quarter of 2007 increased from the first quarter of 2006 primarily due to an increase in marketing and promotion expenses arising from higher spending from the BCLC marketing trust account. These expenditures related primarily to slot coupons issued to potential customers of our Vancouver Island casinos for which BCLC previously paid.

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EBITDA

EBITDA for the first quarter of 2007 was consistent with first quarter of 2006 but decreased from the fourth quarter of 2006 because of increased marketing and promotion expenses incurred during the first quarter of 2007. EBITDA as a percentage of revenues declined slightly from the first and fourth quarter of 2006, primarily due to the increased marketing and promotion expenditures mentioned above.

Other BC Casinos (Casino on Broadway and Chances Gaming Entertainment in Dawson Creek ("Chances"))

	First Quarter		%	Fourth Quarter		%
	2007	2006	Change	2006	Change	
Gaming revenues	\$ 3.8	\$ 3.0	27%	\$ 3.6	6%	
Facility Development Commission	0.3	0.3	0%	0.3	0%	
Hospitality and other revenues	0.5	0.3	67%	0.4	25%	
Revenues before promotional allowances	4.6	3.6	28%	4.3	7%	
Less: Promotional allowances	(0.2)	(0.2)	0%	(0.1)	100%	
Revenues	4.4	3.4	29%	4.2	5%	
Human resources	2.6	2.1	24%	2.5	4%	
Property, marketing and administration	0.6	0.6	0%	0.7	(14%)	
EBITDA ⁽¹⁾	\$ 1.2	\$ 0.7	71%	\$ 1.0	20%	

Human resources as a % of Revenues before promotional allowances

56.5% 58.3% 58.1%

EBITDA as a % of Revenues

27.3% 20.6% 23.8%

⁽¹⁾ EBITDA is a non-GAAP measure defined in the Introduction - Non-GAAP Measures section of this MD&A.

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Average
Table Drop	\$ 33.3	\$ 31.0	\$ 29.6	\$ 29.7	\$ 29.6	\$ 29.3	\$ 27.6	\$ 27.9	
Table Hold	\$ 6.6	\$ 6.2	\$ 5.3	\$ 5.7	\$ 5.9	\$ 5.7	\$ 5.5	\$ 6.1	
Table Hold %	19.8%	20.0%	17.9%	19.2%	19.9%	19.5%	19.9%	21.9%	19.7%
Poker Rake	\$ 0.2	\$ 0.4	\$ 0.4	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.4	\$ 0.4	
Slot Coin In	\$ 63.4	\$ 55.6	\$ 54.0	\$ 22.6	\$ 23.0	\$ 18.3	\$ 18.8	\$ 15.3	
Slot Win	\$ 3.7	\$ 3.1	\$ 3.3	\$ 1.7	\$ 1.8	\$ 1.4	\$ 1.5	\$ 1.0	
Slot Win/Slot/Day ⁽¹⁾	\$ 274	\$ 242	\$ 278	\$ 236	\$ 250	\$ 231	\$ 233	\$ 172	
Slot Win %	5.8%	5.6%	6.1%	7.5%	7.8%	7.7%	8.0%	6.5%	6.5%

⁽¹⁾ Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues in the first quarter of 2007 improved over the first and fourth quarters of 2006 because of increased table drop with consistent table hold percentages at our Casino on Broadway and because of increased slot coin-in and slot win at Chances. The increased revenues at Chances are a result of the new, expanded facility that was completed in July 2006. Hospitality and other revenues increased over the first quarter of 2006 primarily due to increased food and beverage revenues at Chances, which now has expanded food and beverage offerings as a part of the new facility.

Expenses

Human resources expenses in the first quarter of 2007 increased by 24% over the first quarter of 2006 and 4% over the fourth quarter of 2006 as a result of the opening of Chances and increased gaming activity. Despite this increase, human resources as a percentage of revenues in the first quarter of 2007 decreased over the first and fourth quarters of 2006. We believe this improvement resulted from our continued efforts to manage staffing levels to meet customer demand.

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Property, marketing and administration expenses in the first quarter of 2007 were relatively consistent with the first and fourth quarters of 2006.

EBITDA

EBITDA and EBITDA as a percentage of revenues increased in the first quarter of 2007 compared to the first and fourth quarters of 2006 primarily due to increased revenues from the facilities.

Nova Scotia Casinos (Casino Nova Scotia Halifax and Casino Nova Scotia Sydney)

	First Quarter		% Change	Fourth Quarter	
	2007	2006		2006	Change
Gaming revenues	\$ 10.3	\$ 10.5	(2%)	\$ 11.7	(12%)
Hospitality and other revenues	1.3	1.5	(13%)	1.4	(7%)
Revenues before promotional allowances	11.6	12.0	(3%)	13.1	(11%)
Less: Promotional allowances	(0.6)	(0.6)	0%	(0.7)	(14%)
Revenues	11.0	11.4	(4%)	12.4	(11%)
Human resources	5.0	5.8	(14%)	5.9	(15%)
Property, marketing and administration	3.8	4.4	(14%)	4.3	(12%)
EBITDA ⁽¹⁾	\$ 2.2	\$ 1.2	83%	\$ 2.2	0%

Human resources as a % of Revenues before promotional allowances

43.1% 48.3% 45.0%

EBITDA as a % of Revenues

20.0% 10.5% 17.7%

⁽¹⁾ EBITDA is a non-GAAP measure defined in the Introduction - Non-GAAP Measures section of this MD&A.

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Average
Table Drop	\$ 13.0	\$ 14.9	\$ 17.0	\$ 13.2	\$ 14.6	\$ 15.7	\$ 18.7	\$ 21.8	
Table Hold	\$ 2.5	\$ 2.9	\$ 3.2	\$ 2.7	\$ 2.4	\$ 3.1	\$ 3.0	\$ 3.4	
Table Hold %	19.2%	19.5%	18.8%	20.5%	16.4%	19.7%	16.0%	15.6%	18.0%
Poker Rake	\$ 0.5	\$ 0.4	\$ 0.5	\$ 0.4	\$ 0.4	\$ 0.3	\$ 0.4	\$ 0.3	
Slot Coin In	\$ 217.7	\$ 247.7	\$ 288.8	\$ 256.2	\$ 226.7	\$ 237.4	\$ 286.4	\$ 260.2	
Slot Win	\$ 16.6	\$ 18.9	\$ 21.9	\$ 18.8	\$ 16.7	\$ 17.2	\$ 20.5	\$ 18.0	
Slot Win/Slot/Day ⁽¹⁾	\$ 175	\$ 195	\$ 222	\$ 184	\$ 164	\$ 165	\$ 195	\$ 174	
Slot Win %	7.6%	7.6%	7.6%	7.3%	7.4%	7.2%	7.2%	6.9%	7.4%

⁽¹⁾ Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues in the first quarter of 2007 decreased by 2% compared to the first quarter of 2006 because of a 11% decrease in table drop offset by a 2.8 percentage point increase in table hold percentage and an increase in poker rake. Although the Halifax casino was expanded and re-launched in June 2006 and the Sydney casino was re-launched in November 2006, we believe the Nova Scotia casinos experienced reduced visitation, and consequently reduced revenues, because of a smoking ban that came into effect December 2006 and disruption from the first quarter of 2007 construction upgrades to the Halifax casinos' entertainment outlets. Revenues have also decreased from the fourth quarter of 2006 due to seasonality. The Nova Scotia casinos peak season historically runs from the spring (second quarter) to the fall (early fourth quarter) as they benefit from increased tourist traffic.

Although we believe the effect of the smoking ban will be temporary, and that visitation will recover as our customers adjust to the change, we cannot predict when that recovery will occur. In response to the revenue decline, we have conducted comprehensive market research and initiated a targeted marketing plan including making improvements to our customer loyalty program that we believe will reduce the impact of the smoking ban. Further, we expect the upgrades to the Halifax casinos' entertainment outlets,

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including a new outdoor smoking area, will increase customer visitation to the property.

Expenses

Human resources expenses in the first quarter of 2007 decreased 14% from the first quarter of 2006 and 15% from the fourth quarter of 2006 as we managed our staffing levels in response to the reduced visitation. Human resources as a percentage of revenues before promotional allowances also decreased over the first and fourth quarters of 2006. This improvement resulted from our continued efforts to manage staffing levels to meet customer demand.

Property, marketing and administration expenses in the first quarter of 2007 decreased from the first and fourth quarters of 2006, primarily as a result of lower professional fees, more targeted promotions, and continued focus on reducing expenses. We will continue our efforts to control property, marketing and administration expenses and improve efficiencies.

EBITDA

EBITDA improved significantly over the first quarter of 2006 despite a decline in revenues primarily due to a reduction in human resources expenses and property, marketing and administration expenses. As a result, our EBITDA as a percentage of revenues has improved by 9.5 percentage points over the first quarter of 2006 and 2.3 percentage points over the fourth quarter of 2006.

Great American Casinos

	First Quarter		%	Fourth Quarter	%
	2007	2006	Change	2006	Change
Gaming revenues	\$ 6.5	\$ 5.5	18%	\$ 6.3	3%
Hospitality and other revenues	1.3	1.2	8%	1.4	(7%)
Revenues before promotional allowances	7.8	6.7	16%	7.7	1%
Less: Promotional allowances	(0.2)	(0.3)	(33%)	(0.2)	0%
Revenues	7.6	6.4	19%	7.5	1%
Human resources	3.9	3.5	11%	3.8	3%
Property, marketing and administration	1.9	1.7	12%	1.8	6%
EBITDA ⁽¹⁾	\$ 1.8	\$ 1.2	50%	\$ 1.9	(5%)

Human resources as a % of Revenues before promotional allowances

50.0% 52.2% 49.4%

EBITDA as a % of Revenues

23.7% 18.8% 25.3%

⁽¹⁾ EBITDA is a non-GAAP measure defined in the Introduction - Non-GAAP Measures section of this MD&A.

The following data is presented in Canadian dollars, translated from U.S. dollars at the average exchange rate for the quarter.

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Average
Table Drop	\$ 28.4	\$ 28.5	\$ 25.7	\$ 26.1	\$ 25.6	\$ 26.6	\$ 25.8	\$ 25.9	
Table Hold	\$ 7.3	\$ 7.2	\$ 6.2	\$ 6.7	\$ 6.1	\$ 6.3	\$ 6.2	\$ 6.2	
Table Hold %	25.7%	25.3%	24.1%	25.7%	23.8%	23.7%	24.0%	23.9%	24.6%
Poker Rake	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.2	

Revenues

Gaming revenues in the first quarter of 2007 have improved by 18% over the first quarter of 2006 as a result of an 11% increase in table drop and a 1.9 percentage point improvement in table hold percentage. Gaming revenues have increased by 3% over the fourth quarter of 2006 as a slight decrease in table drop was offset by a 0.4 percentage point improvement in table hold percentage. We believe gaming revenues increased in the first quarter of 2007 relative to the first quarter of 2006 due to the negative effect that the

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smoking ban implemented in December 2005 had on customer visitation and table drop in the first quarter of 2006. In addition to the recovery from the smoking ban, we held VIP parties at all of our Washington casinos during the first quarter of 2007, that we believe helped contribute to the strong table drop for the quarter.

Hospitality and other revenues improved slightly over the first quarter of 2006 as a result of increased visitation, but dropped slightly from the fourth quarter of 2006. The first quarter has historically experienced lower food and beverage revenues than the fourth quarter due to increased customer visits during the holiday season.

Expenses

Human resources as a percentage of revenues before promotional allowances in the first quarter of 2007 decreased compared the first quarter of 2006 as revenues increased by 16% compared to an 11% increase in human resources expenses. Human resources expenses increased by 3% over the fourth quarter of 2006 with a 1% increase in revenues, resulting in human resources as a percentage of revenues before promotional allowances being slightly higher than in the fourth quarter of 2006.

Property, marketing and administration expenses in the first quarter of 2007 have increased relative to the first and fourth quarters of 2006, primarily due to increases in marketing and promotion related to the VIP parties held in the first quarter that contributed to the strong table drop.

EBITDA

EBITDA and EBITDA as a percentage of revenues in the first quarter of 2007 improved over the first quarter of 2006 due to increased revenues as the Washington casinos have, we believe, recovered from the smoking ban. EBITDA in the first quarter of 2007 has remained consistent with the fourth quarter of 2006 despite a slight increase in revenues due to slightly higher property, marketing and administration expenses related to the VIP parties.

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Racinos

BC Racinos (Fraser Downs Racetrack and Casino, Hastings Racecourse and TBC Teletheatres B.C.)

	First Quarter		%	Fourth Quarter	
	2007	2006	Change	2006	Change
Gaming revenues	\$ 2.6	\$ 2.4	8%	\$ 2.6	0%
Facility Development Commission	0.7	0.6	17%	0.6	17%
Racetrack revenues	5.4	4.6	17%	5.7	(5%)
Hospitality and other revenues	1.3	1.3	0%	1.8	(28%)
Revenues before promotional allowances	10.0	8.9	12%	10.7	(7%)
Less: Promotional allowances	(0.2)	-	N/M ⁽²⁾	(0.3)	(33%)
Revenues	9.8	8.9	10%	10.4	(6%)
Human resources	3.5	3.6	(3%)	4.2	(17%)
Property, marketing and administration	4.1	4.0	2%	4.2	(2%)
EBITDA ⁽¹⁾	\$ 2.2	\$ 1.3	69%	\$ 2.0	10%

Human resources as a % of Revenues before promotional allowances

35.0% 40.4% 39.3%

EBITDA as a % of Revenues

22.4% 14.6% 19.2%

⁽¹⁾ EBITDA is a non-GAAP measure defined in the Introduction - Non-GAAP Measures section of this MD&A.

⁽²⁾ Not meaningful.

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Average
Slot Coin In	\$ 185.6	\$ 173.5	\$ 169.6	\$ 168.2	\$ 164.0	\$ 158.6	\$ 152.5	\$ 172.7	
Slot Win	\$ 13.7	\$ 13.0	\$ 13.2	\$ 13.0	\$ 12.0	\$ 11.5	\$ 10.9	\$ 12.1	
Slot Win/Slot/Day ⁽¹⁾	\$ 349	\$ 323	\$ 331	\$ 339	\$ 317	\$ 301	\$ 289	\$ 324	
Slot Win %	7.4%	7.5%	7.8%	7.7%	7.3%	7.3%	7.1%	7.0%	7.4%

⁽¹⁾ Slot Win/Slot/Day is an average, presented in dollars.

Revenues

Gaming revenues in the first quarter of 2007 increased by 8% relative to the first quarter of 2006 as a result of increased slot coin-in and slot win at our Fraser Downs Racetrack and Casino ("Fraser Downs").

Racetrack revenues in the first quarter of 2007 increased by 17% compared to the first quarter of 2006 due to the addition of teletheatres at the River Rock Casino Resort in March 2006 and the Boulevard Casino in September 2006. While the addition of teletheatres has reduced our on-track wagering at Fraser Downs and Hastings Racecourse, this has been more than offset by the increased revenues from the off-track teletheatre wagering. Racetrack revenues decreased compared to the fourth quarter of 2006 primarily due to having no live racing at Hastings Racecourse in the first quarter of 2007 while having 18 live race days in the fourth quarter of 2006. The Hastings Racecourse 2007 racing season began on April 28, 2007.

Expenses

Human resources expenses and human resources as a percentage of revenues before promotional allowances in the first quarter of 2007 decreased from the first quarter of 2006. We believe this improvement resulted from our continued effort to improve labour efficiency. Human resources expenses in the first quarter of 2007 decreased relative to the fourth quarter of 2006, due to fewer live racing days in the first quarter of 2007.

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Property, marketing and administration expenses in the first quarter of 2007 have remained relatively consistent with the first and fourth quarters of 2006.

EBITDA

EBITDA and EBITDA as a percentage of revenues improved over the first quarter of 2006 due to increased revenues. EBITDA and EBITDA as a percentage of revenues improved over the fourth quarter of 2006 despite a decline in revenues, due to our continued efforts to control human resources expenses and property, marketing and administration expenses.

Georgian Downs

	First Quarter		%	Fourth Quarter		%
	2007	2006	Change	2006	Change	
Gaming revenues	\$ 2.0	\$ 2.5	(20%)	\$ 2.3	(13%)	
Racetrack revenues	0.1	0.6	(83%)	0.6	(83%)	
Hospitality and other revenues	0.7	1.0	(30%)	1.2	(42%)	
Revenues before promotional allowances	2.8	4.1	(32%)	4.1	(32%)	
Less: Promotional allowances	-	-	0%	-	0%	
Revenues	2.8	4.1	(32%)	4.1	(32%)	
Human resources	0.7	1.1	(36%)	1.1	(36%)	
Property, marketing and administration	1.3	1.5	(13%)	1.6	(19%)	
EBITDA ⁽¹⁾	\$ 0.8	\$ 1.5	(47%)	\$ 1.4	(43%)	

Human resources as a % of Revenues before promotional

allowances **25.0%** 26.8% 26.8%

EBITDA as a % of Revenues **28.6%** 36.6% 34.1%

⁽¹⁾ EBITDA is a non-GAAP measure defined in the Introduction - Non-GAAP Measures section of this MD&A.

Revenues

On January 1, 2007, our Georgian Downs horse racing contract with the Ontario Harness Horse Association ("OHHA") expired without being renewed. We reached a new agreement with OHHA on March 6, 2007, but during the intervening period, members of OHHA engaged in protests at the property and there was no live or simulcast racing and wagering at the property. The slot floor operated by OLG remained open during this period, but lowered customer visitation reduced gaming, hospitality and other revenues compared to the first and fourth quarters of 2006. Live and simulcast racing at Georgian Downs recommenced on March 10, 2007 and horse race wagering levels are returning to previous levels.

Expenses

Human resources as a percentage of revenues before promotional allowances decreased compared to the first and fourth quarter of 2006, as we temporarily laid off many of our racing staff during the racing stoppage.

Property, marketing and administration expenses in the first quarter of 2007 were lower than the first and fourth quarters of 2006 primarily due to reduced food and beverage costs, as we experienced reduced food and beverage sales due to the racing stoppage.

EBITDA

EBITDA and EBITDA as a percentage of revenues in the first quarter of 2007 declined from the first and fourth quarters of 2006 as a result of the racing stoppage. We have a new racing contract with OHHA, and we expect Georgian Downs to return to previous levels of revenues and earnings later this year.

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Flamboro Downs

	First Quarter		%	Fourth Quarter		%
	2007	2006	Change	2006	Change	
Gaming revenues	\$ 3.1	\$ 2.7	15%	\$ 2.7	15%	
Racetrack revenues	1.1	1.2	(8%)	1.2	(8%)	
Hospitality and other revenues	1.0	1.4	(29%)	1.2	(17%)	
Revenues before promotional allowances	5.2	5.3	(2%)	5.1	2%	
Less: Promotional allowances	(0.1)	-	0%	-	0%	
Revenues	5.1	5.3	(4%)	5.1	0%	
Human resources	1.8	2.1	(14%)	1.9	(5%)	
Property, marketing and administration	1.7	1.6	6%	1.6	6%	
EBITDA ⁽¹⁾	\$ 1.6	\$ 1.6	0%	\$ 1.6	0%	
Human resources as a % of Revenues before promotional allowances	34.6%	39.6%		37.3%		
EBITDA as a % of Revenues	31.4%	30.2%		31.4%		

⁽¹⁾ EBITDA is a non-GAAP measure defined in the Introduction - Non-GAAP Measures section of this MD&A.

Revenues

Gaming revenues in the first quarter of 2007 improved over the first and fourth quarters of 2006 as a result of increased slot play at Flamboro Downs.

Racetrack revenues in the first quarter of 2007 decreased slightly compared to the first and fourth quarters of 2006, due to a decrease in the number of customers participating in on-track wagering, while teletheatre simulcast wagering has remained consistent with prior periods.

Hospitality and other revenues decreased due to a reduction in OLG promotions directly linked to food and beverage offers, as well as the closure of our less profitable food and beverage outlets at the property.

We are considering options to improve visitation at Flamboro Downs, including possible upgrades to teletheatre and food and beverage outlets that could improve the facilities' customer draw and increase on-track wagering and hospitality and other revenues.

Expenses

Human resources expenses and human resources as a percentage of revenues before promotional allowances in the first quarter of 2007 decreased over the first and fourth quarters of 2006. We believe this improvement resulted from our continued effort to improve labour efficiency at the property.

Property, marketing and administration expenses in the first quarter of 2007 increased slightly compared to the first and fourth quarters of 2006. While our food and beverage expenses decreased relative to the prior periods, these reductions were offset by slight increases in our occupancy costs on items such as maintenance and utilities.

EBITDA

EBITDA and EBITDA as a percentage of revenues in the first quarter of 2007 improved over the first quarter of 2006 despite a reduction in revenues. We believe this reflects our continued effort to improve labour efficiency at the property. EBITDA and EBITDA as a percentage of revenues in the first quarter of 2007 remained consistent with the fourth quarter of 2006.

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Corporate & Other

	First Quarter		%	Fourth quarter	%
	2007	2006	Change	2006	Change
Other revenues	0.1	-	N/M ⁽²⁾	-	N/M ⁽²⁾
Human resources	5.0	5.3	6%	5.0	0%
Property, marketing and administration	2.2	2.5	12%	1.8	(22%)
EBITDA ⁽¹⁾	\$ (7.1)	\$ (7.8)	9%	\$ (6.8)	(4%)

⁽¹⁾ EBITDA is a non-GAAP measure defined in the Introduction - Non-GAAP Measures section of this MD&A.

⁽²⁾ Not meaningful.

Human Resources

Human resources expenses for the first quarter of 2007 decreased by 6% compared to the first quarter of 2006 and were consistent with fourth quarter of 2006. During 2005 and early 2006, our head office and overhead structure grew rapidly to handle the significant level of acquisitions we made during 2005. We decreased human resource costs in the first quarter of 2007 compared to the first quarter of 2006 as we gained greater control over our head office costs and improved our head office labour efficiency. We continue to monitor our Corporate costs and are both reviewing and improving our work processes with the goal of becoming even more efficient.

Property, Marketing and Administration

Property, marketing and administration expenses in the first quarter of 2007 decreased by 12% compared to the first quarter of 2006 due primarily to a reduction of professional fees. Property, marketing and administration expenses in the first quarter of 2007 have increased compared to the fourth quarter of 2006 primarily due to TSX filing fees normally incurred in the first quarter and an increase in regulatory and licensing costs related to appointments of new directors and officers.

Discussion of Items Excluded from EBITDA

Amortization

Amortization increased over the first quarter of 2006 due to a larger asset base being amortized, as we had capital projects in progress at Boulevard Casino, Chances, and the Nova Scotia casinos during 2006 that were not yet being amortized. Amortization for the first quarter of 2007 decreased compared to the fourth quarter of 2006, primarily due to impairments of investments and property, plant and equipment in the fourth quarter of 2006.

Stock-Based Compensation

Stock-based compensation in the first quarter of 2007 decreased 36% compared to the first quarter of 2006 due to forfeitures of options by certain option holders during the second quarter of 2006. Stock based compensation increased slightly in the first quarter of 2007 compared to the fourth quarter of 2006 due to the issue of options in late March 2007.

Restructuring Costs

Restructuring costs for the first quarter of 2007 were \$nil compared to \$1.6 in the first quarter of 2006 and \$7.0 in the fourth quarter of 2006. In the first quarter of 2006, restructuring costs included severance expenses related to departed employees. Restructuring costs were significantly higher in the fourth quarter of 2006, due primarily to the \$5.6 charge for the buyout of the hospitality management services agreement with Mayfield Consulting Canada Inc.

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Interest and Financing Costs, net

Interest and financing costs, net of interest income, increased compared to the first and fourth quarters of 2006 primarily due to amortization of deferred transaction costs associated with the Bridge Credit Facility, offset by the increase in the fair value of our derivative asset that represents the fair value of the early redemption option on our Senior Subordinated Notes.

Impairment of Goodwill

Impairment of goodwill in the fourth quarter of 2006 related to the write off of \$9.9 in goodwill associated with our investment in Hastings Entertainment Inc., the subsidiary that operates the Hastings Racecourse. The impairment charge resulted from a year-end review of our operations and normal course impairment tests associated therewith. Notwithstanding the write-down, the Company is committed to the next stage of the Hastings Racecourse development.

Income Taxes

Income tax expense is higher in the first quarter of 2007 primarily as a result of higher earnings before taxes compared to the first and fourth quarters of 2006.

Net Earnings (Loss)

Net earnings for the first quarter of 2007 have improved significantly over the first quarter of 2006 primarily due to increased EBITDA. The fourth quarter of 2006 resulted in a net loss primarily due to the restructuring costs related to the buyout of the hospitality management services agreement with Mayfield Consulting Canada Inc. and the write off of goodwill related to our investment in Hastings Entertainment Inc.

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CONSOLIDATED QUARTERLY RESULTS TREND

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005
Revenues	\$ 95.6	\$ 98.1	\$ 100.2	\$ 95.7	\$ 91.3	\$ 89.5	\$ 77.2	\$ 71.8
EBITDA ⁽¹⁾	\$ 25.4	\$ 25.4	\$ 27.0	\$ 24.1	\$ 21.7	\$ 14.9	\$ 20.3	\$ 23.6
EBITDA as a % of Revenues	26.6%	25.9%	26.9%	25.2%	23.8%	16.6%	26.3%	32.9%
Net earnings (loss)	\$ 4.3	\$ (11.5)	\$ (14.1)	\$ 6.1	\$ 0.9	\$ (9.1)	\$ 6.4	\$ 10.6
Earnings (loss) per common share:								
Basic	\$ 0.05	\$ (0.13)	\$ (0.16)	\$ 0.07	\$ 0.01	\$ (0.11)	\$ 0.08	\$ 0.14
Diluted	\$ 0.05	\$ (0.13)	\$ (0.16)	\$ 0.07	\$ 0.01	\$ (0.11)	\$ 0.08	\$ 0.14

⁽¹⁾ "EBITDA" is a non-GAAP measure and is defined in the Introduction - Non-GAAP Measures section of this MD&A

For Great Canadian Gaming Corporation, the first quarter of 2007 showed continued progress towards our goals of driving better efficiencies and increased value from our past expansions and acquisitions. Our revenues increased 5% and our EBITDA increased 17% over the first quarter of 2006. This translated to an increase in our EBITDA as a percentage for revenues for the first quarter of 2007 to 26.6% compared to 23.8% in the first quarter of 2006. The increase in our consolidated results over the first quarter of 2006 reflect a continued trend towards improved operating results driven by revenue growth at the majority of our properties and the continued realization of efficiencies at both the site and head office levels.

Net earnings were \$4.3 for the first quarter of 2007, as compared to the loss in the fourth quarters of 2006 that was negatively affected by the costs associated with the buyout of the hospitality management services agreement with Mayfield Consulting Canada Inc. in October 2006 and the write off our goodwill associated with our investment in Hastings Entertainment Inc. in December 2006.

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LIQUIDITY AND CAPITAL RESOURCES

Financial Position

	As at March 31, 2006	As at December 31, 2006	% Change
Cash and cash equivalents	\$ 120.5	\$ 56.8	112%
Other current assets	48.5	55.8	(13%)
Property, plant and equipment	561.4	565.8	(1%)
Due from Nova Scotia Gaming Corporation	13.3	17.7	(25%)
Other long-term assets	247.8	244.6	1%
	\$ 991.5	\$ 940.7	5%
Current liabilities	104.6	65.7	59%
Long-term debt, excluding current portion	385.9	390.3	(1%)
Other long-term liabilities	100.5	89.8	12%
Shareholders' equity	400.5	394.9	1%
	\$ 991.5	\$ 940.7	5%

Cash and cash equivalents have increased since December 31, 2006 primarily due to cash inflows from operations and from our refinancing. Cash and cash equivalents includes \$41.7 for the repayment of the Flamboro Promissory Note in June 2007.

Other current assets have decreased from December 31, 2006 due to decreases in accounts receivable, income taxes receivable, and prepaids, deposits and other assets.

The long-term balance due from Nova Scotia Gaming Corporation has decreased from December 31, 2006 due to payments received from NSGC.

Current liabilities have increased from December 31, 2006 due to the presentation of the Flamboro Promissory Note as a current liability at March 31, 2007.

Other long-term liabilities have increased from December 31, 2006 due to the new long-term derivative liabilities as at March 31, 2007.

Changes in Cash Flows

	First Quarter		% Change
	2007	2006	
Cash inflow from operating activities	\$ 16.2	\$ 9.0	80%
Cash outflow from investing activities	(1.1)	(15.8)	(93%)
Cash inflow from financing activities	48.6	35.2	38%
Effect of foreign exchange on cash and cash equivalents	-	0.2	(100%)
Increase (decrease) in cash	\$ 63.7	\$ 28.6	123%

The increase in cash inflow from operating activities in the first quarter of 2007 relative to the first quarter of 2006 was primarily due to increased EBITDA and changes to non-cash working capital.

The decrease in cash outflow from investing activities in the first quarter of 2007 compared to the first quarter of 2006 was primarily due to the significant construction projects that were in progress in the prior year. These include the renovations at the Casinos Nova Scotia, the new Chances in Dawson Creek, and

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the Boulevard Red Robinson Show Theatre.

In the first quarter of 2007, the net positive cash flow from financing resulted from the proceeds of our new financing less the repayment of the Bridge Credit Facility. In the first quarter of 2006, the net positive cash flow resulted from the issuance of common shares offset by repayments of amounts borrowed under the Company's former credit facility.

Capital Resources

Long-Term Debt and Equity Transactions

	March 31, 2007	December 31, 2006
Term Loan B, net of unamortized transaction costs of \$3.4	\$ 192.9	\$ -
Senior Subordinated Notes, net of unamortized transaction costs of \$6.9	191.5	-
Flamboro Promissory Note	41.7	41.7
HEI Promissory Note	3.3	3.4
Obligations under capital leases and other debt	1.4	1.4
Bridge Credit Facility - Revolving Credit Facility	-	\$ 95.0
Bridge Credit Facility - Non-Revolving Credit Facility	-	250.0
	\$ 430.8	\$ 391.5

Debt Refinancing

On February 14, 2007, the Company completed its debt refinancing to retire the Bridge Credit Facility. This debt refinancing was the final step of a restructuring process that began last year with the establishment of a Bridge Credit Facility that we used to redeem the former Series A and Series B Senior Secured Notes. We believe the new long-term debt structure provides us with enhanced flexibility to pursue value-creating growth opportunities in our chosen markets. Details of the covenants and conditions of our new debt financing are disclosed in the notes to the Annual Financial Statements.

The debt refinancing consisted of three components: (i) an undrawn \$200.0 Senior Secured Revolving Credit Facility (the "Revolving Credit Facility") with a term of 5 years; (ii) a US\$170.0 Senior Secured Term Loan B (the "Term Loan B") with a term of 7 years; and (iii) US\$170 Senior Subordinated Notes (the "Subordinated Notes") with a term of 8 years. The Company has the option to increase the Revolving Credit Facility or issue additional term loans by up to \$150.0 on the same terms and conditions in the case of the Revolving Credit Facility and on the same terms and conditions except with limitations on the market interest rate margin applicable at the time in the case of the term loans. The gross proceeds of the Term Loan B and the Subordinated Notes were \$401.9. The three components of the new debt facilities are guaranteed by the Company and its principal subsidiaries. The Revolving Credit Facility and the Term Loan B are secured by substantially all the assets of the Company and its principal subsidiaries.

The Revolving Credit Facility has a term of 5 years. The interest rate on advanced amounts and the commitment fee on the unused facility are based on the Company's Total Debt to Adjusted EBITDA ratio as defined in the underlying debt agreements, which is calculated quarterly.

The Term Loan B is denominated in US dollars (US\$170.0) and bears interest at a floating rate (LIBOR plus 1.5%), payable quarterly. The Company has hedged both the currency risk and the floating interest rate risk to effectively result in a principal of \$200.8 in Canadian dollars and a fixed interest rate of 6.1% per annum. The Term Loan B has a term of 7 years and is repayable without premium or penalty, subject to customary costs, at any time. Principal repayments of \$0.5 in Canadian dollars are required quarterly, with the balance due at maturity on February 13, 2014.

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The Senior Subordinated Notes (the "Subordinated Notes") are guaranteed by the Company and substantially all of its subsidiaries, and are unsecured. The Subordinated Notes are denominated in US dollars (US\$170.0) and bear interest at a rate of 7.25%, payable semi-annually. The Company has hedged the currency risk to effectively result in a principal of \$201.1 in Canadian dollars at a fixed interest rate of 6.6% per annum. The Subordinated Notes have a term of 8 years with the principal amount of the notes repayable at maturity on February 15, 2015. There are provisions for early redemptions of the Subordinated Notes during defined periods prior to maturity with payment of defined premiums. These provisions for early redemption were recorded at their fair value on February 14, 2007 as a derivative asset and as a premium on the Subordinated Notes.

The new debt facilities provide the Company with a more flexible debt structure, a leverage more typical of the industry, the opportunity to lower our overall cost of capital, and the capacity to fund future growth and expansion opportunities.

Cross-Currency Interest Rate and Currency Swap Agreements & Hedge Accounting

Part of our new financing is denominated in U.S. dollars and bears floating interest rate. Our risk management strategy is to minimize exposure to currencies other than Canadian dollars, and with the exception of revolving lines of credit, to fix substantially all of our floating interest rate debt. As a result, we have entered into cross-currency interest rate swap agreements with creditworthy financial institutions to effectively convert both the \$170.0 U.S. dollar floating interest rate Term Loan B and the \$170.0 U.S. dollar fixed interest rate Senior Subordinated Notes into Canadian dollar fixed interest rate debt.

The cross-currency interest rate agreements are:

Debt	Notional Principal		Interest Rate		Maturity Date
	Receive (USD)	Pay (CAD)	Receive (USD)	Pay (CAD)	
Term Loan B	\$170.0 ⁽¹⁾	\$200.8 ⁽¹⁾	US LIBOR+1.50%	6.1%	February 13, 2014
Subordinated Notes	\$170.0	\$201.1	7.25%	6.6%	February 15, 2015

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

These cross-currency interest rate swaps have been evaluated by the Company and have been designated as effective hedges of the cash flows associated with the Term Loan B and the Subordinated Notes. The Company has applied hedge accounting to these swaps, as it believes hedge accounting to be representative of the economic substance of the underlying transactions.

The cross-currency interest rate swaps have been recorded as long-term derivative liabilities at their fair value of \$13.1. The cross-currency interest rate swaps were determined to be fully effective hedges of the cash flows associated with the Term Loan B and the Subordinated Notes, and accordingly 100% of the changes in fair values, net of taxes, have been recorded in other comprehensive income as changes in fair value values of derivatives designated as cash flow hedges.

The fair values of our cross-currency interest rate swaps at March 31, 2007 were determined based on a discounted cash flow model. This model makes assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and the U.S. at March 31, 2007.

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Embedded Derivative

The Company's Subordinated Notes agreement has provisions for early redemption during defined periods prior to maturity with the payment of defined premiums. On issuance of the Subordinated Notes on February 14, 2007, the \$2.1 fair value of this embedded derivative was recorded as a derivative asset included in other assets and as a premium on the long-term debt on the consolidated statements of financial position. The fair value of this embedded derivative included in other assets as at March 31, 2007 is \$2.5 and the change in the fair value was recorded in interest and financing, net on the consolidated statements of earnings. The premium is amortized over the term of the Subordinated Notes using the effective interest method.

Outstanding Share Data

As at March 31, 2007, there were 86,528,630 common shares outstanding as compared to 86,146,631 as at December 31, 2006. As at May 14, 2007, there were 86,659,881 common shares outstanding.

As at March 31, 2007, there were 6,543,468 stock options outstanding at a weight average exercise price of \$12.37, and 6,206,361 warrants outstanding at a weighted average exercise price of \$12.89. As at May 14, 2007, there were 6,462,218 stock options and 6,206,361 warrants outstanding.

Capital Spending and Development

The following table summarizes our capital expenditures in the first quarter of 2007 and the approved capital spending and development plans for the remainder of 2007:

	Estimated 2007 Capital Expenditures		
	Maintenance	Expansion	Total
Actual first quarter 2007 capital expenditures	\$ 1.9	\$ 1.6	\$ 3.5
Expected remaining spend during 2007	11.5	12.2	23.7
Estimated 2007 Total	\$ 13.4	\$ 13.8	\$ 27.2

The majority of the estimated \$22.5 of capital expenditures in British Columbia are expected to be eligible for recovery from BCLC through the Facilities Development Commission and the Accelerated Facilities Development Commission. Approximately \$4.0 of capital expenditures at the Nova Scotia Casinos are eligible for reimbursement from NSGC through the Capital Reserve Account. Expansion capital expenditures relate to the Canada Line Parking Garage and conference facility construction at River Rock. Maintenance capital expenditures consist primarily of capital items related to company wide property upgrades, surveillance equipment and information technology.

Commitments

	Expected Payments by Period as at March 31, 2007				
	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years	Total
Long-term debt	\$ 44.2	\$ 5.1	\$ 5.1	\$ 375.0	\$ 429.4
Capital lease obligations	0.7	0.6	0.1	-	1.4
Operating leases and contracts	3.6	5.8	5.4	19.7	34.5
Total	\$ 48.5	\$ 11.5	\$ 10.6	\$ 394.7	\$ 465.3

The long-term debt contractual obligations include primarily the principal repayments of the Term Loan B

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and the Subordinated Notes and the repayment of the debts assumed on the acquisition of Flamboro Downs and Hastings Racecourse.

Operating leases and contracts include primarily property leases for our head office, a ground lease with the city of Surrey, BC for Fraser Downs, a ground lease with the city of Sydney, NS for our Casino Nova Scotia Sydney, and commitments to provincial lottery corporations to fund responsible gambling programs.

Contingencies

We have issued letters of credit to guarantee performance under contracts and gaming cash floats in the aggregate amount of \$23.8 at March 31, 2007.

As part of certain acquisition agreements, including those entered into on the acquisition of Fraser Downs and Georgian Downs, we have agreed to make future contingent payments dependent on operations at these locations.

Guarantees and Indemnifications

The Company may provide guarantees and indemnifications in conjunction with transactions in the normal course of operations. These are recorded as liabilities when reasonable estimates of the obligations can be made. Guarantees and indemnifications that the Company has provided include obligations to indemnify:

- directors and officers of the Company and its subsidiaries for potential liability while acting as a director or officer of the Company together with various expenses associated with defending and settling such suits or actions due to association with the Company, the risk of which is mitigated by the Company's directors' and officers' liability insurance;
- certain vendors of acquired companies or property for obligations that may or may not have been known at the date of the transaction;
- certain financial institutions for costs that they may incur as a result of representations made in our debt offering documents;
- lessors of leased properties for personal injury claims that may arise at the facilities we operate; and
- Mayfield Canada Inc. for certain claims that may arise related to their former employees.

Litigation

A community group called the Hastings Park Conservancy, opposing the introduction of slot machines at Hastings Racecourse, challenged in the Supreme Court of British Columbia a City of Vancouver by-law amendment permitting slot machines at Hastings Racecourse. This challenge was unsuccessful, as the Supreme Court upheld the Vancouver by-law amendment. The community group has filed an appeal with the British Columbia Court of Appeal. We believe that the appeal is without merit and is unlikely to overturn the Supreme Court's original ruling.

If the appellate court quashes the by-law amendment, this could result in a delay in the development of Hastings Racecourse. If we are unable to install slot machines at Hastings Racecourse, our investment in that operation would be adversely affected.

In addition, the Company is involved in claims and litigation arising in the ordinary course of business. We believe that the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Company.

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Future Cash Requirements

We believe that our current approved capital plans and operational requirements can be funded from existing cash, cash generated from operations, our existing credit and debt facilities, and proceeds from the exercise of stock options or warrants. If we have increased cash requirements and do not want to delay, limit, or eliminate some of our plans, we may raise additional funds through the refinancing of existing debt or the issuance of non-debt securities or additional equity securities. If we raise additional funds through the issuance of equity securities or the exercise of stock options or warrants, the current shareholders' ownership percentages will be reduced and such equity securities may have rights, preferences, or privileges senior to our common shares.

OTHER FINANCIAL INFORMATION

Related Party Transactions

The following table summarizes related party transactions and balances that are in addition to those noted elsewhere in the MD&A for the first quarter of 2007.

Consolidated Statements of Earnings	First Quarter	
	2007	2006
Other Income		
ATM revenues from a company that has a director who is a member of senior management of the Company ⁽¹⁾	\$ 0.2	\$ 0.3
Human Resources		
Amounts for dealer training services provided by a company controlled by a director of the Company	0.2	0.2
	As at	As at
Consolidated Statements of Financial Position	March 31, 2007	December 31, 2006
Accounts Payable and Accrued Liabilities		
Severance not yet paid to a former employee who is also a director of the Company	\$ 0.2	\$ 0.2
Other Assets		
Amounts due from senior management of the Company	0.3	0.3

⁽¹⁾ During the period, the related party sold the ATM service contract to an unrelated service provider.

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.

Change in Accounting Policies

On January 1, 2007, the Company adopted new accounting policies for financial instruments by adopting the following new standards of the Canadian Institute of Chartered Accountants ("CICA"): Handbook Section 1530 – Comprehensive Income; Handbook Section 3251 – Equity; Handbook Section 3855 – Financial Instruments – Recognition and Measurement; Handbook Section 3861 – Financial Instruments – Disclosure and Presentation; and Handbook Section 3865 – Hedges. These new standards have been applied retrospectively without prior period restatement, except for the presentation of the cumulative foreign currency translation adjustment on the statements of financial position as a component of other

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comprehensive income (loss). The change in accounting policies had no other material impact on the Company's consolidated financial statements at January 1, 2007.

Comprehensive Income

CICA Handbook Section 1530 introduces comprehensive income, which consists of net earnings on the consolidated statement of earnings and other comprehensive income ("OCI"). OCI represents changes in shareholders' equity in a period arising from changes in the cumulative foreign currency translation gains and losses arising from self-sustaining foreign operations, gains and losses on derivatives designated as cash flow hedges transferred to net earnings in the current period, and the portion of the change in the fair values of the Company's cross-currency interest rate swaps that is determined to be effective.

Financial Instruments

CICA Handbook Sections 3855 and 3861 establish standards for the recognition, measurement, presentation and disclosure of financial instruments. Financial instruments are initially recognized at fair value. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values of financial instruments are based on independent prices quoted in active markets. In the absence of an active market, fair values are determined based on valuation models such as discounted cash flows, which require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. Subsequent measurement depends on management's classification of the financial assets as held-for-trading, available-for-sale, held-to-maturity, or as loans and receivables, and financial liabilities as held-for-trading or as other liabilities. The classification of financial instruments depends on the nature of and the purpose of the financial instruments, management's choice and in some circumstances, management's intentions.

Held-for-Trading

Financial instruments classified as held-for-trading are measured at fair value with the realized and unrealized changes in fair value recognized each reporting period in the consolidated statement of earnings. The Company had no transition adjustments at January 1, 2007 for held-for-trading financial instruments, as the Company's held-for-trading financial instruments were already carried at fair value.

Available-for-Sale

Financial assets classified as available-for-sale are measured at fair value with the unrealized changes in fair value recorded each reporting period in OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted price in an active market are recorded at cost. Each reporting period, available-for-sale assets are written down to fair value through the consolidated statement of earnings to reflect impairments that are considered to be other than temporary. The Company had no transition adjustments at January 1, 2007, as its available-for-sale financial instruments were carried at their fair value of \$nil to reflect an impairment.

Held-to-Maturity and Loans and Receivables

Financial instruments classified as held-to-maturity and loans and receivables are measured at amortized cost using the effective interest method. The Company had no material transition adjustments at January 1, 2007 for held-to-maturity financial instruments, loans and receivables, or other liabilities as their historical cost as at January 1, 2007 approximated their amortized cost.

Embedded Derivatives

The Company performed a search for embedded derivatives, and other than the embedded derivative related to the early redemption option on the Senior Subordinated Notes, the Company does not have any

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material embedded derivatives that require separate accounting.

Hedges

CICA Handbook Section 3865 specifies the criteria that must be satisfied in order for a financial instrument to be considered an effective hedge and for hedge accounting to be applied. It also defines the accounting treatment for each of the permitted hedging strategies: fair value hedges, cash flow hedges, and hedges of foreign currency exposures of net investments in self-sustaining foreign operations. The Company assesses the effectiveness of its hedging instruments at each reporting period. Hedge accounting is discontinued prospectively when the hedging relationship no longer qualifies as an effective hedge, or it is terminated upon the early termination of the hedged item. When hedge accounting is discontinued, changes in fair value of these financial instruments are recorded as interest and financing, net on the consolidated statements of earnings.

The Company had no transition adjustments for hedges, as it had no hedging relationships at January 1, 2007.

In anticipation of refinancing the Company's debt in the current period, the Company entered into cross-currency interest rate swaps to hedge the U.S. dollar exchange rate and interest rate risks associated with the issued debt. The Company designated these cross-currency interest rate swaps as cash flow hedges. These hedging instruments are presented on the consolidated statements of financial position at fair value. The portion of the change in fair values of the cross-currency interest rate swaps that is determined to be effective is recorded in OCI as changes in fair value of derivatives designated as cash flow hedges and any ineffective portion is recorded as interest and financing, net in the consolidated statements of earnings. The hedged debt is translated to Canadian dollars at the exchange rate in effect on the last day of the reporting period.

Translation of Foreign Operations

As specified in CICA Handbook Section 1530, on transition, the Company presented the unrealized effect of foreign currency translation of foreign operations as a component of OCI for the current and prior periods.

Transaction Costs

In accordance with its accounting policy election under CICA Handbook Section 3855., the Company recorded transaction costs for the Subordinated Notes and the Term Loan B as a reduction of the related debt, and amortizes these costs using the effective interest method over the term of the related debt. Financing costs related to the Revolving Credit Facility are included in other assets on the consolidated statements of financial position and are amortized on a straight-line basis over the term of the Revolving Credit Facility.

Critical Accounting Estimates

Our reported financial position and results of operations are dependent on our selection of accounting policies that are based on Canadian generally accepted accounting principles and accounting estimates that underlie the preparation of our consolidated financial statements. Our consolidated financial statements contain a summary of our significant accounting policies and accounting estimates. Estimates by their nature are subject to risks, uncertainties and assumptions, which could cause our financial position and operating results to differ materially from those currently presented in our consolidated financial statements. Future changes in accounting estimates are applied on a prospective basis

The critical accounting estimates that we believe are the most judgmental or are material to our

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consolidated financial statements, are those relating to business combinations, long-lived asset and goodwill impairment, stock-based compensation, income taxes, and the fair value of our derivative asset and liabilities.

There have been no changes to our commentary, methods, or estimates on these critical accounting estimates to those presented in our MD&A for the year ended December 31, 2006, with the exception of determining the fair values of our derivative asset and liabilities. The fair values of our derivative asset and liabilities are based on discounted cash flow models that make assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and the U.S. The fair value of our derivative asset also requires estimates of the probability that we will exercise our early redemption option on the Subordinated Notes over the remaining term of the debt.

Financial Instruments and Other Instruments

The Company's risk management strategy is to minimize exposure to currencies other than Canadian dollars and, with the exception of revolving lines of credit, to fix substantially all of its floating interest rate debt. The financial instruments that give rise or may give rise to the most significant exposure to foreign currency and floating interest rate risk are the Term Loan B, the Subordinated Notes, and the Revolving Credit Facility.

The Company entered into a series of cross-currency interest rate swaps to hedge the currency and interest rate risks associated with the Term Loan B and the Subordinated Notes. Refer to the "Capital Resources" section of this MD&A for discussion on our financing and the hedging activities used to manage the foreign currency and interest rate risks.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal controls over financial reporting to provide reasonable assurance a) that material information about the Company and its subsidiaries would have been made known to them and b) regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

The Chief Executive Officer and Chief Financial Officer have evaluated and concluded that the Company's disclosure controls and procedures are adequately designed and effective for providing reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, would have been made known to them as of the end of the fiscal year ended December 31, 2006.

As well, as of the end of the fiscal year ended December 31, 2006, the Chief Executive Officer and Chief Financial Officer have evaluated and concluded that the Company's internal controls over financial reporting have been adequately designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes. However, control systems, no matter how well designed and operated, have inherent limitations, therefore, those systems, although determined adequately designed, can provide only reasonable assurance that the objectives of the system are met.

During the first quarter of 2007, there was no change in our internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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Definitions of Other Terms Used in the MD&A

Revenues – means the sum of the following:

- Casino gaming in BC – gaming revenue is net of commissions paid to BCLC (commissions 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 racinos) and is 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 revenue is net of commissions paid to BCLC (commissions are 75% of the win on slots, and 40% to 75% of the weekly bingo win) and is net of prizes.
- Horseracing in BC and Ontario – racino 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 other associations.
- Casino gaming in Washington - gaming revenue 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.
- Casino gaming in Nova Scotia – from May 31, 2005 to June 30, 2005, gaming revenue is net of 20% win tax paid to the province of Nova Scotia and 1.5% for the capital replacement reserve to NSGC. From July 1, 2005, gaming revenue is equal to 52.725% of the gaming win.
- Slot commissions in Ontario – slot machine commissions represent 10% of the win from slot machines operated by OLG.
- Food and beverage revenues – revenues are recorded at the retail price at the time of service. Food and beverage revenues in Nova Scotia are recorded at retail price less 47.275% to NSGC.
- Hotel revenues – revenues are recognized as services are performed.
- Other income – Consist of ATM commissions, theatre revenues, advertising revenues, and other income from ancillary services.
- Promotional allowances – the retail value of promotional allowances furnished to guests without charge, which have been included in food and beverage revenues, are deducted.
- Win – the gaming win is generally the amount wagered on gaming activities, less the payout or prizes to winning customers. Win, as a percentage of the coin-in or drop, can fluctuate with the statistical variations of casino games.

Additional Information

Effective April 23, 2007, the Company's common shares begin trading on the Toronto Stock Exchange ("TSX") under the new TSX ticker symbol GC. The Company's common shares were previously listed on the TSX under the ticker symbol GCD.

Additional information relating to the Company, including the Company's Annual Financial Statements and Annual Information Form, can be located on the SEDAR website at www.sedar.com or on the Company's website at www.gcgaming.com.

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SUPPLEMENTAL FINANCIAL INFORMATION

Consolidated Quarterly Results Trend

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Gaming Revenues					
River Rock Casino Resort	\$ 21.5	\$ 19.4	\$ 20.9	\$ 19.1	\$ 18.5
Boulevard Casino	12.4	12.8	12.1	11.6	12.9
Vancouver Island Casinos	8.5	8.5	8.9	8.8	8.4
Other BC Casinos	3.8	3.6	3.3	3.1	3.0
Nova Scotia Casinos	10.3	11.7	13.5	11.6	10.5
Great American Casinos	6.5	6.3	5.4	5.9	5.5
BC Racinos	2.6	2.6	2.5	2.6	2.4
Georgian Downs	2.0	2.3	2.4	2.6	2.5
Flamboro Downs	3.1	2.7	3.1	3.1	2.7
Corporate & Other	-	-	0.3	-	-
	70.7	69.9	72.4	68.4	66.4
Facility Development Commission					
River Rock Casino Resort	1.8	1.7	1.8	1.7	1.6
Boulevard Casino	1.2	1.2	1.2	1.1	1.2
Vancouver Island Casinos	1.0	1.0	1.0	1.0	1.0
Other BC Casinos	0.3	0.3	0.3	0.2	0.3
BC Racinos	0.7	0.6	0.6	0.6	0.6
	5.0	4.8	4.9	4.6	4.7
Racetrack Revenues					
BC Racinos	5.4	5.7	6.4	6.1	4.6
Georgian Downs	0.1	0.6	0.7	0.7	0.6
Flamboro Downs	1.1	1.2	1.2	1.3	1.2
	6.6	7.5	8.3	8.1	6.4
Hospitality and Other Revenues					
River Rock Casino Resort	6.9	8.0	7.0	7.2	6.7
Boulevard Casino	1.7	2.0	1.3	1.5	1.7
Vancouver Island Casinos	1.0	1.0	0.9	0.9	0.9
Other BC Casinos	0.5	0.4	0.4	0.3	0.3
Nova Scotia Casinos	1.3	1.4	1.7	1.3	1.5
Great American Casinos	1.3	1.4	1.1	1.1	1.2
BC Racinos	1.3	1.8	2.3	2.0	1.3
Georgian Downs	0.7	1.2	1.1	1.2	1.0
Flamboro Downs	1.0	1.2	1.3	1.1	1.4
Corporate & Other	0.1	-	-	-	-
	15.8	18.4	17.1	16.6	16.0
Promotional Allowances	(2.5)	(2.5)	(2.6)	(2.1)	(2.2)
Revenues	\$ 95.6	\$ 98.1	\$ 100.1	\$ 95.6	\$ 91.3
EBITDA ⁽¹⁾					
River Rock Casino Resort	\$ 11.7	\$ 9.8	\$ 11.1	\$ 10.4	\$ 9.8
Boulevard Casino	5.5	6.6	5.5	5.3	6.7
Vancouver Island Casinos	5.5	5.7	5.8	5.9	5.5
Other BC Casinos	1.2	1.0	0.6	0.7	0.7
Nova Scotia Casinos	2.2	2.2	4.1	2.2	1.2
Great American Casinos	1.8	1.9	1.1	1.4	1.2
BC Racinos	2.2	2.0	2.7	2.1	1.3
Georgian Downs	0.8	1.4	1.5	1.9	1.5
Flamboro Downs	1.6	1.6	1.9	2.0	1.6
Corporate & Other	(7.1)	(6.8)	(7.3)	(7.8)	(7.8)
	\$ 25.4	\$ 25.4	\$ 27.0	\$ 24.1	\$ 21.7

⁽¹⁾ EBITDA is a non-GAAP measure defined in the Introduction - Non-GAAP Measures section of this MD&A.

GREAT CANADIAN GAMING CORPORATION

Management's Discussion & Analysis

For the Three Month Period Ended March 31, 2007

(Expressed in millions, except per share information)

Presentation of Gross Revenues

Gross revenues, a non-GAAP measure, is revenues on the consolidated statements of earnings plus the portion of gaming win and other revenues retained by BCLC and NSGC, gaming taxes paid to Washington State, accruals for payouts of progressive games, payments to horse racing purse pools and promotional allowances. Gross revenues includes slot commissions in Ontario which represent 10% of the win from slot machines operated by the Ontario Lottery and Gaming Corporation ("OLG"). A reconciliation of gross revenues to revenues is presented below.

	First Quarter			Fourth Quarter	
	2007	2006	%Chg	2006	%Chg
Gross table win	\$ 66.6	\$ 60.5	10%	\$ 63.2	5%
Gross slot win	126.1	119.0	6%	125.4	1%
Gross racetrack	30.2	25.0	21%	31.4	(4%)
Revenue from FDC	5.0	4.7	6%	4.8	4%
Food and beverage	12.5	13.5	(7%)	15.0	(17%)
Hotel revenues	2.2	1.8	22%	2.4	(8%)
Other revenues	2.4	1.9	26%	2.2	9%
Gross revenues (a non-GAAP measure)	245.0	226.4	8%	244.4	0%
Less:					
Gaming, taxes and other commissions	(123.3)	(114.3)	8%	(120.0)	3%
Racetrack purses	(23.6)	(18.6)	27%	(23.8)	(1%)
Promotional allowances	(2.5)	(2.2)	14%	(2.5)	0%
Revenues	\$ 95.6	\$ 91.3	5%	\$ 98.1	(3%)