



# GREAT CANADIAN GAMING CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended  
December 31, 2007

**-AMENDED-**

*As at March 12, 2008*

*(Expressed in millions, except for share information)*

# GREAT CANADIAN GAMING CORPORATION

## Management's Discussion & Analysis

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(Expressed in millions, except for share information)

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### INTRODUCTION

#### Basis of Discussion and Analysis

This management's discussion and analysis ("MD&A") of Great Canadian Gaming Corporation (the "Company", "we", "our") is dated as of March 10, 2008. This MD&A should be read in conjunction with our audited consolidated financial statements for the years ended December 31, 2007 and 2006 ("Annual Financial Statements").

The Annual Financial Statements are prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). Unless expressly stated otherwise, all financial information is expressed in Canadian dollars. Certain prior year comparative figures have been adjusted to conform to the current year's presentation.

Capitalized terms are either defined when they first appear, or are defined at the end of this MD&A in the section titled "Other Financial Information – Definitions of Other Terms Used in the MD&A".

#### 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, 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 loss, and non-controlling interests. EBITDA is derived from the consolidated statements of earnings (loss), and can 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 as defined by the Company means revenues on the consolidated statements of earnings (loss) 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 include 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 definitions in the gaming industry. Table drop means the collective amount of money customers deposit to purchase casino chips to wager on table games, and is commonly computed as the aggregate of money counted in the table games' drop boxes. Generally, the table drop is an indicator of our gaming business, however over the short term, the table drop is subject to shifts in customer behaviour around buying, retaining and cashing-in of casino chips. Table hold is calculated as the table drop plus or minus the net change in casino chip inventory. Table hold percentage is the ratio of table hold divided by table drop. Table hold percentage fluctuates with the statistical variations or volatility inherent in casino games, as well as with changes in customer behaviour around buying, retaining and cashing-in of casino chips. Poker rake is the

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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 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 per 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 2007, and as identified in the Company's disclosure record on [www.sedar.com](http://www.sedar.com).

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

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### FINANCIAL HIGHLIGHTS

	Fourth Quarter			Twelve Months of				
	2007	2006	% Chg	2007	2006	% Chg	2005	% Chg
Revenues	\$ 100.7	\$ 98.1	3%	\$ 397.2	\$ 385.2	3%	294.4	31%
EBITDA <sup>(1)</sup>	\$ 27.9	\$ 25.4	10%	\$ 111.0	\$ 98.2	13%	76.6	28%
Human resources as a % of Revenues before promotional allowances	43.6%	44.9%		44.1%	45.2%		47.3%	
EBITDA as a % of Revenues	27.7%	25.9%		27.9%	25.5%		26.0%	
Net earnings (loss)	\$ 13.0	\$ (11.5)		\$ 35.8	\$ (18.6)		15.7	
Earnings (loss) per common share:								
Basic	\$ 0.15	\$ (0.13)		\$ 0.42	\$ (0.22)		\$ 0.20	
Diluted	\$ 0.15	\$ (0.13)		\$ 0.41	\$ (0.22)		\$ 0.20	
Total assets				\$ 957.4	\$ 940.7	2%	\$923.6	2%
Long-term debt, excluding current portion				\$ 329.4	\$ 390.3	(16%)	\$438.3	(11%)

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

2007 was a year of improvement for Great Canadian Gaming Corporation. Important strategic gaming and service expansions were completed, additional property development opportunities were initiated, and a financial structure was established to form a foundation for future growth.

In the three month ("fourth quarter of 2007") and twelve month period ("twelve months of 2007") ended December 31, 2007, the Company successfully executed operating efficiency improvement initiatives while continuing to realize increasing value from prior expansions and acquisitions. Revenues for the fourth quarter and twelve months of 2007 increased 3% over both the fourth quarter and twelve months of 2006. EBITDA for the same periods increased 10% and 13%, respectively. EBITDA as a percentage of revenues improved to 27.7% in the fourth quarter of 2007 and to 27.9% in the twelve months of 2007 compared to 25.9% in the fourth quarter of 2006 and 25.5% in the twelve months of 2006, respectively.

Net earnings increased \$24.5 in the fourth quarter of 2007 and \$54.4 in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively. The current and prior year's net earnings included some unusual items, the after-tax effects of which are summarized in the following table:

	Fourth quarter			Twelve months of		
	2007	2006	% Chg	2007	2006	% Chg
<b>Net earnings (loss)</b>	\$ 13.0	\$ (11.5)		\$ 35.8	\$ (18.6)	
<b>Unusual items, net of tax</b>						
Redemption costs of Series A & B Senior Secured Notes	-	-		-	20.4	
Goodwill impairment charge on Hastings	-	9.9		-	9.9	
Restructuring charges	0.3	4.6		0.7	7.0	
Future income tax recoveries due to decreases in enacted statutory tax rates	(10.5)	-		(11.5)	(5.2)	
Other future tax changes	2.0	-		(3.0)	-	
<b>Adjusted net earnings<sup>(1)</sup></b>	\$ 4.8	\$ 3.0	60%	\$ 22.0	\$ 13.5	63%

<sup>(1)</sup> A non-GAAP measure

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After adjusting for the above unusual items, the Company's adjusted net earnings for the fourth quarter and twelve months of 2007 increased 60% and 63%, respectively, compared to the fourth quarter and twelve months of 2006. The increases in consolidated net earnings (loss) for the fourth quarter and twelve months of 2007 reflect a continued trend towards improved operating results driven by revenue growth and operational efficiencies.

Net earnings decreased \$34.3 to a net loss of \$18.6 for the twelve months of 2006 compared to net earnings of \$15.7 for the twelve months of 2005. This decrease is mainly the result of the 2006 unusual items of \$32.1 summarized in the table above. For the twelve months of 2006, our revenues increased 31% to \$385.2 and EBITDA increased 28% to \$98.2 compared to the twelve months of 2005. The \$90.8 revenue increase resulted primarily from a full year's benefit of acquisitions and expansions completed during 2005 and growth from existing operations. The \$21.6 EBITDA increase resulted primarily from the same reasons revenues increased, a continued focus on improving operating efficiencies and the fact that 2005 was negatively effected by significant pre-opening and start up costs associated with the acquisitions and expansions in that year. This increase in EBITDA during 2006 was more than offset by \$14.5 increased amortization and \$10.7 increased net interest and financing costs that were mainly associated with the 2005 acquisitions and expansions.

The refinancing the Company completed in February 2007 created the framework and flexibility necessary to pursue strategic growth opportunities. In 2007, these included the slot and table gaming expansion at Fraser Downs Racetrack and Casino ("Fraser Downs"), the introduction of slot machines at Hastings Racecourse ("Hastings") and the completion of the conference centre at our River Rock Casino Resort ("River Rock"). The Company also announced development plans for several other properties, including a second phase slot expansion at Hastings and significant gaming expansions at the capacity constrained View Royal Casino and Georgian Downs racetrack. The Company believes this pipeline of expansion projects will both strengthen its competitive position and spur further revenue growth and earnings improvements.

## **BUSINESS DESCRIPTION**

### **General**

Great Canadian Gaming Corporation is a multi-jurisdictional gaming and entertainment operator with operations in British Columbia ("BC"), Ontario and Nova Scotia, Canada, and Washington State, United States of America ("Washington"). We operate ten casinos, a thoroughbred racetrack that offers slot machines, four standardbred racetracks (two offer slot machines and one offers both slot machines and table games), a community gaming centre, a hotel & conference centre, two show theatres and various associated food and beverage and entertainment facilities. In Canada we operate our casinos in managed markets with high barriers to entry and under long-term agreements as partners with provincial lottery corporations. Under our operating agreements in BC and Nova Scotia we are reimbursed for the majority of our capital projects. As of December 31, 2007 the Company had approximately 5,500 employees.

Information on the Canadian and Washington State gaming industries, regulatory environment and our operating agreements in these jurisdictions are included in our Annual Information Form located on the SEDAR website at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.gcgaming.com](http://www.gcgaming.com).

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The Company's principal operating entities as at December 31, 2007 are:

Entity	Abbreviation	Ownership interest %
Flamboro Downs Ltd.	Flamboro Downs	100%
Georgian Downs Limited	Georgian Downs	100%
Great American Gaming Corporation	GAGC	100%
Great Canadian Casinos Inc.	GCC	100%
Great Canadian Entertainment Centres Ltd.	GCEC	100%
Hastings Entertainment Inc.	HEI	100%
Metropolitan Entertainment Group	MEG	100%
Orangeville Raceway Ltd.	Orangeville	100%
TBC Teletheatre B.C. <sup>(1)</sup>	TBC	50%

<sup>(1)</sup>On March 18, 2005 the Company increased its ownership interest in TBC to 50% and effectively controlled it from that date.

### Business Strategy

Our mission is to be the leading gaming and entertainment company in our chosen markets by providing superior destinations, experiences, products and services. To meet this objective, we have adopted the strategies set out below. As a gaming service supplier, we work closely with our Crown corporation partners to develop our business strategy. The agreement of our Crown corporation partners may be necessary to implement certain strategies, and would be required with respect to those strategies related to the deployment of gaming assets.

**Continuously improve our operating efficiency.** We have implemented several initiatives within our business to help maintain and improve profitability. In particular, at our corporate head office and each operating facility we have implemented initiatives to realize operational synergies, workflow efficiencies and business process improvements. We have developed more focused marketing efforts (including joint marketing plans with our provincial Crown corporation partners); adopted more efficient products and technologies used in managing our business; and managed staffing levels appropriately. We continue to develop a performance based culture that recognizes outstanding service delivery, teamwork and individual achievement. In addition, we are working to continually improve our human resource policies and programs in an effort to increase our employee retention rates.

**Complete the build out of and grow our current assets.** We have invested over \$750 million over the last four years to expand and improve our operations. As a result, we have many assets that are new or newly-renovated and are well positioned to capture benefits (in the form of increased revenues and improved profitability) of the investments that have been made to date. Additionally, the current supply-constrained nature of many of our markets is in part due to the fact that the provincial Crown corporations responsible for gaming have been taking steps to limit the number of gaming facilities. As a result, the number of new operators in the industry has been limited, providing incumbent facilities operators like us with opportunities to better penetrate the market and capture unmet demand. Accordingly, we believe that there is potential for us to benefit from the relatively underpenetrated state of the market by expanding some of our existing facilities. Subject to Crown corporation approval, we may also seek ways to expand the gaming products and services we offer at our facilities.

**Look for appropriate expansion opportunities.** The gaming industry in Canada, in its current form with large-scale, commercial casinos, is relatively new compared to that in the United States. We believe there are still significant growth opportunities in Canada. Our primary focus will continue to be the build-out of our current assets, but we may also consider further expansion opportunities and additional acquisition opportunities that may arise from time to time inside and outside of our current markets.

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### Operations in Canada

The following table summarizes our Canadian casino operations as at December 31, 2007:

Facility and Location	Year Built/ Renovated	Additional Facilities and Activities	Slot Machines	Table Games	Operating Agreements Expiry Date <sup>(1)</sup>
<b>British Columbia</b>					
River Rock Casino Resort, Richmond, B.C.	Casino: 2004  Hotel & Theatre: 2005  Conference Centre: 2007	222 room hotel, 950 seat show theatre, 9 dining options, conference facilities, pool/spa, Racebook <sup>(2)</sup> , marina	921	121	June 23, 2014/ June 23, 2024
Boulevard Casino, Coquitlam, B.C.	Casino: 2005 Theatre: 2006	1,100 seat show theatre, 4 dining options, Racebook <sup>(2)</sup>	930	75	November 16, 2015/ November 16, 2025
View Royal Casino, Victoria, B.C.	2001	2 dining options	437	19	February 28, 2011/ February 28, 2021
Nanaimo Casino, Nanaimo, B.C.	1997	1 dining option	380	8	February 28, 2011/ February 28, 2021
Chances Gaming Entertainment, Dawson Creek, B.C.	2006	Bingo, 1 dining option, Racebook <sup>(2)</sup>	150	-	June 30, 2016/ June 30, 2026
Hastings Racecourse (Thoroughbred Racing), Vancouver, B.C. <sup>(3)</sup>	2002	3 dining options, concession, Racebook <sup>(2)</sup>	150	-	October 28, 2012/ October 28, 2027
Fraser Downs Racetrack and Casino <sup>(4)</sup> (Standardbred Racing), Surrey, B.C.	2005	6 dining options, show lounge, Racebook <sup>(2)</sup>	503	12	March 31, 2014/ March 31, 2024
TBC Teletheatre B.C. <sup>(2)</sup>	various	19 Racebooks <sup>(2)</sup>	-	-	-
<b>Ontario</b>					
Georgian Downs (Standardbred Racing), Innisfil, Ontario	2001	5 dining options, concession	455 <sup>(6)</sup>	-	November 30, 2021/ November 30, 2026
Flamboro Downs (Standardbred Racing), Flamborough, Ontario	2001	4 dining options, entertainment lounge, conference facility	750 <sup>(6)</sup>	-	October 10, 2010/ October 10, 2015
<b>Nova Scotia</b>					
Casino Nova Scotia Halifax <sup>(5)</sup> , Halifax, Nova Scotia	2006	3 dining options, entertainment lounge, conference facility	714	40	July 1, 2015/ July 1, 2025 <sup>(5)</sup>
Casino Nova Scotia Sydney <sup>(5)</sup> , Sydney, Nova Scotia	2006	2 dining options, lounge	337	9	July 1, 2015/ July 1, 2025 <sup>(5)</sup>
			5,727	284	

<sup>(1)</sup> Subject to renewal terms, at the option of Company, for ten years in BC and NS. Subject to renewal terms, at the option of the OLG, for five years in ON.

<sup>(2)</sup> We own or hold an interest in 19 Racebooks in British Columbia. We own and operate three Racebooks; one at each of Hastings Racecourse, Fraser Downs Racetrack and Casino, and Sandown Racetrack. The remaining 16 Racebooks, including those at River Rock Casino Resort, Boulevard Casino, and Chances Gaming Entertainment are operated by TBC Teletheatre B.C. We own a 50% interest in TBC Teletheatre B.C. and the remaining 50% interest is held by two horsemen's associations, the British Columbia Standardbred Association and the Horsemen's Benevolent and Protective Association.

<sup>(3)</sup> We have been granted approval by the City of Vancouver to install 600 slot machines.

<sup>(4)</sup> Our Orangeville subsidiary operates Fraser Downs Racetrack and Casino as well as Sandown Racetrack in North Saanich, B.C.

<sup>(5)</sup> The Casino Nova Scotia Halifax and Casino Nova Scotia Sydney operate under a single operating agreement.

<sup>(6)</sup> Slot machines at Georgian Downs and Flamboro Downs are owned and operated by OLG.

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The following table summarizes our racetrack operations and the number of actual live race days in 2006 and 2007 as well as those expected for 2008:

Name	Location	Live Race Days		
		2006	2007	2008 Expected
Hastings Racecourse	Vancouver, BC	78	68	71
Fraser Downs Racetrack and Casino	Surrey, BC	99	105	107
Georgian Downs	Innisfil, ON	117	93	108
Flamboro Downs	Flamborough, ON	258	225	225
		552	491	511

All of our racetrack operations are outfitted for simulcast wagering. This allows patrons to place wagers on live horse racing events from around the world.

#### **British Columbia**

##### *Regulatory*

In British Columbia, gaming activities are managed and conducted by the BCLC. BCLC in turn engages service suppliers, such as the Company, to operate the gaming activities pursuant to operational services agreements. The Company earns a commission based on the gaming win, but a significant portion of that gaming win is retained by BCLC. According to BCLC's annual report, the BCLC provides its share of the gaming win to the Province of British Columbia, which then dedicates the funds to many areas including: the general revenue fund, the Health Special Account for health care expenditures, and disbursements to charitable organizations.

BCLC has adopted a growth strategy aimed at moving the per capita gaming win in British Columbia to a level closer to the Canadian average by establishing higher-quality facilities sized to fit the marketplace. In its 2008/2009 - 2010/2011 service plan, the BCLC estimated that British Columbia's casino gaming win would grow to \$1,510 by its fiscal year ended March 31, 2011, up from a level of \$1,209 for the fiscal year ended March 31, 2007, for an estimated compound annual growth rate of approximately 5%. We believe the market and regulatory environment favours the incumbent service suppliers in the province.

BCLC's growth strategy has resulted in a substantial increase in the number of slot machines and, to a lesser extent, gaming tables in British Columbia. Subject to obtaining all required development and other approvals, other BCLC policy initiatives include permitting full beverage services and live entertainment on gaming floors, increasing betting limits and increasing the hours that the operators may stay open to 24 hours per day. As well, the Facility Development Commission ("FDC") component of the operational services agreements encourages service suppliers such as the Company to receive additional commissions by investing capital in improving or expanding their gaming facilities.

According to BCLC's annual report for its fiscal year ended March 31, 2007, for slot machines and table games the Company maintains a 49% market share in British Columbia (as measured by the gaming win), while its facilities housed 43% of the slot machines and 54% of the gaming tables in the province.

For the BCLC nine-month period ended December 31, 2007 (BCLC's fiscal year ends March 31), the Company had 42% of the province's slot machines and generated 44% of the province's win from slot machines. During the same period, the Company had 49% of the province's table games and generated 59% of the province's win from table games. The Company's share of the province's total win from slot machines and table games was 48%.

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#### *Seasonality*

While the Company's BC casinos operate year-round, its racetracks are subject to seasonal variations due to planned limited live racing seasons. Live racing at Hastings operates from late-April to early-November. Live racing at Fraser Downs operates from mid-September to late-June. Slot machines and Racebooks at both locations operate year-round.

While Metro Vancouver and Vancouver Island, where our BC casinos are located, do not generally experience harsh weather during the summer or winter months like the rest of Canada, extreme weather conditions can have a negative impact on short-term attendance at our BC casinos.

#### **Ontario**

##### *Regulatory*

In Ontario, gaming activities are managed and conducted by the OLG. The OLG operates three different gaming models: commercial casinos (four sites, \$1,667 of revenue in 2005-06); racetrack slots and charity casinos (17 racetrack sites and six casino sites, \$1,924 revenue in 2005-06); and lotteries and bingo (\$2,433 revenue in 2005-06). In Ontario, the Company operates two racetracks, with slot operations run by OLG pursuant to siteholder agreements. The Company earns a siteholder payment based on the win generated from the OLG slot machines, but a substantial portion of that win is retained by the OLG. According to the OLG website, it directs gaming proceeds to provincial hospitals, sport, recreational and cultural activities, and to charitable organizations and non-profit corporations through the Ontario Trillium Foundation, and other government priority programs such as health care and education.

As a result of a comprehensive market assessment, the mandate for the OLG, as set out in its 2004/05 Annual Report, is to focus on social responsibility in gaming and to ensure the competitiveness of Ontario's gaming industry. In particular, but subject to local requirements made on a facility-by-facility basis to maximize revenues and contribute to local economies, the OLG has indicated that there will be no commercial gaming expansion or involvement in internet gaming.

We believe that the incumbent operators in the province will focus their resources on the development of existing gaming operations rather than trying to capture market share by advocating for and promoting construction of new casinos. Focusing resources on existing gaming operations will improve the quality of gaming product in the province which, in turn, will lead to a higher proportion of the money spent on entertainment in the province of Ontario being directed towards the gaming industry.

##### *Seasonality*

The Company's Ontario racetracks operate year-round and are typically subject to seasonal variations associated with extreme weather conditions.

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#### ***Nova Scotia***

##### *Regulatory*

In Nova Scotia, gaming activities are managed and conducted by the NSGC. The NSGC operates two different gaming models: commercial casinos, of which we operate the only two in the province, and video lottery terminals, which are permitted in licensed liquor establishments, curling clubs and on First Nations' land. The Company is a service supplier to the NSGC and earns a commission based on our casinos' revenue, but a significant portion of the revenues are retained by NSGC. According to the NSGC's website, revenue retained by it is directed to the provincial government's programs and services including investments in infrastructure, hospitals, and schools as well as community outreach and prevention programs.

In 2004, the Government of Nova Scotia announced a plan to increase social responsibility toward gaming and to curtail the expansion of gaming in the province. The limitation on expansion was specifically targeted at reducing the accessibility to video lottery terminals by removing 1,000 machines (or approximately 30% of the video lottery terminals in existence prior to the reduction) in current retail locations. In addition, changes to the operation of video lottery terminals have also been implemented by reducing the machines' speed of play by 30%, reducing the hours of video lottery terminal operations, and implementing other tools for players to monitor their gaming spend. The Company does not anticipate any impact on the number of slot machines in Casino Nova Scotia Halifax or Casino Nova Scotia Sydney from this initiative. The NSGC, in its latest annual report, reported that gaming revenues from casinos and video lottery terminals were \$240.7 in its 2006-07 fiscal year, compared to \$277.9 in the prior year, representing a 13% decrease.

##### *Seasonality*

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

#### ***Washington State***

The following table summarizes our Washington gaming operations as at December 31, 2007:

<b>Name</b>	<b>Location</b>	<b>Table Games</b>
Great American Casino Everett	Everett, WA	15
Great American Casino Kent	Kent, WA	14
Great American Casino Lakewood	Lakewood, WA	15
Great American Casino Tukwila	Tukwila, WA	15
		<hr/>
		59

##### *Regulatory*

In Washington State, gaming operations are regulated by the Washington State Gambling Commission ("WSGC") and fall into three categories: charitable, commercial and tribal. The Company operates four commercial card rooms in the Greater Seattle area.

The commercial gaming environment in Washington State is highly regulated but does not have the significant barriers to entry associated with our Canadian operations. Washington State card room operations are conducted pursuant to house banked card room licenses which limit the number of table

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games to fifteen per location. These card room licenses must be renewed annually with WSGC, and the Company's renewals have historically been granted automatically by the WSGC.

#### **MAJOR DEVELOPMENTS**

##### ***British Columbia***

The Company recently announced and implemented plans to expand and develop new gaming options at several of our British Columbia properties. These plans are consistent with the BCLC's vision for higher quality properties with exceptional entertainment amenities that are appropriately sized to serve the marketplaces in British Columbia.

In December 2006, the Company announced that we had entered into a letter of intent with the Greater Vancouver Transportation Authority and Canada Line Rapid Transit Inc. (collectively, "GVTA") to construct a new minimum 1,200 space multi-level parking garage adjacent to River Rock. During the regular work day, the use of this parking garage will be reserved for transit commuters using the new rapid transit line connecting River Rock with downtown Vancouver, the Vancouver International Airport and the City of Richmond currently being constructed. Outside the regular work day, the parking garage will be used for River Rock customers, which will help alleviate parking shortages currently experienced during evenings and weekends. The Company expects approximately 600 of these spaces to be available during the third quarter of 2008, with the remainder completed by the fourth quarter of 2009.

In July 2007, the Company opened the new conference centre facility at River Rock Casino Resort ("River Rock"). This additional service offering, combined with the hotel and show theatre, continues to attract new guests to the facility.

In February 2008, we announced our plans to develop a new five story, 191 room hotel at River Rock. The planned expansion will also feature 360 additional parking spaces, 15,000 square feet of street level retail space and 6,000 square feet of office space. The new hotel and related structures and amenities will be built on top of the above-mentioned multi-level parking garage currently under construction. The new facilities, including the Canada Line mass transit station, will utilize an enclosed sky bridge to facilitate a full integration with our existing River Rock complex. Construction of the new hotel, additional parking spaces and retail and office space is expected to be completed late 2009 or early 2010, prior to the 2010 Vancouver Olympic Games. Construction of the new facilities, including the previously announced multi-level parking garage, is expected to total approximately \$118.0.

In September 2007, the Company announced the commencement of the formal planning phase for the redevelopment of the View Royal Casino. View Royal currently has 437 slot machines and 19 table games. The redevelopment plans include increasing the existing floor area by approximately 37,000 square feet, or 115%, to accommodate new amenities including additional slot machines, a poker room, a simulcast facility, a live-entertainment lounge, new food and beverage offerings, and additional back-of-house operations. The Company also entered into an agreement to acquire approximately 1.5 acres of commercial property adjacent to the casino that will create parking capacity for an additional 380 vehicles. The redevelopment of the View Royal Casino and any change to the gaming facility are subject to local government and BCLC approvals. A development permit application has been submitted to the View Royal planning department.

In November 2007, the Company made a strategic move to secure our long-term revenue growth in Metro Vancouver. In connection with the negotiated closure of its Casino on Broadway on November 17, the Company received approval for a 30% increase in gaming positions at Fraser Downs Racetrack and Casino in Surrey and introduced 150 slot machines at Hastings in the City of Vancouver. In connection with the expansions at Fraser Downs and Hastings, the Company now receives BCLC service fees of

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28% from slot win and 43% from table win, inclusive of FDC which is consistent with other casino operators.

The conclusion of a Casino Operating Service Agreement ("COSA") and the introduction of 150 slot machines at Hastings is the first phase of a re-development planned for the facility that will ultimately house a total of 600 slot machines. The initial gaming expansion at Fraser Downs required approximately \$2.7 in capital improvements.

The Company has commenced work on the second phase of expansion at Hastings. This phase should reach completion by early 2009, and includes an estimated \$40.0 in capital improvements during the initial five-year term of the operating agreement with the City of Vancouver. The fifteen-year renewal term of the operating agreement provides for the construction of additional parking and backstretch facilities. The proposed installation of 450 additional slot machines is subject to approval by BCLC. Litigation brought against the City of Vancouver by the Hastings Park Conservancy related to the City of Vancouver rezoning by-law remains outstanding in the British Columbia Court of Appeal. The Company is confident that the appeal will not be successful and, although it is not party to the appeal, continues to monitor the litigation closely.

In January 2008, the Company purchased for consideration of \$1.0 the assets and undertaking of Ridge Meadows Bingo Association ("RMBA") located in Maple Ridge, British Columbia. RMBA operates the Haney Bingo Plex, a 525-seat bingo gaming hall located in downtown Maple Ridge, 45 kilometres east of Vancouver. The agreement also provides for potential additional future consideration of up to \$1.3 over ten years if the BCLC and the District of Maple Ridge approve the upgrading of this facility into a Community Gaming Centre.

In addition, through TBC, the Company recently opened new Racebooks in Surrey and New Westminster during the first quarter of 2008 while closing one in Courtenay. TBC has licensed third parties the right to operate these Racebooks and will pay them a commission based on a percentage of the wagering generated.

#### **Ontario**

In July 2007, the Company reached an agreement with OLG pursuant to which the Company plans to construct space that will permit OLG to increase the number of slot machines at Georgian Downs to 1,000 units from the 455 currently installed. The new space will also allow for the long-term redevelopment of that facility. Slot machines at Georgian Downs are owned and operated by OLG. The Company will spend an estimated \$30.3 to expand the existing Georgian Downs facility to accommodate the increased gaming capacity. The OLG has estimated it will spend \$45.7 for the slot floor, food and beverage and back-of-house areas, bringing the total estimated project costs for the further development to \$76.0. The total construction timeline is expected to span approximately 18 months.

In addition, through supplemental agreements, the OLG has extended the term and guaranteed the Company's 10% slot machine revenue share through to November 30, 2021. The supplemental agreements include a provision for extension until November 30, 2026, at OLG's discretion. With an extension of its siteholder agreement for the property secured, the Company is moving forward with drafting a master plan for further development at Georgian Downs.

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#### ***Construction Considerations***

As described above, the Company is undertaking many capital projects to improve its facilities and future guest experiences. The construction necessary to improve our locations may have an unquantifiable impact on attendance in the short-term. However, the Company is confident that it is making expansion actions now that will increase revenues and meet market demand well into the future.

#### ***Normal Course Issuer Bid***

Pursuant to the normal course issuer bid that commenced on July 23, 2007, during 2007 the Company purchased 2,273,200 of its common shares for an aggregate consideration of \$31.3. Subsequent to December 31, 2007, the Company purchased an additional 629,600 common shares at a cost of \$9.2. These purchases were financed through existing cash balances. The Company can purchase up to an additional 3.5 million of its common shares under our issuer bid through July 22, 2008 or earlier if the number of shares sought in the issuer bid have been obtained.

## **MARKET UPDATE**

### ***British Columbia***

The Starlight Casino in New Westminster opened in December 2007 replacing the Royal City Star riverboat casino which closed in December 2007. The Company also anticipates additional gaming capacity in the Metro Vancouver area to come on line at the Villa Casino in Burnaby in the second half of 2008. The Company expects these openings will help to grow the under-penetrated gaming market in the province as a whole. Although the Company's properties are not in the same cities as these casinos, a targeted marketing campaign has been introduced to minimize any short-term impact that their openings may have on the existing River Rock (Richmond), Boulevard (Coquitlam), Hastings (Vancouver) and Fraser Downs (Surrey) properties.

Community gaming centres have recently opened on Vancouver Island in Duncan, Port Alberni and Courtenay. Duncan is 50 kilometres south of Nanaimo and 53 kilometres north of View Royal. Port Alberni is 81 kilometres north of Nanaimo and 184 kilometres north of View Royal. Courtenay is 109 kilometres north of Nanaimo and 215 kilometres north of View Royal. Each of these community gaming centres currently houses approximately 75 slot machines. However, they lack the table games offered by our full-service Nanaimo and View Royal casinos. The Company believes its expansion plans for View Royal will help to better serve the capacity constrained market, and maintain that facility's reputation as the premier gaming and entertainment destination on Vancouver Island.

A community gaming centre in Fort St. John, British Columbia housing 142 slots opened on September 21, 2007. This new facility is approximately 72 kilometres north-west of the Chances Gaming Entertainment Centre at Dawson Creek.

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#### ***Ontario***

There have been no recent gaming market developments affecting the Company's operations in Ontario. The Company operates two live horse racing facilities (with slots operated by OLG) that are located within a one hour drive of the Greater Toronto Area ("GTA"). The GTA has a population of approximately 5.9 million, or about 42% of the province of Ontario. In Ontario, direct competitors within a two hour drive of the GTA are Casino Niagara (slot machines and table games), Niagara Fallsview Casino Resort (slot machines and table games), Casino Rama (slot machines and table games), Woodbine Racetrack (thoroughbred racing, simulcast betting and slot machines), Brantford Charity Casino (slot machines and table games), Great Blue Heron Charity Casino (slot machines and table games), Mohawk Racetrack (standardbred racing, simulcast betting and slot machines), Grand River Raceway (standardbred racing, slot machines and simulcast betting) and Ajax Downs (quarterhorse racing, slot machines and simulcast betting).

#### ***Nova Scotia***

In Nova Scotia, the Company is witnessing increased competition in the Sydney gaming market due to the expansion of and the allowance for smoking at the Membertou Entertainment Complex operated by the Membertou First Nation. The Membertou Entertainment Complex is 2.5 kilometres south-west of the Casino Nova Scotia Sydney facility.

#### ***Washington State***

The Washington State gaming market is experiencing a shift from the lottery, charitable bingo and commercial house-banked card room segments to Tribal gaming facilities given their ability to offer a broader array of games such as slot machines, electronic gaming devices and table games with higher betting limits. The Company believes its house-banked card rooms in Washington State appeal to local customers that are not regularly attracted to the Tribal gaming facilities. Although three competing Tacoma casinos closed in late 2006, a new competitor's casino opened in the second quarter of 2007 near our Lakewood property. The Company continues to explore opportunities to improve both revenues and EBITDA in this market given the evolving market trends.

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#### CONSOLIDATED RESULTS OF OPERATIONS

The following table summarizes our consolidated operating results for the three and twelve-month periods ended December 31, 2007 with comparatives to prior periods.

	Fourth Quarter			Twelve Months of		
	2007	2006	% Chg	2007	2006	% Chg
Gaming revenues	\$ 70.5	\$ 69.8	1%	\$ 283.0	\$ 277.0	2%
Racetrack revenues	7.3	7.5	(3%)	30.7	30.4	1%
Facility Development Commission	6.0	4.8	25%	22.9	19.0	21%
Hospitality and other revenues	19.6	18.4	7%	70.9	68.4	4%
	<b>103.4</b>	<b>100.5</b>	<b>3%</b>	<b>407.5</b>	<b>394.8</b>	<b>3%</b>
Less: Promotional allowances	(2.7)	(2.4)	13%	(10.3)	(9.6)	7%
<b>Revenues</b>	<b>100.7</b>	<b>98.1</b>	<b>3%</b>	<b>397.2</b>	<b>385.2</b>	<b>3%</b>
Human resources	45.1	45.1	0%	179.6	178.6	1%
Property, marketing and administration	27.7	27.6	0%	106.6	108.4	(2%)
	<b>72.8</b>	<b>72.7</b>	<b>0%</b>	<b>286.2</b>	<b>287.0</b>	<b>0%</b>
<b>EBITDA</b>	<b>27.9</b>	<b>25.4</b>	<b>10%</b>	<b>111.0</b>	<b>98.2</b>	<b>13%</b>
Human resources as a % of Revenues before promotional allowances	43.6%	44.9%		44.1%	45.2%	
EBITDA as a % of Revenues	27.7%	25.9%		27.9%	25.5%	
Amortization	11.8	10.1	17%	40.1	40.2	0%
Stock-based compensation	1.8	1.3	38%	7.0	6.3	11%
Restructuring costs	0.4	7.0	(94%)	1.0	10.0	(90%)
Interest and financing costs, net	5.9	6.6	(11%)	24.8	51.0	(51%)
Other expenses	0.1	10.4	(99%)	1.7	13.3	(87%)
Income taxes (recovery)	(5.1)	1.5		0.6	(4.0)	
<b>Net earnings (loss)</b>	<b>\$ 13.0</b>	<b>\$ (11.5)</b>		<b>\$ 35.8</b>	<b>\$ (18.6)</b>	
Earnings (loss) per common share:						
Basic	\$ 0.15	\$ (0.13)		\$ 0.42	\$ (0.22)	
Diluted	\$ 0.15	\$ (0.13)		\$ 0.41	\$ (0.22)	
Weighted average number of common shares (in thousands):						
Basic	85,410	86,133		86,227	84,471	
Diluted	86,662	86,133		86,786	84,471	

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#### Discussion of Results

Our operating results are discussed 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.

#### REVENUES and EBITDA

	Fourth Quarter			Twelve Months of		
	2007	2006	% Change	2007	2006	% Change
<b>REVENUES</b>						
<b>Casinos</b>						
River Rock Casino Resort	\$ 31.3	\$ 28.5	10%	\$ 114.5	\$ 111.7	3%
Boulevard Casino	17.9	15.7	14%	68.0	59.3	15%
Vancouver Island Casinos	10.8	10.2	6%	42.3	41.2	3%
Other BC Casinos	2.6	4.1	(37%)	15.6	14.8	5%
Nova Scotia Casinos	11.3	12.4	(9%)	47.6	50.8	(6%)
Great American Casinos	6.1	7.5	(19%)	26.6	26.5	0%
	<b>80.0</b>	<b>78.4</b>	<b>2%</b>	<b>314.6</b>	<b>304.3</b>	<b>3%</b>
<b>Racinos</b>						
BC Racinos	12.2	10.5	16%	46.8	42.0	11%
Georgian Downs	3.9	4.1	(5%)	15.0	16.9	(11%)
Flamboro Downs	4.5	5.1	(12%)	20.2	21.7	(7%)
	<b>20.6</b>	<b>19.7</b>	<b>5%</b>	<b>82.0</b>	<b>80.6</b>	<b>2%</b>
<b>Corporate &amp; Other</b>	<b>0.1</b>	<b>-</b>		<b>0.6</b>	<b>0.3</b>	<b>100%</b>
<b>Total Revenues</b>	<b>\$ 100.7</b>	<b>\$ 98.1</b>	<b>3%</b>	<b>\$ 397.2</b>	<b>\$ 385.2</b>	<b>3%</b>
<b>EBITDA</b>						
<b>Casinos</b>						
River Rock Casino Resort	\$ 12.4	\$ 9.8	27%	\$ 44.2	\$ 41.0	8%
Boulevard Casino	8.7	6.6	32%	30.6	24.1	27%
Vancouver Island Casinos	5.9	5.7	4%	23.2	22.9	1%
Other BC Casinos	0.5	1.0	(50%)	3.7	3.0	23%
Nova Scotia Casinos	0.5	2.2	(77%)	7.6	9.7	(22%)
Great American Casinos	1.1	1.9	(42%)	5.4	5.6	(4%)
	<b>29.1</b>	<b>27.2</b>	<b>7%</b>	<b>114.7</b>	<b>106.3</b>	<b>8%</b>
<b>Racinos</b>						
BC Racinos	2.7	2.0	35%	12.0	8.2	46%
Georgian Downs	1.4	1.4	0%	5.3	6.3	(16%)
Flamboro Downs	1.1	1.6	(31%)	6.4	7.1	(10%)
	<b>5.2</b>	<b>5.0</b>	<b>4%</b>	<b>23.7</b>	<b>21.6</b>	<b>10%</b>
<b>Corporate &amp; Other</b>	<b>(6.4)</b>	<b>(6.8)</b>	<b>6%</b>	<b>(27.4)</b>	<b>(29.7)</b>	<b>8%</b>
<b>Total EBITDA</b>	<b>\$ 27.9</b>	<b>\$ 25.4</b>	<b>10%</b>	<b>\$ 111.0</b>	<b>\$ 98.2</b>	<b>13%</b>

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#### Casinos

##### *River Rock Casino Resort*<sup>(1)</sup>

	Fourth Quarter			%	Twelve Months of			%
	2007	2006	Chg		2007	2006	Chg	
Gaming revenues	\$ 21.1	\$ 19.3	9%	\$ 79.7	\$ 77.8	2%		
Facility Development Commission	1.8	1.7	6%	6.9	6.8	1%		
Hospitality and other revenues	9.1	8.0	14%	30.1	28.9	4%		
Revenues before promotional allowances	32.0	29.0	10%	116.7	113.5	3%		
Less: Promotional allowances	(0.7)	(0.5)	40%	(2.2)	(1.8)	22%		
Revenues	31.3	28.5	10%	114.5	111.7	3%		
Human resources	11.8	11.5	3%	46.4	44.1	5%		
Property, marketing and administration	7.1	7.2	(1%)	23.9	26.6	(10%)		
EBITDA	\$ 12.4	\$ 9.8	27%	\$ 44.2	\$ 41.0	8%		

Human resources as a % of  
Revenues before promotional  
allowances

36.9% 39.7% 39.8% 38.9%

EBITDA as a % of Revenues

39.6% 34.4% 38.6% 36.7%

<sup>(1)</sup> The results of the Racebook (formerly known as teletheatre) at the River Rock are included in the results of our BC Racinos as it is operated by TBC Teletheatre B.C.

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Average
Table Drop	\$ 146.0	\$ 121.7	\$ 119.9	\$ 134.2	\$ 122.0	\$ 122.7	\$ 116.6	\$ 115.7	
Table Hold	\$ 30.7	\$ 25.8	\$ 24.2	\$ 32.8	\$ 27.3	\$ 30.7	\$ 26.8	\$ 26.7	
Table Hold %	21.0%	21.2%	20.2%	24.4%	22.4%	25.0%	23.0%	23.1%	22.5%
Poker Rake	\$ 1.7	\$ 1.5	\$ 1.7	\$ 1.9	\$ 2.1	\$ 1.8	\$ 1.6	\$ 1.7	
Slot Coin In	\$ 420.9	\$ 429.3	\$ 400.8	\$ 374.0	\$ 363.4	\$ 378.8	\$ 374.3	\$ 342.6	
Slot Win	\$ 29.7	\$ 30.3	\$ 27.9	\$ 27.3	\$ 27.1	\$ 28.8	\$ 27.8	\$ 26.0	
Slot Win/Slot/Day <sup>(2)</sup>	\$ 351	\$ 358	\$ 333	\$ 330	\$ 320	\$ 340	\$ 333	\$ 315	
Slot Win %	7.1%	7.1%	7.0%	7.3%	7.5%	7.6%	7.4%	7.6%	7.3%

<sup>(2)</sup> Slot Win/Slot/Day is an average, presented in dollars.

#### Revenues

Gaming revenues for River Rock in the fourth quarter of 2007 increased by 9% compared to the fourth quarter of 2006 resulting primarily from improvement in both table game and slot performance. In addition, gaming revenues at River Rock for the fourth quarter of 2006 were impacted by unusual inclement weather. Table drop in the fourth quarter of 2007 increased by \$24.0 or 20% compared to the fourth quarter of 2006. Slot coin-in in the fourth quarter of 2007 increased by \$57.5 or 16% compared to the fourth quarter of 2006. The increased table drop and slot coin in reflects the benefit of additional entertainment offerings including the show theatre, more effective marketing and promotional programs as well as the conference centre that opened in July 2007. Table hold increased by \$3.4 or 12% and slot win increased by \$2.6 or 10% in the fourth quarter of 2007 compared to the fourth quarter of 2006, primarily due to the improved table drop and slot coin-in.

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Gaming revenues in the twelve months of 2007 increased by 2% compared to the twelve months of 2006 resulting from several initiatives during the year including improved mix of table and slot games, increased entertainment and service offerings, improvements to hospitality offerings, and more effective marketing and promotional programs.

Hospitality and other revenues in the fourth quarter and twelve months of 2007 increased by 14% and 4% compared to the fourth quarter and twelve months of 2006, respectively. During the year, we made improvements to the food and beverage outlets, menus and services, achieved a prestigious Four Diamond rating from the American Automobile Association and Canadian Automobile Association for the hotel complex, and opened the new 5,314 square foot River Rock Conference Centre.

River Rock's average daily revenue per available room ("REVPAR") was \$128 in the fourth quarter of 2007 compared to \$113 in the fourth quarter of 2006. The year-over-year increase in REVPAR is primarily due to a 7.3 percentage point increase to 79% in the average hotel occupancy rate, coupled with a \$5 increase to \$162 in the average daily room rate. REVPAR in the twelve months of 2007 was \$125 compared to \$113 in the twelve months of 2006, due to a 3.0 percentage point increase to 77% in the average hotel occupancy rate, coupled with an \$9 increase to \$162 in the average daily room rate.

#### Expenses

Human resources expenses increased 3% in the fourth quarter and 5% in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively, primarily from market-driven compensation increases implemented earlier in the year and increased hourly labour in response to higher gaming activity and hospitality. Human resources expenses as a percentage of revenues before promotional allowances decreased by 2.8 percentage points in the fourth quarter and increased by 0.9 of a percentage point in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively, primarily due to the increased activity and improved labour efficiency.

Property, marketing and administration expenses decreased by 1% in the fourth quarter and by 10% in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively. The decreases were primarily due to reduced food and beverage costs arising from the in-house management of our hospitality operations and reduced general, administrative and marketing spend by focusing on more targeted or cost-effective initiatives. In addition, the Company recorded a \$0.6 property tax refund during the second quarter of 2007 that related to 2006. The 2007 property tax assessment was also lower than initially assessed for 2006, resulting in a property tax decrease of \$0.5 for the twelve months of 2007.

#### EBITDA

EBITDA for River Rock increased by 27% in the fourth quarter and 8% in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively, primarily due to the aforementioned increase in gaming revenues, an increase in FDC received, an increase in hospitality and other revenues and lower property, marketing and administration expenses. EBITDA as a percentage of revenues for the fourth quarter and twelve months of 2007 improved by 5.2 percentage points and 1.9 percentage points over the fourth quarter and twelve months of 2006, respectively.

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#### **Boulevard Casino <sup>(1)</sup>**

	Fourth Quarter		%	Twelve Months of		%
	2007	2006	Chg	2007	2006	Chg
Gaming revenues	\$ 13.8	\$ 12.8	8%	\$ 53.3	\$ 49.4	8%
Facility Development Commission	2.2	1.2	83%	7.9	4.8	65%
Hospitality and other revenues	2.4	2.0	20%	8.3	6.5	28%
Revenues before promotional allowances	18.4	16.0	15%	69.5	60.7	14%
Less: Promotional allowances	(0.5)	(0.3)	67%	(1.5)	(1.4)	7%
Revenues	17.9	15.7	14%	68.0	59.3	15%
Human resources	6.4	5.8	10%	25.5	23.6	8%
Property, marketing and administration	2.8	3.3	(15%)	11.9	11.6	3%
EBITDA	\$ 8.7	\$ 6.6	32%	\$ 30.6	\$ 24.1	27%
Human resources as a % of Revenues before promotional allowances	34.8%	36.3%		36.7%	38.9%	
EBITDA as a % of Revenues	48.6%	42.0%		45.0%	40.6%	

<sup>(1)</sup> The results of the Racebook (formerly known as teletheatre) at the Boulevard Casino are included in the results of our BC Racinos as it is operated by TBC Teletheatre B.C.

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Average
Table Drop	\$ 50.4	\$ 48.6	\$ 50.4	\$ 47.1	\$ 51.4	\$ 51.9	\$ 52.2	\$ 58.6	
Table Hold	\$ 11.2	\$ 9.9	\$ 10.8	\$ 9.5	\$ 11.5	\$ 10.3	\$ 9.0	\$ 11.8	
Table Hold %	22.2%	20.4%	21.4%	20.2%	22.4%	19.8%	17.2%	20.1%	20.5%
Poker Rake	\$ 1.4	\$ 1.2	\$ 1.4	\$ 1.4	\$ 1.4	\$ 1.3	\$ 1.1	\$ 1.2	
Slot Coin In	\$ 504.6	\$ 512.1	\$ 493.0	\$ 443.3	\$ 404.7	\$ 405.2	\$ 405.0	\$ 398.5	
Slot Win	\$ 33.8	\$ 35.0	\$ 33.1	\$ 30.7	\$ 28.9	\$ 28.8	\$ 28.5	\$ 28.8	
Slot Win/Slot/Day <sup>(2)</sup>	\$ 391	\$ 414	\$ 387	\$ 364	\$ 335	\$ 330	\$ 318	\$ 325	
Slot Win %	6.7%	6.8%	6.7%	6.9%	7.1%	7.1%	7.0%	7.2%	6.9%

<sup>(2)</sup> Slot Win/Slot/Day is an average, presented in dollars.

#### Revenues

Gaming revenues for Boulevard Casino in the fourth quarter of 2007 increased by 8% compared to the fourth quarter of 2006. This is primarily attributable to an increase in slot win of \$4.9 driven by an increase of \$99.9, or 25%, in slot coin in, partially offset by a decline in slot win percentage. For the twelve months of 2007, gaming revenues increased by 8% compared to the twelve months of 2006 driven primarily by the \$339.6 increase in slot coin in. This increase in slot play can be attributed to both expanded on-floor food and beverage services and the public's greater awareness of the Red Robinson Show Theatre, the only major venue for live entertainment in the eastern suburbs of Metro Vancouver.

During the third quarter of 2007, BCLC approved our accelerated FDC application, for an additional 2% of gaming revenues, retroactive to April 1, 2007, to reimburse the \$32.0 of capital costs previously incurred to build the Red Robinson Show Theatre. As a result, FDC revenue increased by 83% in the fourth quarter and by 65% in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006.

Hospitality and other revenues increased by 20% in the fourth quarter and by 28% in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006. These improvements reflect the

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increased visitation to the property driven by the factors mentioned above.

#### Expenses

Human resources as a percentage of revenues before promotional allowances for the fourth quarter of 2007 improved by 1.5 percentage points compared to the fourth quarter of 2006 due to the revenue increases mentioned earlier and continued efforts to improve labour efficiency. Human resources expenses as a percentage of revenues before promotional allowances in the twelve months of 2007 improved by 2.2 percentage points compared to the twelve months of 2006.

#### EBITDA

EBITDA for Boulevard Casino increased by 32% in the fourth quarter and by 27% in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006 primarily due to the above-mentioned revenue increases.

EBITDA as a percentage of revenues improved by 6.6 percentage points in the fourth quarter of 2007 compared to the fourth quarter of 2006 and by 4.4 percentage points in the twelve months of 2007 compared to the twelve months of 2006.

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#### Vancouver Island Casinos (View Royal Casino and Nanaimo Casino)

	Fourth Quarter		%	Twelve Months of		%
	2007	2006		2007	2006	
Gaming revenues	\$ 9.0	\$ 8.5	6%	\$ 35.1	\$ 34.6	1%
Facility Development Commission	1.0	1.0	0%	4.0	3.9	3%
Hospitality and other revenues	1.0	1.0	0%	4.2	3.7	14%
Revenues before promotional allowances	11.0	10.5	5%	43.3	42.2	3%
Less: Promotional allowances	(0.2)	(0.3)	(33%)	(1.0)	(1.0)	0%
Revenues	10.8	10.2	6%	42.3	41.2	3%
Human resources	3.5	3.4	3%	13.7	13.5	1%
Property, marketing and administration	1.4	1.1	27%	5.4	4.8	13%
EBITDA	\$ 5.9	\$ 5.7	4%	\$ 23.2	\$ 22.9	1%

Human resources as a % of Revenues before promotional allowances

Human resources as a % of Revenues before promotional allowances	31.8%	32.4%	31.6%	32.0%
EBITDA as a % of Revenues	54.6%	55.9%	54.8%	55.6%

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Average
Table Drop	\$ 16.8	\$ 14.9	\$ 15.4	\$ 15.3	\$ 15.5	\$ 16.6	\$ 16.4	\$ 15.6	
Table Hold	\$ 3.8	\$ 3.3	\$ 3.6	\$ 3.7	\$ 3.7	\$ 3.7	\$ 4.0	\$ 3.5	
Table Hold %	22.6%	22.1%	23.4%	24.2%	23.9%	22.3%	24.4%	22.4%	23.2%
Slot Coin In	\$ 404.4	\$ 418.1	\$ 403.9	\$ 393.3	\$ 399.4	\$ 412.0	\$ 408.2	\$ 382.2	
Slot Win	\$ 30.1	\$ 30.8	\$ 30.2	\$ 29.0	\$ 29.2	\$ 30.1	\$ 29.7	\$ 28.6	
Slot Win/Slot/Day <sup>(1)</sup>	\$ 414	\$ 413	\$ 409	\$ 394	\$ 388	\$ 400	\$ 399	\$ 395	
Slot Win %	7.4%	7.4%	7.5%	7.4%	7.3%	7.3%	7.3%	7.5%	7.4%

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

#### Revenues, Expenses and EBITDA

The Company's Vancouver Island casinos' revenues and EBITDA for the fourth quarter and twelve months of 2007 showed modest improvement compared to the fourth quarter and twelve months of 2006, respectively. As evidenced by the relatively consistent quarterly levels of table drop and slot coin in during the past two years, the Vancouver Island Casinos are capacity constrained and we believe limited in terms of the additional revenues they can generate. The Company's initiatives to alleviate these constraints are described in the "Major Developments" section of this MD&A.

## GREAT CANADIAN GAMING CORPORATION

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

	Fourth Quarter			% Chg	Twelve months of		
	2007	2006			2007	2006	% Chg
Gaming revenues	\$ 2.1	\$ 3.6	(42%)	\$ 13.2	\$ 13.0	2%	
Facility Development Commission	0.2	0.3	(33%)	1.2	1.1	9%	
Hospitality and other revenues	0.3	0.4	(25%)	1.6	1.4	14%	
Revenues before promotional allowances	2.6	\$ 4.3	(40%)	16.0	15.5	3%	
Less: Promotional allowances	-	\$ (0.2)	(100%)	(0.4)	(0.7)	(43%)	
Revenues	2.6	\$ 4.1	(37%)	15.6	14.8	5%	
Human resources	1.6	2.4	(33%)	9.3	9.2	1%	
Property, marketing and administration	0.5	0.7	(29%)	2.6	2.6	0%	
EBITDA	\$ 0.5	\$ 1.0	(50%)	\$ 3.7	\$ 3.0	23%	

Human resources as a % of Revenues before promotional allowances

Human resources as a % of Revenues before promotional allowances	61.5%	55.8%	58.1%	59.4%
EBITDA as a % of Revenues	19.2%	24.4%	23.7%	20.3%

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Average
Table Drop	\$ 14.7	\$ 30.9	\$ 32.1	\$ 33.3	\$ 31.0	\$ 29.6	\$ 29.7	\$ 29.6	
Table Hold	\$ 3.1	\$ 6.1	\$ 5.7	\$ 6.6	\$ 6.2	\$ 5.3	\$ 5.7	\$ 5.9	
Table Hold %	21.1%	19.7%	17.8%	19.8%	20.0%	17.9%	19.2%	19.9%	19.3%
Poker Rake	\$ 0.1	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.4	\$ 0.4	\$ 0.5	\$ 0.5	
Slot Coin In	\$ 59.1	\$ 66.6	\$ 70.0	\$ 63.4	\$ 55.6	\$ 54.0	\$ 22.6	\$ 23.0	
Slot Win	\$ 3.1	\$ 3.7	\$ 3.9	\$ 3.7	\$ 3.1	\$ 3.3	\$ 1.7	\$ 1.8	
Slot Win/Slot/Day <sup>(1)</sup>	\$ 225	\$ 268	\$ 286	\$ 274	\$ 242	\$ 278	\$ 236	\$ 250	
Slot Win %	5.2%	5.6%	5.6%	5.8%	5.6%	6.1%	7.5%	7.8%	5.9%

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

#### Revenues

Revenues for the Company's other BC casinos decreased by 42% in the fourth quarter compared to the fourth quarter of 2006 primarily due to the permanent closure of the Casino on Broadway on November 17, 2007. As described in the "Major Developments" section of this MD&A, the closure of our Casino on Broadway was effected concurrent with BCLC's approval of our accelerated FDC submission for recovery of the construction costs of our Boulevard Casino's Red Robinson Show Theatre, the introduction of slots at Hastings, and the slot and table gaming expansion at Fraser Downs that included three percentage point increases in our BCLC service fees at each racing property. The resulting increase in financial performance at Fraser Downs in the fourth quarter of 2007 and the receipt of accelerated FDC revenue at Boulevard more than offset the decline in financial performance that resulted from the Casino on Broadway closure.

The increases in slot coin in and slot win at Chances Gaming Entertainment in Dawson Creek ("Chances") during 2007 compared to the prior year also contributed to the increase in revenues for the twelve months of 2007 despite the Casino on Broadway closure. Popular one-dollar slot machines and automated blackjack games offered at the facility, which are programmed to have a lower slot win percentage than our other offerings, produced a higher level of slot win in 2007.

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#### Expenses

Human resources expenses decreased by 33% in the fourth quarter of 2007 due to the Casino on Broadway closure. Severance expenses for this closure were minimized since many of the Casino on Broadway staff were relocated to other properties. The twelve-month increase in human resources expense during 2007 resulted from the first full year of human resource expenses in Chances Gaming Entertainment, offset by savings from the Casino on Broadway closure.

#### EBITDA

Due to the above noted events, EBITDA for other BC casinos decreased by \$0.5 or 50% in the fourth quarter and increased by \$0.7 or 23% in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006. EBITDA as a percentage of revenues decreased in the fourth quarter of 2007 compared to the fourth quarter of 2006 primarily due to the decline in gaming revenues experienced by the Casino on Broadway as that business wound down and the retention of most of its staff until the new expanded gaming operations at Fraser Downs and Hastings were completed.

The incremental gaming expansions and related revenues arising from new arrangements with BCLC for several of the Company's British Columbia properties (as described elsewhere in this MD&A) are expected to more than offset the foregone EBITDA generated by Casino on Broadway and any incremental costs associated with the property closing.

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

	Fourth Quarter			Twelve months of		
	2007	2006	% Chg	2007	2006	% Chg
Gaming revenues	\$ 10.6	\$ 11.7	(9%)	\$ 44.6	\$ 47.3	(6%)
Hospitality and other revenues	1.5	1.4	7%	6.1	5.9	3%
Revenues before promotional allowances	12.1	13.1	(8%)	50.7	53.2	(5%)
Less: Promotional allowances	(0.8)	(0.7)	14%	(3.1)	(2.4)	29%
Revenues	11.3	12.4	(9%)	47.6	50.8	(6%)
Human resources	6.0	6.0	0%	22.3	23.8	(6%)
Property, marketing and administration	4.8	4.2	14%	17.7	17.3	2%
EBITDA	\$ 0.5	\$ 2.2	(77%)	\$ 7.6	\$ 9.7	(22%)

Human resources as a % of

Revenues before promotional allowances

49.6% 45.8% 44.0% 44.7%

EBITDA as a % of Revenues

4.4% 17.7% 16.0% 19.1%

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Average
Table Drop	\$ 12.6	\$ 13.9	\$ 13.5	\$ 13.0	\$ 14.9	\$ 17.0	\$ 13.2	\$ 14.6	
Table Hold	\$ 2.4	\$ 2.8	\$ 2.8	\$ 2.5	\$ 2.9	\$ 3.2	\$ 2.7	\$ 2.4	
Table Hold %	19.0%	20.1%	20.7%	19.2%	19.5%	18.8%	20.5%	16.4%	19.3%
Poker Rate	\$ 0.4	\$ 0.5	\$ 0.5	\$ 0.5	\$ 0.4	\$ 0.5	\$ 0.4	\$ 0.4	
Slot Coin In	\$ 223.3	\$ 276.9	\$ 234.3	\$ 217.7	\$ 247.7	\$ 288.8	\$ 256.2	\$ 226.7	
Slot Win	\$ 17.5	\$ 21.6	\$ 17.6	\$ 16.6	\$ 18.9	\$ 21.9	\$ 18.8	\$ 16.7	
Slot Win/Slot/Day <sup>(1)</sup>	\$ 181	\$ 223	\$ 184	\$ 175	\$ 195	\$ 222	\$ 184	\$ 164	
Slot Win %	7.8%	7.8%	7.5%	7.6%	7.6%	7.6%	7.3%	7.4%	7.6%

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

#### Revenues

Gaming revenues for the Nova Scotia casinos decreased by 9% in the fourth quarter and 6% in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006. Six severe weather warnings and multiple heavy snowfalls during the fourth quarter of 2007 diminished guest attendance. The Nova Scotia casinos' also suffered from both the ongoing impact of the province-wide smoking ban and the recent anti-gaming messages by the Nova Scotia Department of Health Promotion and Protection. The combination of these factors led to lower table drop and slot coin in for the fourth quarter and twelve months of 2007 than those experienced in the prior year.

#### Expenses

Human resources expenses as a percentage of revenues before promotional allowances increased by 3.8 percentage points in the fourth quarter of 2007 but decreased by 0.7 percentage points in the twelve months of 2007 relative to the fourth quarter and twelve months of 2006, respectively. Staffing levels in the fourth quarter were not appropriately adjusted for the decrease in revenues, and the Company is taking immediate steps towards modifying future labour expenses.

Property, marketing and administration expenses in the fourth quarter of 2007 increased by 14% over the fourth quarter of 2006, primarily due to both the implementation of marketing and entertainment initiatives aimed at expanding the customer base and growing the revenues, and increases in food and beverage expenses related to higher levels of hospitality and other revenues.

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#### EBITDA

EBITDA for the Nova Scotia casinos decreased by 77% in the fourth quarter and 22% in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively, primarily due to the lower gaming revenues and higher human resources, marketing, food and beverage costs.

The challenge of growing revenues in Nova Scotia has been exacerbated by expanded anti-gaming messaging. The Company is taking steps to ensure expenses in Nova Scotia are commensurate with the size of operations in that province, and will seek to improve the efficiency of both human resource and marketing efforts throughout 2008.

#### Union Certification Update

On November 1, 2007, the Labour Relations Board of Nova Scotia issued an order effective September 7, 2007, certifying the Service Employees International Union, Local 902, as the bargaining agent for the bargaining unit consisting of all full-time and regular part-time employees of Casino Nova Scotia – Halifax excluding office and clerical workers, human resource employees, management information services employees, surveillance employees, security employees, supervisors and those above the rank of supervisor. Bargaining for the first collective agreement commenced during February 2008.

On January 18, 2008, the Labour Relations Board of Nova Scotia issued an order effective December 21, 2007, certifying the Service Employees International Union, Local 902, as the bargaining agent for a second bargaining unit consisting of all full-time and regular part-time security employees of Casino Nova Scotia Halifax excluding supervisors and those above the rank of supervisor. Collective bargaining has yet to commence.

## GREAT CANADIAN GAMING CORPORATION

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#### Great American Casinos

	Fourth Quarter			% Chg	Twelve months of			% Chg
	2007	2006			2007	2006		
Gaming revenues	\$ 5.1	\$ 6.3	(19%)	\$ 22.7	\$ 23.1	(2%)		
Hospitality and other revenues	1.2	1.4	(14%)	4.8	4.8	0%		
Revenues before promotional allowances	6.3	7.7	(18%)	27.5	27.9	(1%)		
Less: Promotional allowances	(0.2)	(0.2)	0%	(0.9)	(1.4)	(36%)		
Revenues	6.1	7.5	(19%)	26.6	26.5	0%		
Human resources	3.3	3.9	(15%)	14.3	14.5	(1%)		
Property, marketing and administration	1.7	1.7	0%	6.9	6.4	8%		
EBITDA	\$ 1.1	\$ 1.9	(42%)	\$ 5.4	\$ 5.6	(4%)		

Human resources as a % of  
Revenues before promotional  
allowances

	52.4%	50.6%	52.0%	52.0%
EBITDA as a % of Revenues	18.0%	25.3%	20.3%	21.1%

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Average
Table Drop	\$ 23.9	\$ 22.7	\$ 25.2	\$ 23.7	\$ 23.8	\$ 21.5	\$ 21.8	\$ 21.4	
Table Hold	\$ 5.7	\$ 5.6	\$ 5.7	\$ 6.1	\$ 6.0	\$ 5.2	\$ 5.6	\$ 5.1	
Table Hold %	23.8%	24.7%	22.6%	25.7%	25.2%	24.2%	25.7%	23.8%	24.5%
Poker Rake	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	

#### Revenues and EBITDA

In U.S. dollar terms, revenues at the Company's Great American Casinos in the fourth quarter and twelve months of 2007 were consistent with those in the fourth quarter and twelve months of 2006, respectively. However, the 6% increase in the value of the Canadian dollar, relative to the U.S. dollar, resulted in slightly lower EBITDA for the twelve months of 2007 compared to the twelve months of 2006. Similarly, a 16% increase in the value of the Canadian dollar during the fourth quarter of 2007 compared to the fourth quarter of 2006, combined with a decrease in table hold percentage resulted in a \$0.8 decrease in EBITDA in the fourth quarter of 2007 compared to the fourth quarter of 2006. The overall increase in table drop during 2007 is a result of several successful promotions and advertisements throughout the year. The Company will continue its efforts to improve the efficiency of its operations including the use of cost-efficient targeted marketing initiatives similar to those implemented in the first quarter of 2007.

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#### Racinos

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

	Fourth Quarter		%	Twelve months of		%
	2007	2006	Chg	2007	2006	Chg
Gaming revenues	\$ 3.8	\$ 2.6	46%	\$ 12.5	\$ 10.1	24%
Facility Development Commission	0.8	0.6	33%	2.9	2.4	21%
Racetrack revenues	6.0	5.7	5%	25.0	22.9	9%
Hospitality and other revenues	1.8	1.8	0%	7.3	7.4	(1%)
Revenues before promotional allowances	12.4	10.7	16%	47.7	42.8	11%
Less: Promotional allowances	(0.2)	(0.2)	0%	(0.9)	(0.8)	13%
Revenues	12.2	10.5	16%	46.8	42.0	11%
Human resources	5.1	4.2	21%	17.4	16.8	4%
Property, marketing and administration	4.4	4.3	2%	17.4	17.0	2%
EBITDA	\$ 2.7	\$ 2.0	35%	\$ 12.0	\$ 8.2	46%

Human resources as a % of  
Revenues before promotional allowances

	41.1%	39.3%	36.5%	39.3%
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EBITDA as a % of Revenues

	22.1%	19.0%	25.6%	19.5%
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	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Average
Table Drop	\$ 1.8	-	-	-	-	-	-	-	-
Table Hold	\$ 0.3	-	-	-	-	-	-	-	-
Table Hold %	16.7%	-	-	-	-	-	-	-	-
Poker Rake	\$ -	-	-	-	-	-	-	-	-
Slot Coin In	\$ 222.3	\$ 209.7	\$ 207.3	\$ 185.6	\$ 173.5	\$ 169.6	\$ 168.2	\$ 164.0	
Slot Win	\$ 16.8	\$ 15.8	\$ 15.5	\$ 13.7	\$ 13.0	\$ 13.2	\$ 13.0	\$ 12.0	
Average # Slots	622	439	437	436	437	434	421	421	
Slot Win/Slot/Day <sup>(1)</sup>	\$ 293	\$ 391	\$ 390	\$ 349	\$ 323	\$ 331	\$ 339	\$ 317	
Slot Win %	7.6%	7.5%	7.5%	7.4%	7.5%	7.8%	7.7%	7.3%	7.5%

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

#### Revenues

Gaming revenues for the BC Racinos increased by 46% in the fourth quarter and by 24% for the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively, primarily due to the addition of table games and the strong performance of slot machines at Fraser Downs and the addition of 150 slot machines at Hastings in November of 2007.

Racetrack revenues increased 5% in the fourth quarter of 2007 and 9% in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006 primarily due to increased phone and internet wagering and revenues generated by TBC Teletheatre B.C. following the expansion of the Racebooks at our River Rock and Boulevard casinos in 2006. The fourth quarter and twelve months of 2007 increases were partly offset by declines in wagering at Fraser Downs and at Hastings compared to 2006 due to increased off-track wagering at our River Rock and Boulevard Racebooks.

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#### Expenses

With the November expansions of 12 table games and 90 slot machines at Fraser Downs and the addition of slot machines at Hastings, human resources expenses increased \$0.9 or 21% in the fourth quarter of 2007 and \$0.6 or 4% in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively. Human resources expenses as a percentage of revenues before promotional allowances increased by 1.8 percentage points in the fourth quarter of 2007 but improved by 2.8 percentage points in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively. The annual improvement resulted from our continued efforts to improve labour efficiency at the BC Racinos, higher gaming revenues at Fraser Downs, and a higher proportion of revenue from TBC Teletheatre B.C. reflecting lower human resources costs as a percentage of revenues before promotional allowances than our traditional live racetrack operations.

Property, marketing and administration expenses increased by \$0.1 for the fourth quarter and by \$0.4 for the twelve months of 2007 compared with the fourth quarter and twelve months of 2006, respectively. The increases were primarily due to higher property lease costs for Fraser Downs since they are adjusted for increased gaming revenues.

#### EBITDA

EBITDA for the BC Racinos increased by \$0.7 or 35% in the fourth quarter and by \$3.8 or 46% in the twelve months of 2007 relative to the fourth quarter and twelve months of 2006, respectively. These increases were primarily due to increased slot revenue at Fraser Downs and increased off track wagering from the addition of Racebooks at River Rock and the Boulevard Casino. EBITDA as a percentage of revenues improved by 3.1 percentage points in the fourth quarter and by 6.1 percentage points in the twelve months of 2007 over the fourth quarter and twelve months of 2006, respectively. With the latest additions of table games at Fraser Downs and slot machines at Hastings, the Company will continue its efforts to improve the operating efficiency of these operations while growing gaming revenues.

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#### Georgian Downs

	Fourth Quarter			Twelve Months of		
	2007	2006	% Chg	2007	2006	% Chg
Gaming revenues	\$ 2.4	\$ 2.3	4%	\$ 9.4	\$ 9.8	(4%)
Racetrack revenues	0.4	0.6	(33%)	1.7	2.6	(35%)
Hospitality and other revenues	1.1	1.2	(8%)	3.9	4.5	(13%)
Revenues	3.9	4.1	(5%)	15.0	16.9	(11%)
Human resources	0.9	1.1	(18%)	3.6	4.6	(22%)
Property, marketing and administration	1.6	1.6	0%	6.1	6.0	2%
EBITDA	\$ 1.4	\$ 1.4	0%	\$ 5.3	\$ 6.3	(16%)
Human resources as a % of Revenues	23.1%	26.8%		24.0%	27.2%	
EBITDA as a % of Revenues	35.9%	34.1%		35.3%	37.3%	

#### Revenues

Despite poor weather conditions in December, gaming revenues for Georgian Downs increased by 4% in the fourth quarter and decreased by 4% in the twelve months of 2007 relative to the fourth quarter and twelve months of 2006, respectively. During the first quarter of 2007, Georgian Downs' horse racing contract with the Ontario Harness Horse Association ("OHHA") expired without being renewed, resulting in the cessation of live and simulcast racing at the property from January 1 to March 10, 2007, when a new agreement was reached and racing resumed. During that time, the slot floor operated by OLG remained open, but the absence of live racing, combined with demonstrations by members of OHHA resulted in significantly lower customer visitation and lower gaming revenues during the first quarter of 2007. Gaming revenues have subsequently recovered.

Gaming revenues, racing revenues, and hospitality and other revenues for the twelve months of 2007 decreased relative to the twelve months of 2006 as a result of the racing stoppage.

#### Expenses

Human resources expenses as a percentage of revenues in the fourth quarter of 2007 improved 3.7 percentage points compared to the fourth quarter of 2006 as a result of controlling our staffing levels and related costs as demonstrated by the 18% decline in human resources expenses for that period. Human resources expenses as a percentage of revenues in the twelve months of 2007 improved by 3.2 percentage points relative to the twelve months of 2006, as the Company managed its human resources costs by temporarily reducing the level of racing staff during the racing stoppage in the first quarter of 2007 and further managing staffing levels when live racing resumed.

Property, marketing and administration expenses in the fourth quarter and twelve months of 2007 remained consistent with the fourth quarter and twelve months of 2006.

#### EBITDA

EBITDA for Georgian Downs remained consistent in the fourth quarter and decreased by 1.0 or 16% in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively. The decrease is primarily due to the impact of the racing stoppage.

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#### Flamboro Downs

	Fourth Quarter			Twelve Months of		
	2007	2006	% Chg	2007	2006	% Chg
Gaming revenues	\$ 2.6	\$ 2.7	(4%)	\$ 12.2	\$ 11.6	5%
Racetrack revenues	0.9	1.2	(25%)	4.0	4.9	(18%)
Hospitality and other revenues	1.1	1.2	(8%)	4.3	5.3	(19%)
Revenues before promotional allowances	4.6	5.1	(10%)	20.5	21.8	(6%)
Less: Promotional allowances	(0.1)	-		(0.3)	(0.1)	200%
Revenues	4.5	5.1	(12%)	20.2	21.7	(7%)
Human resources	1.7	1.9	(11%)	7.0	7.9	(11%)
Property, marketing and administration	1.7	1.6	6%	6.8	6.7	1%
EBITDA	\$ 1.1	\$ 1.6	(31%)	\$ 6.4	\$ 7.1	(10%)

Human resources as a % of Revenues before promotional allowances	37.0%	37.3%	34.1%	36.2%
EBITDA as a % of Revenues	24.4%	31.4%	31.7%	32.7%

#### Revenues

Gaming revenues for Flamboro Downs decreased by 4% in the fourth quarter and increased by 5% in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively. This was due to fewer gaming customers as a result of poor weather conditions in December 2007 and fewer live race days in the twelve months of 2007 compared to the twelve months of 2006. Both these factors were partially offset by strong slot activity in the market.

Racetrack revenues in the fourth quarter of 2007 decreased by \$0.3 compared to the fourth quarter of 2006 due to the inclement weather in the fourth quarter of 2007 that prevented customers from visiting the property. Racetrack revenues in the twelve months of 2007 decreased by \$0.9 relative to the twelve months of 2006 primarily due to 33 fewer live race days compared to the twelve months of 2006.

Hospitality and other revenues decreased by 8% in the fourth quarter and decreased by 19% in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006. The decrease was primarily due to a reduction in OLG promotions directly linked to food and beverage offerings, as well as the closure of our less profitable food and beverage outlets at the property and fewer live racing days.

#### Expenses

Human resources expenses as a percentage of revenues before promotional allowances decreased by 0.3 percentage points in the fourth quarter and by 2.1 percentage points in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively, primarily due to fewer live racing days in 2007.

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#### EBITDA

EBITDA for Flamboro Downs decreased by \$0.5 in the fourth quarter of 2007 and \$0.7 in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively. EBITDA as a percentage of revenues decreased by 7.0 percentage points in the fourth quarter of 2007 compared to the fourth quarter of 2006. The Company continues to pursue opportunities to improve visitation. In particular, we plan to introduce a player rewards program at the property in the second quarter of 2008 that is expected to attract and retain customers. This new rewards program will also be rolled out to our online and phone wagering customers.

#### Corporate & Other

	Fourth Quarter			Twelve months of		
	2007	2006	% Chg	2007	2006	% Chg
Revenues	\$ 0.1	\$ -		\$ 0.6	\$ 0.3	100%
Human resources	4.8	4.9	(2%)	20.1	20.6	(2%)
Property, marketing and administration	1.7	1.9	(11%)	7.9	9.4	(16%)
EBITDA	\$ (6.4)	\$ (6.8)	6%	\$ (27.4)	\$ (29.7)	8%

#### Expenses

Property, marketing and administration expenses decreased by \$1.5 or 16% in the twelve months of 2007 compared to the twelve months of 2006 primarily due to decreases in general and administration expenses such as professional fees and discretionary travel. We will continue to monitor and maintain control over our expenses.

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#### Discussion of Items Excluded from EBITDA

##### Amortization

Amortization increased by \$1.7 in the fourth quarter and decreased by \$0.1 in the twelve months of 2007 relative to the fourth quarter and twelve months of 2006. Amortization in the fourth quarter and twelve months of 2006 included \$0.6 and \$3.1, respectively, in impairments of long-lived assets. After adjusting for these impairments, amortization increased in the fourth quarter and in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006 due to additions of property, plant and equipment.

##### Stock-Based Compensation

Stock-based compensation increased by \$0.5 or 38% in the fourth quarter of 2007 and by \$0.7 or 11% for the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively, primarily due to the annual grant of options at the end of the first quarter of 2007.

##### Restructuring Costs

Restructuring costs decreased \$6.6 in the fourth quarter and \$9.0 in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively. Restructuring costs in 2007 related to severance and lease termination costs associated with the November 2007 closure of our Casino on Broadway in Vancouver, B.C. In the fourth quarter and twelve months of 2006, restructuring costs included \$4.1 in severances, \$5.6 for the voluntary buyout of our hospitality services from a third party service provider and other obligations associated with departed employees.

##### Interest and Financing Costs, net

In February 2007, as part of our debt refinancing we entered into an undrawn \$200.0 Senior Secured Revolving Credit Facility, a US\$170.0 Senior Secured Term Loan B and US\$170.0 Senior Subordinated Notes (described in the "Capital Resources" section of this MD&A). As this debt is denominated in U.S. dollars and our revenues are primarily in Canadian dollars, the Company entered into cross-currency interest rate swap agreements to effectively convert this debt into Canadian dollar fixed interest rate debt.

Interest and financing costs, net of interest income decreased by \$0.7 in the fourth quarter of 2007 compared to the fourth quarter of 2006. The decrease related primarily to \$1.3 lower amortization of debt refinancing costs in the fourth quarter of 2007 compared to those recognized in the fourth quarter of 2006. The prior year had unusually high costs associated with our former Bridge Credit Facility that we completed on September 29, 2006 and which was repaid on February 14, 2007. This decrease was offset by a \$0.7 increase in interest expense during the fourth quarter of 2007 compared to the fourth quarter of 2006 that resulted from higher average debt levels and higher interest rates on our Senior Secured Term Loan B and Senior Subordinated Notes.

Interest and financing costs, net of interest income, decreased by \$26.2 in the twelve months of 2007 compared to the twelve months of 2006. The decrease primarily related to the \$30.9 pre-tax one-time cost associated with the early redemption of our Series A and Series B Senior Secured Notes and the write-off of associated debt refinancing costs in the third quarter of 2006 and \$1.4 lower amortization of debt refinancing costs related to our debt as mentioned above. Interest expense increased \$5.8 in the twelve months of 2007 compared to the twelve months of 2006 due to higher average debt levels and higher interest rates on the Company's Senior Secured Term Loan B and Senior Subordinated Notes. In addition, the first quarter of 2007 included \$1.6 in underwriting fees and amortized debt refinancing transaction costs related to the Bridge Credit Facility that were offset by \$1.7 increased interest income due to higher average levels of short-term cash equivalent investments.

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#### Other Expenses

Other expenses decreased in the fourth quarter and twelve months of 2007 by \$10.3 and \$11.6 respectively, relative to the fourth quarter and twelve months of 2006, respectively. This was primarily due to the non-cash \$9.9 goodwill impairment recognized for Hastings during the fourth quarter of 2006. In addition, non-cash foreign exchange loss decreased \$1.0 and non-controlling interest decreased \$0.7 in the twelve months of 2007 compared to the twelve months of 2006.

#### Income Taxes (Recovery)

Income taxes decreased \$6.6 in the fourth quarter and increased \$4.6 in the twelve months of 2007, compared to the fourth quarter and twelve months of 2006, respectively. Several items affected the comparability of income taxes over these periods: The fourth quarter of 2006 income tax benefit of \$10.6 on the \$30.9 in costs associated with the redemption of our Series A and Series B Senior Secured Notes; the non-cash future income tax recoveries of \$5.2, \$1.0 and \$10.5 in the second quarter of 2006, the second quarter of 2007 and the fourth quarter of 2007, respectively, arising from decreases in enacted tax rates; and the \$3.0 non-cash future income tax recoveries in the twelve months of 2007 due to the effect of tax rate differentials on and adjustments related to prior years' income tax provisions.

#### Net Earnings (Loss)

Net earnings increased \$24.5 in the fourth quarter and \$54.4 in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively. After adjusting for unusual items (see Financial Highlights section), adjusted net earnings increased \$1.8 or 60% in the fourth quarter and \$8.5 or 63% in the twelve months of 2007 compared to the fourth quarter and twelve months of 2006, respectively. These increases in our consolidated net earnings reflect a continued trend towards improved operating results driven by revenue growth and operational efficiencies.

### CONSOLIDATED QUARTERLY RESULTS TREND

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Revenues	\$ 100.7	\$ 103.2	\$ 97.7	\$ 95.6	\$ 98.1	\$ 100.2	\$ 95.6	\$ 91.3
EBITDA	\$ 27.9	\$ 30.9	\$ 26.8	\$ 25.4	\$ 25.4	\$ 27.0	\$ 24.1	\$ 21.7
EBITDA as a % of Revenues	27.7%	29.9%	27.4%	26.6%	25.9%	26.9%	25.2%	23.8%
Net earnings (loss)	\$ 13.0	\$ 12.6	\$ 5.9	\$ 4.3	\$ (11.5)	\$ (14.1)	\$ 6.1	\$ 0.9
Earnings (loss) per common share:								
Basic	\$ 0.15	\$ 0.15	\$ 0.07	\$ 0.05	\$ (0.13)	\$ (0.16)	\$ 0.07	\$ 0.01
Diluted	\$ 0.15	\$ 0.15	\$ 0.07	\$ 0.05	\$ (0.13)	\$ (0.16)	\$ 0.07	\$ 0.01

The fourth quarter of 2007 showed continued progress towards our goals of driving revenue growth and operating efficiencies at both the site and head office levels. Revenues in the fourth quarter of 2007 increased by 3% and our EBITDA increased 10% over the fourth quarter of 2006. This translated to an increase in our EBITDA as a percentage for revenues for the fourth quarter of 2007 to 27.7% compared to 25.9% in the fourth quarter of 2006.

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## LIQUIDITY AND CAPITAL RESOURCES

### Financial Position

	As at December 31, 2007	As at December 31, 2006	% Change
Cash and cash equivalents	\$ 107.1	\$ 56.8	89%
Other current assets	44.2	55.8	(21%)
Property, plant and equipment	567.3	565.8	0%
Due from Nova Scotia Gaming Corporation	1.9	17.7	(89%)
Other long-term assets	236.9	244.6	(3%)
	<b>\$ 957.4</b>	<b>\$ 940.7</b>	<b>2%</b>
Current liabilities	81.9	65.7	25%
Long-term debt, excluding current portion	329.4	390.3	(16%)
Other long-term liabilities	135.9	89.8	51%
Shareholders' equity	410.2	394.9	4%
	<b>\$ 957.4</b>	<b>\$ 940.7</b>	<b>2%</b>

Cash and cash equivalents have increased since December 31, 2006 primarily due to cash inflows from operations. Cash equivalents at December 31, 2007 were \$63.5 and comprised \$17.0 invested in Canadian treasury bills, \$38.9 invested in bearer deposit notes, and \$7.6 invested in banker's acceptances. As at December 31 2007, the Company had no exposure to asset backed commercial paper.

Other current assets have decreased since December 31, 2006 primarily due to the reduction of income tax receivables to a net payable position at December 31, 2007.

The additions to property, plant and equipment in 2007 were almost fully offset by amortization expense.

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

Current liabilities have increased since December 31, 2006, primarily due to increases in accounts payable and accrued liabilities, as well as income taxes payable and current portion of long-term debt.

As at December 31, 2006, long-term debt, excluding current portion, consisted primarily of the Company's former Bridge Credit Facility and Flamboro Promissory Note. As at December 31, 2007 long-term debt, excluding current portion, consisted primarily of the Company's Term Loan B and Senior Subordinated Notes that replaced our former Bridge Credit Facility on February 14, 2007. The Flamboro Promissory Note was repaid during the third quarter of 2007.

Other long-term liabilities have increased since December 31, 2006 due primarily to increases in the Company's derivative liabilities, which represents the fair value of the Company's cross currency interest rate swaps as at December 31, 2007.

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#### Changes in Cash Flows

	Fourth Quarter		Twelve months of	
	2007	2006	2007	2006
Cash inflow from operating activities	\$ 24.3	\$ 19.0	\$ 96.6	\$ 31.1
Cash outflow from investing activities	(4.4)	(29.5)	(21.2)	(71.1)
Cash inflow (outflow) from financing activities	(21.1)	(20.2)	(23.6)	26.5
Effect of foreign exchange on cash and cash equivalents	0.5	0.6	(1.5)	0.5
Increase (decrease) in cash	\$ (0.7)	\$ (30.1)	\$ 50.3	\$ (13.0)

The increase in the cash inflow from operating activities in the fourth quarter and twelve months of 2007 relative to the fourth quarter and twelve months of 2006 was primarily due to increased EBITDA and reductions in non-cash working capital, particularly income taxes.

The decrease in the cash outflow from investing activities in the fourth quarter and twelve months of 2007 relative to the fourth quarter and twelve months of 2006 was primarily due to the significant construction projects that were in progress in the prior year. These included the Nova Scotia casinos renovations, the new Chances in Dawson Creek, and the Red Robinson Show Theatre at the Boulevard Casino. The main construction projects underway in 2007 included the River Rock Conference Centre (opened in July), the Fraser Downs table and slot expansion (opened in November) and the phase one Hastings slot room (opened in November).

Cash outflow from financing activities in the twelve months of 2007 relates to the net cash flows from the debt refinancing that was completed in the first quarter of 2007, the repayment of the Flamboro Promissory Note and the purchase of the Company's common shares. Cash outflows from financing activities in the fourth quarter and twelve months of 2006 relate to principal repayments of long-term debt.

#### Capital Resources

##### *Long-Term Debt and Equity Transactions*

	December 31, 2007	December 31, 2006
Term Loan B, net of unamortized transaction costs of \$3.0	\$ 164.1	\$ -
Senior Subordinated Notes and \$1.9 unamortized premium net of unamortized transaction costs of \$6.2	164.2	-
Hastings Promissory Note	2.9	3.4
Obligations under capital leases and other debt	1.3	1.4
Bridge Credit Facility - Revolving Credit Facility	-	95.0
Bridge Credit Facility - Non-Revolving Credit Facility	-	250.0
Flamboro Promissory Note	-	41.7
	\$ 332.5	\$ 391.5

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The expected repayments of long-term debt for the five following years ended December 31 are as follows:

2008	\$	3.1
2009		3.1
2010		2.7
2011		2.7
2012		2.6
Thereafter		325.6
Total repayments		339.8
Less: unamortized premium and transaction costs		7.3
Total long-term debt (including current portion)	\$	332.5

#### 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 in 2006 with the establishment of a Bridge Credit Facility, which was used to redeem the former Series A and Series B Senior Secured Notes. The new debt facilities provide the Company with a more flexible debt structure, a leverage more typical of the industry, the capacity to fund future growth and expansion opportunities, and the opportunity to lower our overall cost of capital.

The debt refinancing consisted of three components: (i) an undrawn \$200.0 million Senior Secured Revolving Credit Facility ("Revolving Credit Facility"); (ii) a US\$170.0 million Senior Secured Term Loan B ("Term Loan B"); and (iii) US\$170.0 of million Senior Subordinated Notes ("Subordinated Notes"). The gross proceeds of the Term Loan B and the Subordinated Notes were \$401.9 million. The proceeds were used to repay the Bridge Credit Facility of \$340.8 million, provide cash that was used to repay the Flamboro Promissory Note of \$41.7 million, pay costs and fees of the refinancing and provide for working capital.

The Company and its debt facilities are rated as follows:

	Moody's	Standard & Poor's
Corporate	Ba3 Stable	BB Stable
Revolving Credit Facility and Term Loan B	Ba2	BBB- <sup>(1)</sup>
Subordinated Notes	B2	B+

<sup>(1)</sup>Initial rating of the Company's Senior Secured Revolving Credit Facility and Secured Term Loan B was BB as of January 19, 2007. On July 7, 2007, Standard & Poor's upgraded this rating to BBB-.

The Revolving Credit Facility and the Term Loan B are guaranteed and secured by substantially all of the assets of the Company and its subsidiaries. Both the Revolving Credit Facility and the Term Loan B require the Company to comply with operational and financial covenants. The financial covenants (which are defined in the underlying debt agreements and are tested quarterly) are: Total Debt to Adjusted EBITDA ratio of 5.0 or less; Senior Debt to Adjusted EBITDA ratio of 3.5 or less, and Interest Coverage ratio of 2.0 or greater for the first three years and 2.25 or greater thereafter.

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Subject to compliance with all operational and financial covenants, the Company has the option to increase the Revolving Credit Facility or issue additional term loans by up to \$150.0 million 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 interest rate margin in the case of the Term Loan B.

The undrawn Revolving Credit Facility has a term of 5 years from the issuance date. The interest rate (on advanced amounts) and the commitment fee (on the unused facility) on the Revolving Credit Facility will be based on the Company's Total Debt to Adjusted EBITDA ratio (defined in the underlying credit agreement) which is calculated quarterly and is currently between 3.00 and 3.50.

The following table summarizes the interest rate and commitment fee on the Revolving Credit Facility that apply, depending on the Company's quarterly Total Debt to Adjusted EBITDA ratio calculated for the most recent trailing twelve months:

Total Debt / Adjusted EBITDA	Margin on Bankers' Acceptances or Eurodollar Rate Advances & Letters of Credit	Margin on Canadian Prime Rate or U.S. Base Rate Advances	Commitment Fee
>= 4.50	2.25%	1.00%	0.50%
4.00 to < 4.50	1.88%	0.63%	0.40%
3.50 to < 4.00	1.63%	0.38%	0.35%
3.00 to < 3.50	1.38%	0.13%	0.30%
2.50 to < 3.00	1.13%	0.00%	0.25%
2.00 to < 2.50	0.88%	0.00%	0.20%
< 2.00	0.75%	0.00%	0.18%

The Term Loan B is denominated in US dollars (US\$170.0 million) and bears interest at a floating rate (LIBOR plus 1.50%), payable quarterly. The Company hedged both the currency risk and the floating interest rate risk to result in an initial principal of \$200.8 million in Canadian dollars and a fixed interest rate of approximately 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 0.25% are required quarterly, with the balance due on maturity, which is February 13, 2014.

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 million) and bear interest at a rate of 7.25%, payable semi-annually. The Company has hedged the currency risk and the U.S. fixed interest rate to result in an initial principal of \$201.1 million in Canadian dollars and a fixed interest rate of approximately 6.6% per annum. The Subordinated Notes have a term of 8 years with the principal amount of the notes repayable on maturity, which is February 15, 2015. There are provisions for early redemptions, at our option, of the Subordinated Notes during defined periods prior to maturity with payment of defined premiums.

The Senior Subordinated Notes require the Company to comply with operational and financial covenants. The financial covenant requires the Company to maintain a Fixed Charge Coverage ratio of greater than 2.0 (capitalized term is defined in the underlying note agreement and is tested on the occurrence of specified events).

The Subordinated Notes have been structured so that interest payments are not subject to Canadian withholding taxes. To the extent that Canadian tax regulations change to impose a withholding tax on the interest payments, the Company has agreed to gross-up the interest payments to ensure the holder of the Subordinated Notes receives the same amount in the absence of the withholding tax, subject to certain requirements and limitations.

All the debt facilities have: (i) mandatory repayments in the case of proceeds from certain asset sales or receipt of insurance proceeds that are not re-invested in the Company within certain time limits; (ii)

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restrictions on certain asset sales, acquisitions, and distributions; (iii) limitations on the incurrence of additional debt or indebtedness or liens; and (iv) provisions for the Company to re-purchase and re-issue portions of the Term Loan B and/or Subordinated Notes should the holder be required to register with a gaming authority having jurisdiction over the Company and either refuses or is found to be unsuitable for registration.

The debt refinancing transaction costs of establishing the Revolving Credit Facility, Term Loan B and the Subordinated Notes have been recorded as a reduction of the balance of the related debt and expensed to interest and financing costs, net on the consolidated statements of earnings (loss) over the term of the related debt using the effective interest method.

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

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 as at December 31, 2007 are as follows:

Debt	Notional Principal		Interest Rate		Maturity Date
	Receive (USD)	Pay (CAD)	Receive (USD)	Pay (CAD)	
Term Loan B	\$168.7 <sup>(1)</sup>	\$199.3 <sup>(1)</sup>	US LIBOR+1.50%	6.1%	February 13, 2014
Subordinated Notes	\$170.0	\$201.1	7.25%	6.6%	February 15, 2015

<sup>(1)</sup> The Term Loan B cross currency interest rate swap's notional principal reduces by 0.25% of the original principal of \$170.0 USD 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. Accordingly, the Company has applied hedge accounting to these swaps.

As at December 31, 2007, the cross-currency interest rate swaps have been recorded as long-term derivative liabilities at their fair value of \$62.8. The cross-currency interest rate swaps were determined to be 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 values of derivatives designated as cash flow hedges.

The fair values of our cross-currency interest rate swaps at December 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 December 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 December 31, 2007 is \$1.5 and the change in the fair value was recorded in interest and financing, net on the consolidated statements of earnings (loss). The premium is amortized over the term of the Subordinated Notes using the effective interest method.

#### *Private Placement of Units*

On March 28, 2006, we completed an equity offering of a private placement of 6,206,361 units at a price of \$12.89 per unit for gross proceeds of \$80.0 (net proceeds of \$79.7). Each unit comprised one common share and one share purchase warrant that is exercisable into one common share at an exercise price of \$12.89 until March 28, 2008. The Company's Chairman and Chief Executive Officer participated in the private placement for \$50.0 of the total offering.

#### *Outstanding Share Data*

As at December 31, 2007, there were 84,815,476 common shares outstanding as compared to 86,146,631 as at December 31, 2006. The decrease in outstanding common shares was primarily the result of 2,273,200 common shares purchased in 2007 by the Company at a cost of \$31.3 through our normal course issuer bid announced in July 2007. Subsequent to December 31, 2007, the Company purchased an additional 629,600 common shares at a cost of \$9.2 and granted 1,997,500 stock options having an exercise price of \$14.13.

As at December 31, 2007, there were 6,023,423 stock options outstanding at a weighted average exercise price of \$12.74, and 6,206,361 warrants outstanding at a weighted average exercise price of \$12.89. As at March 11, 2008, there were 84,198,476 common shares outstanding, 7,987,497 stock options outstanding and 6,206,361 warrants outstanding.

#### **Capital Spending and Development**

The majority of our capital expenditures on gaming operations in British Columbia and Nova Scotia are eligible for reimbursement by the provincial gaming authorities. In British Columbia the BCLC's FDC program permits an additional commission of 3% of gross gaming win from casinos, racetracks and community gaming centres. In addition, the BCLC introduced a new accelerated FDC program in 2006 that will provide an additional 2% of gross gaming win towards site-specific reimbursements of new gaming redevelopments.

According to our operating agreement with the province of Nova Scotia, we will receive approximately \$1.0 per month until April 2009 as reimbursement of the prior capital expenditures on our Nova Scotia Casinos. In addition, approved expenditures incurred to improve or maintain the casino facilities are reimbursed from a capital replacement account ("CRA"). We are required to make contributions to the CRA equal to 5% of the annual gross operation revenues from the two Nova Scotia casinos. If the CRA is in a deficit balance, the amount owed to us accrues interest at a rate of bank prime plus 2% per annum.

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During the twelve months of 2007 our capital expenditures totalled \$32.8. Maintenance capital expenditures in 2007 included items related to company wide property upgrades, surveillance equipment and information technology. Expansion capital expenditures in 2007 primarily related to the multi-level parking garage at River Rock, the building costs for slot machines at Georgian Downs and Hastings Racecourse, the building costs for slot machines and tables at Fraser Downs and preliminary construction at View Royal. For 2008 we estimate approved expansion capital expenditures will total approximately \$117.0.

As at December 31, 2007, the Company has \$342.3 (December 31, 2006 – \$350.4) in Approved Amounts (a term defined in the Company's COSAs with the BCLC) to be recovered by future. Approved Amounts have not been recorded in the consolidated statements of financial position. Since FDC is earned as a fixed percentage of gaming win, subject to the Company incurring sufficient Approved Amounts, recovery of Approved Amounts requires that our operating agreements with BCLC remain in good standing.

#### **Contingencies**

We have issued letters of credit to guarantee performance, primarily under construction contracts and gaming cash floats in the aggregate amount of \$32.3 at December 31, 2007.

As part of certain acquisition agreements, including those entered into on the acquisition of Orangeville Raceway Ltd. (Fraser Downs) and Bear Mountain Community Gaming Centre (now "Chances"), we have agreed to make future contingent payments dependent on operations at these locations.

#### **Litigation**

In 2005, as part of the acquisition of Georgian Downs, the Company entered into an agreement that provided a consultant a deemed contribution for a notional equity interest in Georgian Downs as consideration for certain consulting services for its operations in the Province of Ontario. The notional equity interest entitled the consultant to future remuneration depending on the operating results of Georgian Downs provided that certain services were performed. The consultant had an option to sell his notional equity interest in Georgian Downs to the Company for consideration calculated using a predefined formula based on Georgian Down's operating results for the twelve month period preceding the option's exercise. The Company had a call option to purchase the consultant's notional equity interest from June 2012 for consideration calculated using the same predefined formula. On July 30, 2007, the Company terminated the agreement and tendered the sum of \$1.6 being the full amount that the Company determined to be validly due and payable to the consultant. The consultant and the Company have significantly different views as to the consultant's monetary entitlement under the agreement. The consultant refused payment of the Company's assessment of the consultant's monetary entitlement and filed an application in the Ontario Superior Court of Justice that disputes the validity of the termination of the agreement. The Company has also filed a suit in the Ontario Superior Court of Justice seeking a declaration that the agreement has been properly terminated by the Company. The Company is of the belief that it has acted appropriately with respect to both the termination and the tendering of payment to the consultant and intends to vigorously defend its position. At this stage, liability or quantum with respect to this litigation cannot be reasonably determined.

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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 600 slot machines at Hastings. This challenge was unsuccessful, as the Supreme Court upheld the City of Vancouver by-law amendment. The community group subsequently filed an appeal with the British Columbia Court of Appeal that was heard in January 2008. The Court of Appeal has reserved judgement on the matter. We believe that the appeal filed by the community group is without merit and is unlikely to result in the Supreme Court's original ruling being overturned. If the Hastings Park Conservancy is successful in the appeal, this could impact our planned redevelopment of Hastings Racecourse. If we are unable to install 600 slot machines at Hastings Racecourse, our investment in that operation would be adversely affected.

The Company is involved in various other disputes, claims and litigation. Management believes the amount of the ultimate liability for these will not materially affect the financial position of the Company.

#### 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 and equity 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.

#### Commitments

	Expected Payments by Period as at December 31, 2007				
	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years	Total
Long-term debt	\$ 3.2	\$ 5.8	\$ 5.3	\$ 327.4	\$ 341.7
Derivative liabilities	0.4	0.8	0.9	60.7	62.8
Operating leases and contracts	5.6	10.0	9.0	23.8	48.4
Total	\$ 9.2	\$ 16.6	\$ 15.2	\$ 411.9	\$ 452.9

The long-term debt contractual obligations include primarily the principal repayments of the Term Loan B and the Subordinated Notes and the repayment of the debts assumed on the acquisition of Hastings, as well as capital lease obligations.

Operating leases and contracts include 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, an operating agreement with the City of Vancouver, BC for Hastings Racecourse and commitments to NSGC to fund responsible gaming programs.

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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 this MD&A.

<b>Consolidated Statements of Earnings (Loss)</b>	<b>Year ended December 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>Other Income</b>		
ATM revenues from a company that had a director who was a member of senior management of the Company <sup>(1)</sup>	\$ 0.2	\$ 1.5
<b>Human Resources</b>		
Amounts for dealer training services provided by a company controlled by a director of the Company	0.9	0.8

<sup>(1)</sup>During 2007, the member of senior management resigned as a director and 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 comprehensive income (loss). The change in accounting policies had no other material impact on the Company's consolidated financial statements at January 1, 2007 and December 31, 2007.

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#### *Comprehensive Income*

CICA Handbook Section 1530 introduces comprehensive income, which consists of net earnings on the consolidated statements of earnings (loss) and other comprehensive income (loss) ("OCI"). OCI represents changes in shareholders' equity in a period arising from the portion of the change in the fair values of the Company's derivatives designated as cash flow hedges that are determined to be effective, gains and losses on derivatives designated as cash flow hedges transferred to net earnings in the current period, and the unrealized effect of foreign currency translation of foreign operations.

#### *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 models, 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 statements of earnings (loss). 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 statements of earnings (loss) 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*

Other than the embedded derivative related to the early redemption option on the Senior Subordinated Notes, the Company does not have any material embedded derivatives that require separate accounting.

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#### *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 (loss).

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 (loss). 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.

#### *Debt Refinancing Transaction Costs*

In accordance with its accounting policy election under CICA Handbook Section 3855, the Company recorded debt refinancing 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. Debt refinancing transaction 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.

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

#### *Business Combinations*

The cost of an acquired company ("purchase price") is assigned to the identifiable tangible and intangible assets purchased and liabilities assumed on the basis of their fair values at the date of acquisition. The identification of assets purchased and liabilities assumed and the valuation thereof is specialized and judgmental. Where appropriate, the Company engages business valuers to assist in the valuation of tangible and intangible assets acquired. Any excess of purchase price over the fair value of the identifiable tangible and intangible assets purchased and liabilities assumed is allocated to goodwill.

When a business combination involves contingent consideration, an amount equal to management's estimate of the contingent consideration that will become due beyond a reasonable doubt is recognized as a liability at the time of acquisition. When the contingency is resolved and the consideration is issued or becomes issuable, any difference in the fair value of the contingent consideration issued or issuable over the amount initially recognized will be recognized as an adjustment to the cost of the purchase.

Intangible assets are amortized in the consolidated statements of earnings (loss) over the estimated useful life of the intangible asset. Judgment is used to estimate an intangible asset's useful life and is based on an analysis of all pertinent factors including, amongst others, our expected use of the intangible asset, contractual provisions that enable renewal or extension of the intangible asset's legal or contractual life without substantial cost, and renewal history.

#### *Long-Lived Assets and Goodwill Impairment Tests*

Long-lived assets, including intangible assets, are tested for impairment whenever management believes events or circumstances indicate that the carrying values of those assets may not be fully recoverable (a "triggering event"). A long-lived asset impairment loss is recognized when the carrying value of that asset exceeds our estimate of the sum of the undiscounted cash flows expected from its use and eventual disposition. The impairment loss is measured as the excess of the carrying value of the asset over its estimated fair value.

Goodwill is tested for impairment at least annually, at year-end, and whenever a triggering event indicates that the carrying values of goodwill may not be fully recoverable. The impairment test consists of allocating goodwill to the Company's reporting units and then comparing the carrying value of the reporting units, including goodwill, to their fair values. The Company determines fair value using price-to-earnings multiples or discounted cash flows, whichever is the most appropriate under the circumstances. The excess of the carrying value amount over the fair value of goodwill, if any, is charged to operations in the period the impairment occurred.

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#### *Stock-Based Compensation*

Companies that issue equity based compensation, such as options, are required to record the fair value of the options granted as an operating expense in the consolidated statements of earnings (loss) over the expected life of the option. At the date of the option grant, the Company estimates the fair value of the option using the Black-Scholes pricing model. That model takes into account the exercise price of the option, an estimate of the expected life of the option, the current price of the underlying stock, an estimate of the stock's volatility, an estimate of future dividends on the underlying stock and the risk-free rate of return expected for an instrument with a term equal to the expected life of the option. Once the fair value is determined and the period of expensing established, the charge is not adjusted for subsequent changes in the original assumptions.

#### *Income Taxes*

Our future income tax assets and liabilities are due to temporary differences between the carrying amount and tax basis of certain assets and liabilities, as well as undeducted tax losses. Estimation is required for the timing of the reversal of these temporary differences and the tax rate applied. The carrying amounts of assets and liabilities are based upon amounts recorded in the financial statements and are subject to any accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of undeducted tax losses are based upon the applicable income tax legislation, regulations and interpretations. The timing of the reversal of the temporary differences and the timing of deduction of tax losses are based upon estimations of our future financial results.

If future operating results differ from our current expectations, if enacted tax rates change, if tax legislation or regulations change, or if our interpretations of income tax legislation changes, then our expectations of future timing difference reversals may also change and require material future income tax adjustments.

#### *Derivative Assets 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.

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#### **Recent Accounting Pronouncements**

In December, 2006, the CICA issued Handbook Section 1535, Capital Disclosures. The new standard requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes for managing capital. These recommendations are effective for the Company's interim and annual reporting periods beginning January 1, 2008. This new standard will require incremental disclosures, however, it is not expected to have a material effect on the Company's consolidated financial statements.

In December 2006, the CICA issued Handbook Sections 3862, Financial Instruments – Disclosures, and 3863, Financial Instruments – Presentation, which will replace Section 3861, Financial Instruments – Disclosure and Presentation. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements and are effective for the Company's interim and annual reporting periods beginning January 1, 2008. These new standards will require revised disclosure, however, they are not expected to have a material effect on the Company's consolidated financial statements.

In March 2007, the CICA issued Handbook Section 3031, Inventories, which has replaced Section 3030 with the same title. The new Section establishes that inventories should be measured at the lower of cost and net realizable value, with guidance on the determination of cost. These recommendations are effective for the Company's interim and annual reporting periods beginning January 1, 2009. This new standard is not expected to have a material effect on the Company's consolidated financial statements.

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards ("IFRS") no later than the end of 2011. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined. The Company will monitor the requirements of the IFRS transition and adopt the new standards as required.

#### **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 conclude 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, 2007.

As well, as of the end of the fiscal year ended December 31, 2007, the Chief Executive Officer and Chief Financial Officer have evaluated and conclude 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.

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During 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.

#### **Definitions of Other Terms Used in the MD&A**

Racebook – an off-racetrack wagering facility (previously described as a teletheatre).

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 and 75% of the slot machine win) 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.
- Horse racing 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 13% for card and progressive jackpot games, 5% on pull-tabs and 2% on amusement games.
- Casino gaming in Nova Scotia – 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, all of which are 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 the 47.275% revenue retained by the NSGC.
- Hotel revenues – revenues are recognized as services are performed.
- Other income – 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 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.

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#### **Additional Information**

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](http://www.sedar.com) or on the Company's website at [www.gcgaming.com](http://www.gcgaming.com).

Shareholders of the Company may obtain a copy of the Company's TSX Form 12 Notice of Intention to Make a Normal Course Issuer Bid as filed with and as accepted by the TSX, at no charge, by contacting the Company.

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### SUPPLEMENTAL FINANCIAL INFORMATION

#### Consolidated Quarterly Results Trend

	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006
<b>Gaming Revenues</b>					
River Rock Casino Resort	\$ 21.1	\$ 19.0	\$ 18.1	\$ 21.5	\$ 19.3
Boulevard Casino	13.8	13.7	13.4	12.4	12.8
Vancouver Island Casinos	9.0	8.8	8.8	8.5	8.5
Other BC Casinos	2.1	3.7	3.6	3.8	3.6
Nova Scotia Casinos	10.6	12.9	10.8	10.3	11.7
Great American Casinos	5.1	5.4	5.7	6.5	6.3
BC Racinos	3.8	3.1	3.0	2.6	2.6
Georgian Downs	2.4	2.6	2.4	2.0	2.3
Flamboro Downs	2.6	3.3	3.2	3.1	2.7
Corporate & Other	-	0.3	-	-	-
	<b>70.5</b>	<b>72.8</b>	<b>69.0</b>	<b>70.7</b>	<b>69.8</b>
<b>Racetrack Revenues</b>					
BC Racinos	6.0	7.0	6.6	5.4	5.7
Georgian Downs	0.4	0.6	0.6	0.1	0.6
Flamboro Downs	0.9	0.9	1.1	1.1	1.2
	<b>7.3</b>	<b>8.5</b>	<b>8.3</b>	<b>6.6</b>	<b>7.5</b>
<b>Facility Development Commission</b>					
River Rock Casino Resort	1.8	1.7	1.6	1.8	1.7
Boulevard Casino	2.2	3.2	1.3	1.2	1.2
Vancouver Island Casinos	1.0	1.0	1.0	1.0	1.0
Other BC Casinos	0.2	0.3	0.4	0.3	0.3
BC Racinos	0.8	0.7	0.7	0.7	0.6
	<b>6.0</b>	<b>6.9</b>	<b>5.0</b>	<b>5.0</b>	<b>4.8</b>
<b>Hospitality and Other Revenues</b>					
River Rock Casino Resort	9.1	6.9	7.2	6.9	8.0
Boulevard Casino	2.4	2.1	2.1	1.7	2.0
Vancouver Island Casinos	1.0	1.1	1.1	1.0	1.0
Other BC Casinos	0.3	0.5	0.3	0.5	0.4
Nova Scotia Casinos	1.5	1.7	1.6	1.3	1.4
Great American Casinos	1.2	1.1	1.2	1.3	1.4
BC Racinos	1.8	2.2	2.0	1.3	1.8
Georgian Downs	1.1	1.0	1.1	0.7	1.2
Flamboro Downs	1.1	1.1	1.1	1.0	1.2
Corporate & Other	0.1	-	0.1	0.1	-
	<b>19.6</b>	<b>17.7</b>	<b>17.8</b>	<b>15.8</b>	<b>18.4</b>
Promotional Allowances	(2.7)	(2.7)	(2.4)	(2.5)	(2.4)
<b>Revenues</b>	<b>\$ 100.7</b>	<b>\$ 103.2</b>	<b>\$ 97.7</b>	<b>\$ 95.6</b>	<b>\$ 98.1</b>
<b>EBITDA</b>					
River Rock Casino Resort	\$ 12.4	\$ 10.2	\$ 9.9	\$ 11.7	\$ 9.8
Boulevard Casino	8.7	9.1	7.3	5.5	6.6
Vancouver Island Casinos	5.9	5.9	5.9	5.5	5.7
Other BC Casinos	0.5	1.1	0.9	1.2	1.0
Nova Scotia Casinos	0.5	3.4	1.5	2.2	2.2
Great American Casinos	1.1	1.2	1.3	1.8	1.9
BC Racinos	2.7	3.6	3.5	2.2	2.0
Georgian Downs	1.4	1.6	1.5	0.8	1.4
Flamboro Downs	1.1	1.7	2.0	1.6	1.6
Corporate & Other	(6.4)	(6.9)	(7.0)	(7.1)	(6.8)
	<b>\$ 27.9</b>	<b>\$ 30.9</b>	<b>\$ 26.8</b>	<b>\$ 25.4</b>	<b>\$ 25.4</b>

## GREAT CANADIAN GAMING CORPORATION

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#### Presentation of Gross Revenues

Gross revenues, a non-GAAP measure, is revenues on the consolidated statements of earnings (loss) 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 include slot commissions in Ontario, which represent 10% of the win from slot machines operated by the OLG. A reconciliation of gross revenues to revenues is presented below.

	Fourth Quarter			Twelve Months of		
	2007	2006	%Chg	2007	2006	%Chg
Gross table win	\$ 61.4	\$ 63.3	(3%)	\$ 243.3	\$ 245.9	(1%)
Gross slot win	136.4	124.7	9%	539.5	500.5	8%
Gross racetrack	33.5	31.4	7%	136.5	119.9	14%
Revenue from FDC	6.0	4.8	25%	22.9	19.1	20%
Food and beverage	15.5	15.0	3%	55.8	56.2	(1%)
Hotel revenues	2.7	2.4	13%	10.5	9.3	13%
Other revenues	2.8	2.4	17%	10.4	8.2	27%
Gross revenues (a non-GAAP measure)	258.3	244.0	6%	1,018.9	959.1	6%
Less:						
Gaming, taxes and other commissions	(128.7)	(119.7)	8%	(505.6)	(474.8)	6%
Racetrack purses	(26.2)	(23.8)	10%	(105.8)	(89.5)	18%
Promotional allowances	(2.7)	(2.4)	13%	(10.3)	(9.6)	7%
Revenues	\$ 100.7	\$ 98.1	3%	\$ 397.2	\$ 385.2	3%