



GREAT CANADIAN GAMING CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month Period Ended
March 31, 2008

(Unaudited – Prepared by Management)

As at May 12, 2008

(Expressed in millions, except for share information)

GREAT CANADIAN GAMING CORPORATION
Interim Consolidated Statements of Financial Position

(Unaudited - Prepared by Management)

(Expressed in millions, except for share information)

		March 31, 2008	December 31, 2007
ASSETS			
CURRENT			
Cash and cash equivalents	Note 4	\$ 98.5	\$ 107.1
Restricted cash		5.2	3.6
Accounts receivable		12.6	13.3
Income taxes receivable		1.4	-
Due from Nova Scotia Gaming Corporation		13.8	17.2
Prepays, deposits and other assets		10.9	12.0
		142.4	153.2
Property, plant and equipment		579.6	567.3
Intangible assets		189.6	191.5
Goodwill		38.8	37.0
Other assets		3.5	5.0
		\$ 953.9	\$ 954.0
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities		\$ 76.2	\$ 69.5
Income taxes payable		-	3.6
Long-term debt, deferred credit and other liabilities, current		10.4	8.8
		86.6	81.9
Long-term debt	Note 5	340.4	329.4
Derivative liabilities	Note 7	57.1	62.8
Deferred credit, other liabilities and non-controlling interests		1.8	2.0
Future income taxes		65.3	67.7
		551.2	543.8
SHAREHOLDERS' EQUITY			
Share capital and contributed surplus	Note 8	339.8	341.3
Accumulated other comprehensive loss		(12.0)	(9.1)
Retained earnings		74.9	78.0
		402.7	410.2
		\$ 953.9	\$ 954.0

See accompanying notes to the Interim Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION
Interim Consolidated Statements of Earnings

(Unaudited - Prepared by Management)

(Expressed in millions, except for share information)

	Three months ended March 31,	
	2008	2007
REVENUES	\$ 100.3	\$ 95.6
EXPENSES		
Human resources	45.1	43.6
Property, marketing and administration	28.3	26.6
Amortization	10.0	9.4
Stock-based compensation	2.1	1.4
Restructuring and other	0.3	-
	85.8	81.0
EARNINGS FROM OPERATIONS	14.5	14.6
Interest and financing costs, net	7.5	6.8
Foreign exchange gain	(0.2)	(0.1)
	7.3	6.7
EARNINGS BEFORE INCOME TAXES	7.2	7.9
Income taxes	Note 9 1.5	3.3
EARNINGS BEFORE NON-CONTROLLING INTERESTS	5.7	4.6
Non-controlling interests	0.3	0.3
NET EARNINGS	\$ 5.4	\$ 4.3
EARNINGS PER COMMON SHARE	Note 10	
Basic	\$ 0.06	\$ 0.05
Diluted	\$ 0.06	\$ 0.05
WEIGHTED AVERAGE NUMBER OF COMMON SHARES		
Basic	84,213,530	86,407,642
Diluted	84,490,748	86,801,808

GREAT CANADIAN GAMING CORPORATION

(Unaudited - Prepared by Management)

(Expressed in millions, except for share information)

Interim Consolidated Statements of Retained Earnings

	Three months ended March 31,	
	2008	2007
Retained earnings, beginning of period	\$ 78.0	\$ 64.3
Net earnings	5.4	4.3
Repurchase of common shares	(8.5)	-
Retained earnings, end of period	\$ 74.9	\$ 68.6

Interim Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)

	Three months ended March 31,	
	2008	2007
Net earnings	\$ 5.4	\$ 4.3
Other comprehensive income (loss), net of tax		
Changes in fair values of derivatives designated as cash flow hedges, net of income taxes of \$1.8 (2007 - \$4.5)	4.0	(8.6)
(Gain) loss on derivatives designated as cash flow hedges transferred to net earnings in the current period, net of income taxes of \$3.7 (2007 - \$3.2)	(8.3)	6.1
Unrealized effect of foreign currency translation of foreign operations	1.4	(0.4)
Other comprehensive loss	(2.9)	(2.9)
Comprehensive income	\$ 2.5	\$ 1.4

	March 31, 2008	December 31, 2007	March 31, 2007
Accumulated other comprehensive loss is comprised of:			
Changes in fair values of derivatives designated as cash flow hedges, net of income taxes	\$ (37.4)	\$ (41.4)	\$ (8.6)
Loss on derivatives designated as cash flow hedges transferred to net earnings in the current period, net of income taxes	34.4	42.7	6.1
Unrealized effect of foreign currency translation of foreign operations	(9.0)	(10.4)	(5.7)
Accumulated other comprehensive loss	\$ (12.0)	\$ (9.1)	\$ (8.2)

GREAT CANADIAN GAMING CORPORATION

Interim Consolidated Statements of Cash Flows

(Unaudited - Prepared by Management)

(Expressed in millions, except for share information)

	Three months ended March 31,	
	2008	2007
Cash Flows from Operating Activities		
Net earnings	\$ 5.4	\$ 4.3
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Amortization	10.0	9.4
Stock-based compensation	2.1	1.4
Non-cash interest and financing costs	1.8	0.8
Future income taxes	(0.6)	(0.7)
Other	0.3	(0.1)
Changes in non-cash operating working capital	3.7	1.1
Net cash provided by operating activities	22.7	16.2
Cash Flows from Investing Activities		
Purchase of property, plant and equipment, net of related accounts payable	(19.0)	(4.1)
Funds received from Nova Scotia Gaming Corporation	4.1	4.6
Funds due from Nova Scotia Gaming Corporation for purchases of plant and equipment	(0.8)	(0.6)
Acquisition of Haney Bingo Plex	(1.0)	-
Restricted cash	(1.6)	(1.0)
Net cash used in investing activities	(18.3)	(1.1)
Cash Flows from Financing Activities		
Proceeds from long-term debt	-	402.0
Repayment of long-term debt	(1.4)	(345.2)
Transaction costs	-	(11.0)
Common shares issued for cash, net of issuance costs	0.1	2.8
Purchase of common shares	(12.2)	-
Net cash (used in) provided by financing activities	(13.5)	48.6
Effect of foreign exchange on cash and cash equivalents	0.5	-
Net Cash (Outflow) Inflow	(8.6)	63.7
Cash and cash equivalents, beginning of period	107.1	56.8
Cash and cash equivalents, end of period	\$ 98.5	\$ 120.5
Supplemental Disclosure		
Interest received	\$ 1.1	\$ 1.6
Interest paid	\$ 10.3	\$ 3.5
Income taxes paid	\$ 7.1	\$ 0.3

See accompanying notes to the Consolidated Financial Statements

GREAT CANADIAN GAMING CORPORATION

Notes to the Interim Consolidated Financial Statements

For the Three Month Period Ended March 31, 2008

(Unaudited – Prepared by Management)

(Expressed in millions, except for share information)

1. NATURE OF BUSINESS

Great Canadian Gaming Corporation (the “Company”) is a multi-jurisdictional gaming and entertainment operator with operations in British Columbia, Ontario and Nova Scotia, Canada, and Washington State, United States of America. The Company operates 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, a bingo hall and various associated food and beverage and entertainment facilities.

2. INTERIM CONSOLIDATED FINANCIAL STATEMENTS – BASIS OF PRESENTATION

These unaudited interim consolidated financial statements include the accounts of the Company and its subsidiaries. The interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and accordingly, certain information and note disclosures normally included in the audited annual consolidated financial statements have been omitted. As a result, these unaudited interim consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2007 (“Annual Financial Statements”).

These unaudited interim consolidated financial statements have been prepared using the same accounting principles as set out in the Annual Financial Statements, with the exception of the changes in accounting policies described in Note 3.

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

3. CHANGES IN ACCOUNTING POLICIES

On January 1, 2008, the Company adopted the following new accounting standards of the Canadian Institute of Chartered Accountants (“CICA”):

- 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, and has been applied retrospectively without prior period restatement. The required disclosure is set out in Note 6.
- Handbook Sections 3862 - Financial Instruments Disclosures, and 3863 - Financial Instruments Presentation, which replaced Section 3861. These new standards require incremental disclosure of risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The transitional provisions of these standards provide that the incremental disclosures need not be presented for the comparative period in the year that these standards are adopted. The required disclosure is set out in Note 14.
- Handbook Section 3031 – Inventories, which replaced Section 3030. This new standard gives guidance on measurement and disclosure of inventories and has been applied retrospectively without prior period restatement. The change in accounting policy had no material impact on the Company’s consolidated financial statements at January 1, 2008.

GREAT CANADIAN GAMING CORPORATION
Notes to the Interim Consolidated Financial Statements

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(Unaudited – Prepared by Management)

(Expressed in millions, except for share information)

4. CASH AND CASH EQUIVALENTS

	March 31, 2008	December 31, 2007
Cash in bank	\$ 50.7	\$ 32.5
Cash floats	10.2	11.1
Cash equivalents	37.6	63.5
	\$ 98.5	\$ 107.1

5. LONG-TERM DEBT

	March 31, 2008	December 31, 2007
Term Loan B, net of unamortized transaction costs of \$2.9 (2007 - \$3.0)	\$ 169.7	\$ 164.1
Senior Subordinated Notes and unamortized premium of \$1.8 (2007 - \$1.9) net of unamortized transaction costs of \$5.9 (2007 - \$6.2)	170.4	164.2
Hastings Promissory Note	2.8	2.9
Obligations under capital leases and other debt	0.5	1.3
	343.4	332.5
Less: current portion	3.0	3.1
	\$ 340.4	\$ 329.4

The expected repayments of long-term debt for the five following twelve month periods ended March 31 are as follows:

2009	\$	3.0
2010		2.6
2011		2.7
2012		2.7
2013		2.6
Thereafter		336.8
Total repayments		350.4
Less: unamortized premium and transaction costs		7.0
Total long-term debt (including current portion)	\$	343.4

The Company has a \$200.0 Senior Secured Revolving Credit Facility (the "Revolving Credit Facility") of which \$30.4 has been utilized to draw letters of credit to guarantee performance primarily under construction contracts and gaming cash floats (December 31, 2007 - \$32.3).

Subject to acceptance by the Company's lenders and 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 on the same conditions except with limitations on the term and interest rate margin above U.S. LIBOR.

GREAT CANADIAN GAMING CORPORATION
Notes to the Interim Consolidated Financial Statements

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6. CAPITAL DISCLOSURES

The Company's current capital structure comprises:

- Shareholders' equity;
- Long-term debt and related derivative liabilities;
- the Revolving Credit Facility;
- Cash and cash equivalents; and
- outstanding letters of credit.

The Company's objectives are to maintain a flexible capital structure which optimizes the cost of capital at acceptable risk and to manage capital in a manner which balances the interests of equity and debt holders. The Company manages its capital structure in light of changes in economic conditions and the risk characteristics of the Company's operations. Allocations of capital within the Company are subject to return metrics including the weighted average cost of capital. The Company currently plans to use its cash and cash equivalents, cash flows from operations, and established debt facilities to finance its properties' development plans and to continue to repurchase its common shares in accordance with its normal course issuer bid that commenced in July 2007.

The Company monitors its capital structure and must comply with certain financial covenants (which are defined in the underlying debt agreements) related to its issued long-term debt. The Company effectively manages its capital by operating at a level that provides a conservative margin compared to the limits of these covenants.

At March 31, 2008 the Company is in compliance with its financial covenants as shown below:

Covenant test	Related long-term debt	Required ratio	Actual ratio
Total Debt to Adjusted EBITDA ratio	Term Loan B & Revolving Credit Facility	< 5.0	2.9
Senior Debt to Adjusted EBITDA ratio	Term Loan B	< 3.5	1.5
Interest Coverage ratio	Term Loan B	> 2.0	5.0
Fixed Charge Coverage ratio ⁽¹⁾	Senior Subordinated Notes	> 2.0	4.9

⁽¹⁾ Tested on specified events.

As part of the capital structure monitoring process, the Company is also subject to independent credit ratings as follows:

	Moody's	Standard & Poor's
Corporate	Ba3 Stable	BB Stable
Revolving Credit Facility and Senior Secured Term Loan B	Ba2	BBB-
Senior Subordinated Notes	B2	BB ⁽¹⁾

⁽¹⁾Initial rating of the Company's Senior Senior Subordinated Notes was B+ as of January 19, 2007. On March 19, 2008, Standard & Poor's upgraded this rating to BB.

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7. DERIVATIVES

Cross-currency interest rate swaps

In anticipation of issuance of the Company's debt refinancing in February 2007, the Company entered into a series of cross-currency interest rate swaps that effectively converted both the U.S. dollar floating interest rate Term Loan B and the U.S. dollar fixed interest rate Senior Subordinated Notes ("Subordinated Notes") into Canadian dollar fixed interest rate debt (See Note 14 (c)). As at March 31, 2008 the cross-currency interest rate swap agreements are:

Debt	Notional Principal		Interest Rate		Maturity Date
	Receive (USD)	Pay (CAD)	Receive (USD)	Pay (CAD)	
Term Loan B	\$168.3 ⁽¹⁾	\$198.8 ⁽¹⁾	US LIBOR+1.50%	6.1%	February 13, 2014
Subordinated Notes	\$170.0	\$201.1	7.25%	6.6%	February 15, 2015

⁽¹⁾ The 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.

As at March 31, 2008, the cross-currency interest rate swaps have been recorded as a long-term liability at their fair value of \$57.1. The Company has evaluated these cross-currency interest rate swaps and designated them as effective hedges of the cash flows associated with the Term Loan B and the Subordinated Notes. The Company has applied hedge accounting to these swaps as it believes hedge accounting best represents the economic substance of the underlying transactions. Accordingly, the changes in fair values of the swaps have been recorded in other comprehensive income.

8. SHARE CAPITAL AND CONTRIBUTED SURPLUS

a) *Share capital and contributed surplus*

	Common Shares		Contributed Surplus	Share Capital And Contributed Surplus
	Number ⁽¹⁾	Amount		
At December 31, 2006	86,147	\$ 321.0	\$ 14.9	\$ 335.9
Stock based compensation	-	-	7.0	7.0
Exercise of incentive stock options	942	10.0	(2.4)	7.6
Common shares purchased	(2,273)	(8.7)	(0.5)	(9.2)
At December 31, 2007	84,816	\$ 322.3	\$ 19.0	\$ 341.3
Stock based compensation	-	-	2.1	2.1
Exercise of incentive stock options	12	0.1	-	0.1
Common shares purchased	(878)	(3.4)	(0.3)	(3.7)
At March 31, 2008	83,950	\$ 319.0	\$ 20.8	\$ 339.8

⁽¹⁾ Share information is presented in thousands of common shares.

The Company is authorized to issue an unlimited number of common shares with no par value. On March 28, 2008, all of the Company's outstanding warrants expired, unexercised.

GREAT CANADIAN GAMING CORPORATION
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(Unaudited – Prepared by Management)
(Expressed in millions, except for share information)

8. SHARE CAPITAL (Continued)

b) Normal course issuer bid

Pursuant to the normal course issuer bid that commenced on July 23, 2007, during the three months ended March 31, 2008, the Company purchased 878,100 common shares at a cost of \$12.2. Subsequent to March 31, 2008, the Company purchased an additional 370,500 of its common shares for an aggregate consideration of \$4.2, bringing its total shares purchased under the normal course issuer bid to 3,521,800 common shares for an aggregate consideration of \$47.7. These purchases were financed through existing cash balances. The Company can purchase up to an additional 2.9 million of its common shares under its issuer bid through July 22, 2008 or earlier if the number of shares sought in the issuer bid have been obtained.

c) Stock Option Plan

	Options ⁽¹⁾	Weighted-Average Exercise Price
Outstanding at December 31, 2007	6,023	\$ 12.74
Granted	1,998	14.13
Forfeited	(73)	12.80
Exercised	(12)	11.67
Outstanding at March 31, 2008	7,936	\$ 13.09

⁽¹⁾ Option information is presented as options for thousands of common shares.

9. INCOME TAXES

The Company's income tax expense is as follows:

	Three Months Ended March 31,	
	2008	2007
Basic federal and B.C. provincial statutory income tax rate	31.00%	34.12%
Expected income tax provision for the period	\$ 2.2	\$ 2.7
Effect of:		
Changes in tax rates for future income taxes	(1.2)	-
Non-deductible stock-based compensation	0.6	0.5
Other	(0.1)	0.1
	\$ 1.5	\$ 3.3

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For the Three Month Period Ended March 31, 2008
(Unaudited – Prepared by Management)
(Expressed in millions, except for share information)

10. EARNINGS PER COMMON SHARE

The following table sets out the computation of basic and diluted earnings per common share:

	Three Months Ended March 31,	
	2008	2007
Net earnings (A)	\$ 5.4	\$ 4.3
Weighted average number of common shares outstanding (B) ⁽¹⁾	84,214	86,408
Dilutive adjustment for stock options ⁽¹⁾	277	394
Diluted weighted-average number of common shares (C) ⁽¹⁾	84,491	86,802
Earnings per common share		
Basic (A/B)	\$ 0.06	\$ 0.05
Diluted (A/C)	\$ 0.06	\$ 0.05

⁽¹⁾ Share information is presented in thousands of common shares.

There are 6,332 thousand outstanding options and nil warrants that are not included in the above calculation (2007 – 4,759 thousand options; 6,206 thousand warrants) because their exercise prices are above the average market price of the Company's common shares for the period.

11. CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three Months Ended March 31,	
	2008	2007
Accounts receivable	\$ 0.7	\$ 1.9
Income taxes receivable or payable	(5.0)	3.5
Prepays, deposits and other assets	1.1	1.9
Accounts payable and accrued liabilities	6.9	(6.2)
	\$ 3.7	\$ 1.1

GREAT CANADIAN GAMING CORPORATION
Notes to the Interim Consolidated Financial Statements

For the Three Month Period Ended March 31, 2008
(Unaudited – Prepared by Management)
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12. FACILITY DEVELOPMENT COMMISSION APPROVED AMOUNTS

As at March 31, 2008, the Company had \$337.4 (December 31, 2007 – \$342.3) in Approved Amounts (a term defined in the Company's Casino Operating Service Agreements with British Columbia Lottery Corporation ("BCLC")) to be recovered by future Facility Development Commission ("FDC") receipts. 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.

13. ACQUISITION

On January 31, 2008, the Company acquired the assets and undertaking of Ridge Meadows Bingo Association located in Maple Ridge, British Columbia. The acquired assets include the Haney Bingo Plex, a 525-seat bingo gaming hall located in downtown Maple Ridge, 45 kilometres east of Vancouver. The facility offers bingo seven days a week and a café. The total cash purchase price for the net assets acquired was \$1.0, of which \$0.9 was attributed to the value of the bingo operating service agreement with BCLC. Potential additional future consideration of up to \$1.3 over ten years may occur if the BCLC and the District of Maple Ridge approve the upgrading of this facility into a Community Gaming Centre.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments and the types of risks to which their carrying values are exposed are as follows:

Financial instrument	Risks			
	Credit	Liquidity	Market risks	
			Interest rate	Currency
Measured at amortized cost:				
Cash equivalents	x			x
Due from Nova Scotia Gaming Corporation	x			
Long-term debt		x		x
Measured at fair value:				
Cash	x			x
Restricted cash	x			
Accounts receivable	x			x
Accounts payable and accrued liabilities		x		x
Cross-currency interest rate swaps (included in Derivative liabilities)	x	x	x	x

GREAT CANADIAN GAMING CORPORATION
Notes to the Interim Consolidated Financial Statements

For the Three Month Period Ended March 31, 2008

(Unaudited – Prepared by Management)

(Expressed in millions, except for share information)

14. FINANCIAL INSTRUMENTS (Continued)

(a) *Credit risk*

Credit risk is the risk that a party to one of the Company's financial instruments will cause a financial loss to the Company by failing to discharge an obligation. The carrying values of the Company's financial assets, which represent the maximum exposure to credit risk, are as follows:

	March 31,
	2008
Cash	\$ 60.9
Cash equivalents	37.6
Restricted cash	5.2
Accounts receivable	12.6
Due from Nova Scotia Gaming Corporation	13.8
	\$ 130.1

Cash, cash equivalents and restricted cash: Credit risk associated with these assets is minimized substantially by ensuring that these financial assets are placed in the debt instruments of Canadian and U.S. federal governments and well-capitalized financial institutions. While the Company is exposed to credit losses due to defaults by those who are custodians of our cash, cash equivalents and restricted cash, the Company considers the risk of this as remote.

Accounts receivable and Due from Nova Scotia Gaming Corporation: Credit risk associated with these assets is minimized by the nature of the amounts. The majority of these receivable balances are due from the Nova Scotia Gaming Corporation (a branch of that province's government), reputable racetrack operators, interest earned from financial institutions and sales tax rebates from the federal government. The provision for doubtful accounts receivable is estimated based on an assessment of individual accounts and the length of time balances have been outstanding.

Cross-currency interest rate swaps: The Company's swaps are currently in a liability position, mainly because the U.S. dollar has weakened significantly compared to the Canadian dollar since the cross-currency interest rate swap agreements were executed. Accordingly, there is currently no credit risk associated with these swaps. However, if the exchange rates were to move to the extent that the swaps were assets, credit risk would exist. This risk has been mitigated as counterparties to the Company's cross-currency interest rate swap agreements are major financial institutions that have investment grade credit ratings.

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14. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by monitoring its capital structure (See Note 6), continuously monitoring forecast and actual cash flows, managing the maturity profiles of financial assets and financial liabilities and maintaining credit capacity within the Revolving Credit Facility (See Note 5). The Company expects the following maturities of its financial liabilities (including interest) and operating leases and contracts:

	Expected payments (receipts) by period as at March 31, 2008					Total
	Within 1 year	2 - 3 years	4 - 5 years	More than 5 years		
Accounts payable and accrued liabilities	\$ 76.2	-	-	-	\$	76.2
Payments related to cross-currency interest rate swaps	27.8	55.1	54.7	428.4		566.0
Receipts related to cross-currency interest rate swaps	(22.6)	(44.9)	(44.6)	(371.8)		(483.9)
Long-term debt	22.6	44.9	44.6	371.8		483.9
Operating leases and contracts	5.6	9.9	8.7	22.8		47.0
Total	\$ 109.6	\$ 65.0	\$ 63.4	\$ 451.2	\$	689.2

The expected payments related to the cross-currency interest rate swaps (See Note 7) represent the Canadian dollar fixed interest and principal payments required under these contracts.

The expected receipts related to the cross-currency interest rate swaps represent the U.S. dollar interest and principal payments due on the Term Loan B and Subordinated Notes, converted to Canadian dollars at the March 31, 2008 foreign currency exchange rate.

The long-term debt contractual obligations presented above include the repayments of interest and principal on the Term Loan B and the Subordinated Notes (See Note 5) and the repayment of debts related to the acquisition of Hastings as well as capital leases. With regards to the expected payments under the U.S. dollar denominated Term Loan B and Subordinated Notes, the March 31, 2008, foreign currency exchange rate relative to the Canadian dollar has been applied to the expected payments in future years. Similarly, as the Term Loan B bears interest at a floating rate (U.S. LIBOR plus 1.50%), the interest rate applicable at March 31, 2008 of 4.57% has been applied to all future periods in the above table. The Subordinated Notes bear interest at a fixed rate of 7.25%.

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.

The Company believes that it will not encounter difficulty in meeting the obligations associated with its financial liabilities and further believes that if necessary, it would be able to access the capital markets for additional financial resources at reasonable costs of borrowing.

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14. FINANCIAL INSTRUMENTS (Continued)

(c) *Market risk*

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates and/or foreign currency exchange rates. With the exception of its cross-currency interest rate swaps, the carrying amounts of the Company's financial instruments are not subject to interest rate risk. The following table sets out a sensitivity analysis of the effect on the carrying amount of the Company's financial instruments (with the exceptions of its long-term debt and cross-currency interest rate swaps described below) that are subject to foreign currency risk by applying reasonably possible changes in foreign currency rates relative to the Company's functional currency, the Canadian dollar:

	Carrying amount March 31, 2008	Foreign Currency Risk ⁽¹⁾			
		-10%		+10%	
		Net earnings	OCI ⁽²⁾	Net earnings	OCI ⁽²⁾
Financial Assets					
Cash	\$ 60.9	\$ (0.4)	\$ (0.6)	\$ 0.4	\$ 0.6
Cash equivalents	37.6	(0.7)	(0.8)	0.7	0.8
Accounts receivable	12.6	-	-	-	-
Financial Liabilities					
Accounts payable and accrued liabilities	76.2	(0.1)	0.3	0.1	(0.3)
Total (decrease) increase		\$ (1.2)	\$ (1.1)	\$ 1.2	\$ 1.1

⁽¹⁾Displayed is the effect on the Company's U.S. denominated financial assets and liabilities if the value of the U.S. dollar were to decrease or increase relative to the Canadian dollar by 10% from the actual period end rate.

⁽²⁾OCI - "Other Comprehensive Income".

Long-term debt and cross-currency interest rate swaps

The Company is required to make payments on the Senior Secured Term Loan B and Senior Subordinated Notes in U.S. dollars. The Company has mitigated its exposure to fluctuations in interest rates and foreign currency rates related to its U.S. denominated debt. The Company entered into a series of cross-currency interest rate swaps that effectively converted both the U.S. dollar floating interest rate Senior Secured Term Loan B and the U.S. dollar fixed interest rate Senior Subordinated Notes into Canadian dollar fixed interest rate debt (See Notes 5 and 7). The fair values of the U.S. denominated debt and related cross-currency interest rate swap derivatives fluctuate with changes in market interest rates and foreign exchange rates, but their respective future cash flows do not. Consequently, absent early redemption at the Company's option, the market risks of the U.S. denominated debt and cross-currency interest rate swaps are effectively eliminated.

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Notes to the Interim Consolidated Financial Statements

For the Three Month Period Ended March 31, 2008
(Unaudited – Prepared by Management)
(Expressed in millions, except for share information)

14. FINANCIAL INSTRUMENTS (Continued)

(c) *Market risk (Continued)*

Revolving Credit Facility

The Revolving Credit Facility has an interest rate on advanced amounts and a commitment fee on the unused facility that are based on the Total Debt to Adjusted EBITDA ratio (defined in the underlying debt agreement) which is calculated quarterly. 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%

(d) *Fair values*

The fair values of cash and cash equivalents, restricted cash, accounts receivable, due from Nova Scotia Gaming Corporation, accounts payable and accrued liabilities and cross-currency interest rate swaps approximate their carrying values.

The fair values of the Company's long-term debt instruments total \$335.6 and are estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same maturity.

The fair values of the Company's cross-currency interest rate swaps at March 31, 2008, were determined based on a discounted cash flow model. This model makes assumptions regarding the U.S. dollar exchange rate and discount rates, which are based on the prevailing U.S. dollar exchange rates and prevailing interest rates in Canada and the U.S. at March 31, 2008.