EVERGREEN GAMING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

The following discussion and analysis of financial position and results of operations of Evergreen Gaming Corporation (the "Company") is prepared as of April 29, 2008, and should be read in conjunction with the audited consolidated financial statements of the Company, and the notes thereto, for the year ended December 31, 2007. In this discussion, unless the context otherwise dictates, a reference to the business and operations of the Company includes the business and operations of the Company's wholly owned subsidiaries, Washington Gaming, Inc. and its subsidiaries and EGC Holdings Ltd., and its subsidiaries. Additional information relating to the Company is available on SEDAR at www.sedar.com.

Dollar amounts referred to herein are expressed in U.S. dollars, unless otherwise stated.

Description of the Business

The Company is in the business of overseeing the gaming operations of its two principal subsidiaries, Washington Gaming, Inc. ("WGI") and EGC Holdings Ltd. ("EGC").

WGI, through its subsidiary corporations, operates casinos in which it offers to the public of legal age a variety of games of chance at which the player may win or lose money, a business commonly referred to as "gaming". The company also operates restaurants in its casinos, as required by state law. WGI currently operates eleven casinos in the Seattle-Puget Sound area of Washington State. WGI's casinos are open 20 hours a day, seven days a week, the maximum permitted under Washington State regulation. Some of the company's restaurants are open 24 hours a day, seven days a week.

WGI casinos currently offer the following card games: Blackjack, Spanish Blackjack, Texas Hold-em, 3-card Poker, 4-card Poker and Pai Gow. Existing gaming regulations in Washington State limit the number of tables in any one casino to 15, and the maximum single betting limit is $200. WGI casinos also offer a game known as "pull tabs", a game in which the player can win specified prizes by matching certain combinations concealed under strips on a cardboard playing card.

As a result of continuing limited profitability from its two nightclub operations, management concluded that the return on investment for the shareholders from these operations is inadequate. The Company ceased operations at its JD's nightclub (in Tacoma, WA) in June, 2007, and at its BC's nightclub (in Millcreek, WA) in July, 2007.

On October 2, 2007, the Company acquired 100% of the issued and outstanding shares of EGC (then named FSSD Holdings Ltd.) a private Alberta company. EGC wholly owns, through subsidiary corporations, Frank Sisson's Silver Dollar Casino and Entertainment

Centre (the "FSSD Casino") located in southeast Calgary, Alberta. The facility is a 120,000 square foot casino & entertainment complex featuring, at the time of acquisition, 504 slot machines, 25 video lottery terminals, 20 gaming tables, a 38 lane bowling alley, a new 1200 seat live entertainment and convention facility and numerous food and beverage outlets located throughout the property. The complex and adjoining parking lots occupy seven acres of land that were also acquired as part of the transaction.

Reverse Takeover

The Company acquired 100% of the issued shares of WGI effective October 26, 2006 (the "Acquisition Date"), in exchange for 78,000,000 common shares of the Company. As a result of the transaction, control of the Company passed to certain of the former shareholders of WGI, making the transaction a "reverse takeover" for accounting and securities regulatory purposes. In a reverse takeover, the acquired company (in this case WGI) is actually deemed to be the acquiring company for accounting purposes, as control of the combined entity passes to the shareholders of the acquired company. From the date of acquisition, financial statements are prepared on a consolidated basis. However, comparative financial information and historical information to the date of acquisition is presented as that of the company deemed to be the acquiring company, in this case WGI. As the Acquisition Date occurred prior to the commencement of the year under review, the Company's financial statements to December 31, 2007 reflect the combined operations of the Company and WGI for the full fiscal year. However, the Company's financial statements to December 31, 2006 only reflect combined operations after the Acquisition Date, and the operations of WGI only prior to the Acquisition Date. Operating results of the Company for fiscal 2006 prior to the Acquisition Date are disclosed in note 4 to the December 31, 2007 financial statements. References herein to other historical and comparative financial data prior to the Acquisition Date are references to WGI and not the Company, unless otherwise stated.

Overall Performance

Overall, the Company had a strong financial year with year over year growth exceeding 12%. Revenues for 2007 were $50,845,716, compared to $45,281,817 for 2006. 2007 was a year of growth through acquisition and renovation.

In March, 2007, the Company acquired all of the assets of the Drift on Inn Roadhouse Casino and the Club Hollywood Casino for a total cost of $7,690,700.

On October 2, 2007, the Company acquired 100% of the issued and outstanding shares of EGC which owns the FSSD Casino in Calgary, Alberta, for Cdn$22,000,000 and warrants for the purchase of 500,000 shares at Cdn$1.00 per share, exercisable on or before October 2, 2012.

In spite of the renovation and acquisitions during 2007, the Company produced a positive net income of $359,982 (2006 -- $2,625,433). The biggest impact on the net income,

$1,915,062, was expenses associated with the EGC acquisition ($1,598,500) and the closure of two night clubs ($316,562) in Washington State.

The Company is in a strong cash position, with cash at December 31, 2007 of $6,543,458. Cash generated from operations was $2,850,456, down from $3,856,110 in 2006, primarily due to higher interest paid and lower earnings due to the extraordinary costs all associated with the EGC acquisition.

The Company's overall financial condition is good, with current assets at December 31, 2007 of $8,852,648 and working capital of $2,279,643 (2006 -- $8,866,703 and $110,090, respectively).

Selected Annual Information

The following table sets out selected financial information, presented in U.S. dollars and prepared in accordance with Canadian generally accepted accounting principles, for the periods indicated.

		Period / Year ending (audited)		
		12/31/2007	12/31/2006	12/31/2005
(a)	Revenue	$ 50,845,716	$ 45,281,817	$ 50,950,296
(b)	Income (loss) before discontinued operations and extraordinary items	$ 359,982	$ 2,625,433	$ 5,449,830
(c)	Income (loss) per share: Basic - Fully Diluted -	 $ 0.00 $ 0.00	 $ 0.08 $ 0.08	 1 1
(d)	Net income (loss)	$ 359,982	$ 2,625,433	$ 2,379,482
(e)	Net income (loss) per share: Basic - Fully Diluted -	 $ 0.00 $ 0.00	 $ 0.08 $ 0.08	 1 1
(e)	Total Assets	$ 59,165,350	$ 29,265,302	$ 24,556,723
(f)	Long Term Financial Liabilities	$ 35,493,830	$ 9,464,678	$ 12,467,381
(g)	Cash dividends per share	Nil	Nil	1

1 income (loss) per share and dividend performance is not meaningful for these periods as historical data presented in this table is that of WGI, which, at the time, was a private company with limited share capital.

The substantial growth in revenue in 2007 over 2006 is a result of the Company acquiring all of assets of the Club Hollywood and the Drift on Inn casinos and all of the outstanding common shares of EGC. The decline in revenue during 2006 from 2005 is due to the impact of a smoking ban in the State of Washington, and the closure of the Company's two Tacoma casinos offset by the opening of the Royal Casino.

The 2005 results include a loss from discontinued operations of $3,070,348 relating to the sale of the Company's Everett casino and the closure of the Hideaway Cardroom in the City of Shoreline.

The Company's financial reporting, primarily in 2005, was also affected by the consolidation in its financial statements of the operations of Sequoia Enterprises, Inc., and its wholly-owned subsidiaries ("Sequoia") as a result of the adoption of Accounting Guideline 15, *Consolidation of Variable Interest Entities*, discussed in notes 2 and 6 to the December 31, 2007 financial statements. The consolidation of Sequoia resulted in a one-time, non-cash charge of $2,234,827 recorded on January 1, 2005, as the cumulative effect of an accounting change, which represented the negative equity of Sequoia.

Results of Operations

Total revenue and net income from continuing operations for the year ended December 31, 2007 amounted to $50,845,716 (2006 - $45,281,817) and $359,982 (2006 - $2,625,433), respectively.

The year-over-year increase in revenues resulted primarily from the impact of the addition of the Drift on Inn Roadhouse, Club Hollywood, Riverside and FSSD casinos offsetting the closure of the two Tacoma casinos. The Drift on Inn, Club Hollywood, Riverside and FSSD casinos contributed $13,595,563 to revenues in 2007. The two Tacoma locations contributed $7,079,277 to revenues is 2006. Revenues were not impacted by any significant change in pricing or the introduction of new products or services.

Year-over-year net income was impacted primarily due to an increase in interest expense of $943,281, a prepayment penalty of $494,709 to retire existing EGC debt and the write-off of deferred financing costs of $160,958, all associated with the financing of the EGC acquisition. The closing of two night clubs in Washington also contributed to a one time loss of $316,562.

Summary of Quarterly Results

The following table sets out selected financial information, presented in United States dollars and prepared in accordance with Canadian generally accepted accounting principles, for each of the last eight quarters ending December 31, 2007.

		2007 Quarter Ended (000's)			
		12/31/2007	9/30/2007	6/30/2007	3/31/2007
(a)	Revenue	$ 14,723	$ 12,055	$ 12,969	$ 11,098
(b)	Income (loss) before discontinued operations and extraordinary items	$ (269)	$ 138	$ 127	$ 364
(c)	Income (loss) per share: Basic - Fully Diluted -	 $ 0.00 $ 0.00	 $ 0.00 $ 0.00	 $ 0.00 $ 0.00	 $ 0.00 $ 0.00
(d)	Net income (loss)	$ (269)	$ 138	$ 127	$ 364
(e)	Net income (loss) per share: Basic - Fully Diluted -	 $ 0.00 $ 0.00	 $ 0.00 $ 0.00	 $ 0.00 $ 0.00	 $ 0.00 $ 0.00

		2006 Quarter Ended (000's)			
		12/31/2006	9/30/2006	6/30/2006	3/31/2006
(a)	Revenue	$ 9,747	$ 11,676	$ 11,916	$ 11,943
(b)	Income (loss) before discontinued operations and extraordinary items	$ (264)	$ 305	$ 1,897	$ 687
(c)	Income (loss) per share: Basic - Fully Diluted -	 $ (0.01) $ (0.01)	 $ 0.02 $ 0.02	 $ 0.14 $ 0.14	 $ 0.05 $ 0.05
(d)	Net income (loss)	$ (264)	$ 305	$ 1,897	$ 687
(e)	Net income (loss) per share: Basic - Fully Diluted -	 $ (0.01) $ (0.01)	 $ 0.02 $ 0.02	 $ 0.14 $ 0.14	 $ 0.05 $ 0.05

The results of operations for the eight quarters under review are consistent with the evolution of the business over that period.

The first three quarters of 2006 show stable revenues as expected. Fourth quarter revenue, with the exception of a decline resulting from the closure of the Tacoma casinos, was otherwise stable. Second quarter 2006 net income was positively and negatively impacted by non-operating income and expense items. Positive impacts include $1,428,000 due to the renegotiation of a pledge agreement discussed in the Company's MD&A for the year ended December 31, 2006, and a $250,000 gain on the sale of 50% of the stock in Shoreline Gaming, Inc. to a related party. Negatively impacting second quarter results by $603,000 and third quarter results by $135,000 was the settlement of litigation regarding the alleged existence of two facility leases dating back to 2001 and 2000, respectively. Goodwill of $543,000 was written off in the third quarter of 2006 as a result of the Tacoma casino closures. Assets of $118,000 related to Tacoma casino operations were written off in the fourth quarter.

Revenue for the first quarter of 2007 was stable and generally consistent with prior quarters. Net income was negatively affected by the closure of the Tacoma casinos, losses incurred at the Riverside casino and losses in connection with the divestiture of the ATM division.

Revenue for the second quarter of 2007 grew approximately $1,871,000 over first quarter due to the addition of the Drift On Inn Roadhouse and the Club Hollywood casinos in March of 2007. Net income was negatively impacted by the closure of the JD's nightclub in Tacoma, and losses incurred at the Company's BC's nightclub in Mill Creek.

For the third quarter of 2007, revenue declined $913,241 from the second quarter, primarily as a result of normal seasonal patterns. As a result of cost control measures, net income for that same period improved slightly by $10,697.

For the fourth quarter of 2007, revenue increased $2,685,828 from the third quarter due to the EGC acquisition. Earnings, however, declined $406,838 from third quarter levels. This is primarily due to an increase in interest expense of $943,281, a prepayment penalty of $494,709 to retire existing EGC debt and the write-off of deferred financing costs of $160,958, all associated with the financing of the EGC acquisition.

Liquidity and Capital Resources

The Company has had no difficulty to date in generating sufficient cash and cash equivalents to fund its ongoing operations and business development activities. The Company has three primary sources of funding: cash flow from operations, debt financing and equity financing.

For the year ended December 31, 2007, the Company realized net income from continuing operations of $395,982 (year ended December 31, 2006 - $2,625,433). Net cash from operating activities amounted to $2,850,456 (year ended December 31, 2006 - $3,856,110).

Total debt and capital lease obligations at December 31, 2007 were $36,769,115 (December 31, 2006 – $14,087,672). The increase is due to the acquisition of 100% of the outstanding shares of EGC. Total consideration for the acquisition was Cdn$22,000,000 plus warrants for the purchase of 500,000 shares of the Company, exercisable at a price of Cdn$1.00 per share on or before October 2, 2012. In order to finance the cash portion of the acquisition price and to consolidate certain of the Company's existing debt, the Company borrowed $28,250,000 from Fortress Credit Corp. of New York, resulting in an initial net increase in long term liabilities of $22,752,000. The loan bears interest at an initial rate of LIBOR plus 6.5% subject to downward adjustment in the event that the Company achieves certain specified ratios, and subject to upward adjustment in the event of default. The loan has a term of six years and is secured by fixed and floating charge security over the assets of the Company.

In November 2006, the Company announced a private placement of common shares and share purchase warrants, which closed in two tranches during the first quarter of 2007. As a result, the Company raised a total of $4,932,621 (Cdn$5,851,000) through the issuance of 5,851,000 units at Cdn$1.00. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share for a period of two years at a price of Cdn$1.25. The warrants contain a "forced exercise" provision, providing that the shares of the Company close at a price of at least Cdn$2.25 for ten consecutive trading days on an aggregate volume of at least 100,000 shares, then the warrants will be exercisable only for a period of 15 business days following the tenth such trading day.

Further cash is generated from the exercise of outstanding share purchase warrants. No warrants were exercised during 2007.

At December 31, 2007, the Company had cash of $6,543,458 (December 31, 2006 - $7,726,533) and working capital of $2,279,643 (December 31, 2006 - $110,090).

The Company's primary requirements for capital for fiscal 2007 are for the payment of operating expenses and business expansion. Total expenses for 2007 were $47,555,092 (2006 - $41,560,797).

The Company is pursuing a program of business expansion and expects to be able to adequately finance its operating expenses and further business expansion during the current year from the sources referred to in the foregoing.

Transactions With Related Parties

The Company was party to the following transactions with related parties during the year ended December 31, 2007.

Historically, the Company has borrowed monies from directors and family members to fund ATM operations, primarily to provide the substantial amount of cash required to be maintained in its ATMs. The Company divested itself of its ATM operations during the first quarter of 2007, but has retained the related party debt. The total amount of such debt at December 31, 2007 was $1,427,472. During the year, the Company made interest payments with respect to these loans totaling $94,792.

In November 2006, the Company announced a private placement of units to finance the acquisition of casino assets in Washington State. The placement closed in the first quarter of 2007, and resulted in the issuance of 5,851,000 units at Cdn$1.00 per unit, having the terms and conditions disclosed under "Liquidity and Capital Resources". Daniel Sutherland, a director and the Chief Executive Officer of the Company, purchased 1,625,000 of the units.

Fourth Quarter

For the quarter ended December 31, 2007, the Company incurred a net loss of ($268,993) on revenues of $14,722,806. This is due primarily to an increase in interest expense of $943,281, a prepayment penalty of $494,709 to retire existing EGC debt and the write-off of deferred financing costs of $160,958, all associated with the financing of the EGC acquisition.

Otherwise, there were no significant events or items during the fourth quarter that had a material effect on the Company's financial condition, cash flows or results of operations.

Changes in Accounting Policy

No changes in accounting policy were adopted during the year ended December 31, 2007 and none are anticipated for the current financial year.

Financial Instruments

The Company's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, capital lease obligations and current and long term debt.

At December 31, 2007, the Company had cash in the amount of $6,543,458. The Company also had ordinary course accounts receivable in the sum of $415,275.

Accounts payable and accrued liabilities in the amount of $4,833,341 consisted of ordinary course trade payables of $1,259,640, accrued payroll and taxes of $1,296,715, accrued gambling and business taxes of $1,321,655 and other accrued expenses, including interest and player rewards points' liabilities, of $955,331.

Current and long term capital lease obligations totaled $545,285. The Company has a number of lease obligations, the majority of which are obligations of WGI incurred in connection with gaming operations for food and beverage equipment, table games, gaming equipment, signage and casino facilities.

Debt at December 31, 2007 comprised $1,427,472 owed to related parties (current portion - $39,652) and $34,796,357 in arm's-length debt (current portion - $823,962), for a total of $36,223,829. Further particulars of the Company's debt are set forth in notes 9 and 10 to the December 31, 2007 financial statements.

All of the Company's obligations with respect to outstanding debt are in good standing, and the Company is not in breach of any financial covenants with respect thereto. All of the Company's debt bears interest at fixed interest rates, and hence the Company is not subject to risk arising from interest rate fluctuation. The Company anticipates that revenues from ongoing operations are more than sufficient to service all of its ongoing financial obligations, in accordance with their terms.

Disclosure of Outstanding Share Data

The Company has the following securities outstanding at the date hereof.

- 102,466,865 common shares.

- Share purchase warrants entitling the holders thereof to purchase a total of 83,333 shares of the Company on or before October 26, 2009 at a price of Cdn$0.60 per share.

- Share purchase warrants entitling the holders thereof to purchase a total of 4,427,000 shares of the Company on or before January 24, 2009 at a price of Cdn$1.25 per share, subject to the forced exercise provisions thereof.

- Share purchase warrants entitling the holders thereof to purchase a total of 1,424,000 shares of the Company on or before March 28, 2009 at a price of Cdn$1.25 per share, subject to the forced exercise provisions thereof.

- Share purchase warrants entitling the holders thereof to purchase a total of 500,000 shares of the Company on or before October 2, 2012 at a price of Cdn$1.00 per share.

- Stock options entitling the holders thereof to purchase a total of 1,100,000 common shares of the Company on or before October 26, 2011, at a price of Cdn$1.00 per share.

- Stock options entitling the holders thereof to purchase a total of 300,000 common shares of the Company on or before March 29, 2012, at a price of Cdn$1.00 per share.

- Stock options entitling the holders thereof to purchase a total of 1,835,000 common shares of the Company on or before October 29, 2012 at a price of Cdn$0.75 per share.

- Stock options entitling the holders thereof to purchase a total of 100,000 common shares of the Company on or before October 2, 2009 at a price of Cdn$0.65 per share.

- Stock options entitling the holders thereof to purchase a total of 300,000 common shares of the Company on or before April 11, 2013, at a price of Cdn$0.50 per share.

Other

The Company has no off-balance sheet arrangements. Other than as set forth in the foregoing, the Company has no proposed asset or business acquisition or disposition that the Company's Board of Directors has decided to proceed with, or that the Company's senior management has decided to proceed with in the belief that confirmation by the Board is probable.

EVERGREEN GAMING CORPORATION
(Expressed in U.S. Dollars)

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2007

AUDITORS' REPORT

To the Shareholders of
Evergreen Gaming Corporation

We have audited the consolidated balance sheets of Evergreen Gaming Corporation as at December 31, 2007 and 2006 and the consolidated statements of operations and comprehensive income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

April 21, 2008

EVERGREEN GAMING CORPORATION
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)
AS AT DECEMBER 31

	2007	2006
ASSETS		
Current		
Cash	$ 6,543,458	$ 7,726,533
Accounts receivable	415,275	87,217
Income tax receivable	269,292	-
Assets Held for Sale	500,000	-
Prepaid expenses and other assets	854,683	840,231
Inventory	269,940	212,722
	8,852,648	8,866,703
Property and equipment (Note 8)	26,699,087	11,294,602
Note receivable	245,608	110,841
Deposits	160,092	158,971
Goodwill	21,711,531	7,508,091
Other assets, net of amortization	846,384	685,094
Future income tax asset (Note 17)	650,000	641,000
	$ 59,165,350	$ 29,265,302

- Continued -

The accompanying notes are an integral part of these consolidated financial statements.

EVERGREEN GAMING CORPORATION
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)
AS AT DECEMBER 31

	2007	2006
Cont'd…		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 4,833,341	$ 3,927,243
Chips outstanding	70,672	54,709
Jackpots and prize liabilities	393,707	151,667
Notes payable (Note 9)	823,962	2,696,419
Notes payable, related parties (Note 10)	39,652	1,476,142
Current portion of capital lease obligation (Note 11)	411,671	450,433
	6,573,005	8,756,613
Future income tax liability (Note 17)	1,404,090	197,000
Notes payable (Note 9)	33,972,396	8,933,609
Notes payable, related parties (Note 10)	1,387,820	-
Capital leases (Note 11)	133,614	531,069
	43,470,925	18,418,291
Stockholders' equity		
Common stock, no par value, unlimited shares authorized, 102,466,865 and 96,615,912 shares, respectively, issued and outstanding	16,224,547	11,390,399
Share subscriptions received	-	1,006,388
Contributed surplus	651,376	58,308
Accumulated comprehensive loss	(30,157)	(96,761)
Accumulated deficit	(1,151,341)	(1,511,323)
	15,694,425	10,847,011
	$ 59,165,350	$ 29,265,302

Nature of operations (Note 1)

Commitments and contingencies (Note 20)

On behalf of the Board:

________________ Director ________________ Director

Daniel Sutherland Norman Osatuik

The accompanying notes are an integral part of these consolidated financial statements.

EVERGREEN GAMING CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Expressed in U.S. Dollars)
YEAR ENDED DECEMBER 31

	2007	2006
REVENUES		
Gaming operations	$ 41,993,833	$ 38,835,021
Food and beverage	9,064,917	6,820,251
Pull tabs	1,273,556	1,435,342
Other	1,969,488	773,623
Promotional allowances	(3,456,078)	(2,582,420)
	50,845,716	45,281,817
EXPENSES		
Operating costs	31,849,775	28,102,424
Selling, general and administrative	13,714,044	12,120,162
Depreciation and amortization	1,475,781	1,279,903
Stock-based compensation	515,492	58,308
	47,555,092	41,560,797
OTHER ITEMS		
Interest Income	20,476	9,666
Interest Expense	(1,725,994)	(920,259)
Other Income (Expense)	(492,818)	426,419
Loss on disposal of capital assets	(725,502)	(133,413)
Loss on foreign exchange	(396,700)	-
Gain on disposal of Subsidiary (Note 5)	572,056	-
	(2,748,482)	(617,587)
Income before income taxes	542,142	3,103,433
Provision for income taxes (Note 17)	(182,160)	(478,000)
Net income for the year	359,982	2,625,433
Foreign currency translation adjustment	66,604	(96,761)
Comprehensive income for the year	$ 426,586	$ 2,528,672
Basic and diluted earnings per common share from continuing operations	$ 0.00	$ 0.08

The accompanying notes are an integral part of these consolidated financial statements.

EVERGREEN GAMING CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Expressed in U.S. Dollars)

	Common Stock						
	Number of Shares	Amount	Contributed Surplus	Share Subscriptions Received	Accumulated Comprehensive Loss	Accumulated Deficit	Total
December 31, 2005	13,449,048	$ 8,608,207	$ -	$ -	$ -	$ (3,987,854)	$ 4,620,353
Repurchase of common stock	(103,380)	(66,169)	-	-	-	(148,902)	(215,071)
Capital stock of WGI	(13,345,668)	-	-	-	-	-	-
Capital stock of the Company	18,540,912	-	-	-	-	-	-
Shares issued for acquisition	78,000,000	2,806,056	-	-	-	-	2,806,056
Issuance of shares on exercise of stock options	75,000	42,305	-	-	-	-	42,305
Share subscriptions received	-	-	-	1,006,388	-	-	1,006,388
Stock-based compensation	-	-	58,308	-	-	-	58,308
Cumulative translation adjustment	-	-	-	-	(96,761)	-	(96,761)
Net income	-	-	-	-	-	2,625,433	2,625,433
December 31, 2006	96,615,912	11,390,399	58,308	1,006,388	(96,761)	(1,511,323)	10,847,011
Issuance of Subscription Shares	5,851,000	4,992,180	-	(1,006,388)	-	-	3,985,792
Adjustment for Partial Shares	(47)		-	-	-	-	-
Share Issuance Costs	-	(158,032)	-	-	-	-	(158,032)
Stock-based compensation	-	-	515,492	-	-	-	515,492
Cumulative translation adjustment	-	-	-	-	66,604		66,604
Warrants issued on acquisition of EGC Holdings Ltd.	-	-	77,576	-	-	-	77,576
Net income	-	-	-	-	-	359,982	359,982
December 31, 2007	102,466,865	$ 16,224,547	$ 651,376	$ -	$ (30,157)	$ (1,151,341)	$ 15,694,425

The accompanying notes are an integral part of these consolidated financial statements.

EVERGREEN GAMING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)
YEAR ENDED DECEMBER 31

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 54,220,558	$ 47,901,713
Cash paid to suppliers, employees, and related entities	(49,443,757)	(42,834,773)
Interest received	98,035	18,534
Interest paid	(1,499,762)	(869,282)
Income taxes paid	(465,000)	(423,079)
Other receipts (payments)	(59,618)	62,997
Net cash provided by operating activities	2,850,456	3,856,110
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(939,861)	(2,062,844)
Proceeds on sale of property and equipment	702,109	-
Increase in deposits	45,514	118,052
Purchase of minority interest	-	(300,000)
Payment for purchases of Casinos, net of cash acquired	(19,748,248)	(1,875,000)
Cash acquired through acquisition	-	3,311,210
Note Receivable for sale of ATMs	(116,383)	-
Net cash used in investing activities	(20,056,869)	(808,582)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on unconditional promise to give	-	(3,074)
Issuance (redemption) of common stock	3,827,760	(33,284)
Repayment of principal on borrowings	(19,660,758)	(2,586,119)
Long-term borrowings	32,021,914	174,872
Proceeds from subscriptions received	-	1,006,388
Repayment of principal on capital leases	(466,566)	(311,266)
Net cash provided by (used in) financing activities	15,722,350	(1,752,483)
Cash flows from discontinued operations	-	(221,195)
Effect of foreign exchange on cash flows	300,988	(137,687)
Increase (decrease) in cash during the year	(1,183,075)	936,163
Cash, beginning of year	7,726,533	6,790,370
Cash, end of year	$ 6,543,458	$ 7,726,533

Supplemental disclosure with respect to cash flows (Note 18)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Evergreen Gaming Corporation ("The Company" or "Evergreen") currently operates its gaming activities in Washington State and in Calgary, Alberta. Washington operations are house-banked card rooms. Calgary additionally includes slot machines and video lottery terminals. The major source of the Company's revenue is derived from gaming operations. The Company also derives revenue from the sale of food and beverages sold in casino restaurants, and from the operations of a 38-lane bowling alley located in the Calgary casino.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiaries.

Fifty percent of Shoreline Gaming, Inc., (doing business as Golden Nugget Casino, Shoreline) is also included in these consolidated financial statements. All related-party transactions between the consolidated entities have been eliminated in the preparation of the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Financial instruments

Effective January 1, 2006, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1530 "Comprehensive Income" ("Section 1530"), Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement" ("Section 3855") and Section 3861 "Financial Instruments – Disclosure and Presentation." These new sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments. The Company has chosen to early adopt these sections during fiscal 2006. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; and (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

In accordance with these standards the Company has classified its cash as held-for-trading. Accounts receivable and note receivable are classified as loans and receivables. Accounts payable and accrued liabilities as well as notes payable, and notes payable related parties are classified as other financial liabilities, all of which are measured at amortized cost.

Variable interest entities

The Company establishes standards for identifying a variable interest entity and for determining under what circumstances a variable interest entity should be consolidated with its primary beneficiary in accordance with AcG-15. Prior to AcG-15, a company generally included another entity in the company's consolidated financial statements only if it controlled the entity through ownership of the majority voting interests. AcG-15 requires a variable interest entity to be consolidated by a company if that company is the primary beneficiary as evidenced by being subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns or both.

In connection with AcG-15, when evaluating an entity for consolidation, a company first determines whether an entity is within the scope of AcG-15 and if it is deemed to be a VIE. If the entity is considered to be a VIE, the company determines whether it would be considered the entity's primary beneficiary. A company consolidates those VIEs for which it has determined that it is the primary beneficiary. The effect of applying AcG-15 to the company shall be reported as the cumulative effect of an accounting change. Generally, a company will consolidate an entity not deemed a VIE upon a determination that its ownership, direct or indirect, exceeds 50% of the outstanding voting shares. See note 6 for application of the policy.

Cash

The Washington State Gambling Commission requires that cash be on deposit to cover all jackpots offered to gaming participants, and those monies cannot be used for any other purpose. Included in cash are amounts restricted for jackpots at December 31, 2007 and 2006, of $395,138 and $151,666, respectively.

Inventory

Inventory is valued at the lower of cost or market with cost determined on a first-in, first-out basis. The majority of inventory consists of food and beverages.

Assets held for sale

Assets held for sale include memorabilia located in the Hollywood Casino. The assets are available for sale in their present condition and are recorded at cost.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Property and equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed using the straight-line method over estimated useful lives of 3 to 20 years. Leasehold improvements are depreciated over the estimated useful life of the related asset or the remaining term of the lease whichever is shorter. Depreciation expense for the years ended December 31, 2007 and 2006 was $1,436,874 and $1,235,398, respectively. The Company reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable.

Other assets

Other assets as of December 31, 2007 are comprised of three non-compete agreements with a cost of $300,000, and accumulated amortization of $73,333. Also included is the cash surrender value of the Corporate Owned Life Insurance Policy, valued at $73,530. In addition, in July 2006, WGI acquired from Shufflemaster, Inc., the licenses to use, in perpetuity, various house-banked card games. The license agreement is being recorded as an intangible asset valued at $629,600 which is to be paid in monthly payments of $18,661, including interest, over 36 months. The total value of the license agreement is being amortized over 10-13 years. Accumulated amortization of $83,413 is included in the balance. Total amortization expense for the year ended December 31, 2007 was $38,907 (2006 - $44,505).

Goodwill

The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. The estimated fair values are based on quoted market prices and estimates made by management. To the extent that the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired, such excess is allocated to goodwill.

An impairment loss for goodwill is recognized whenever events or changes in circumstances have indicated that the goodwill may be impaired and the future cash flows (undiscounted and without interest charges) from that goodwill are less than the goodwill's carrying amount. The impairment loss should be measured as the difference between the goodwill's carrying amount and its fair value, and such loss should be recognized in income from continuing operations. In the year ended December 31, 2006, goodwill associated with the closure of the Silver Dollar 6th Ave., LLC. Casino was recognized as impaired and has been written off as part of other expense (see Note 15).

Players reward point liability program

The Company's customer rewards program, Player Rewards, offers incentives to customers who gamble at the Company's casinos. Under the program, customers are able to accumulate, or bank, reward points over time that they may redeem at their discretion under the terms of the program. The reward points will expire if the customer does not redeem their points within one year of being earned or if there is no activity in their account for six consecutive months. A liability is recorded for the amount of outstanding points expected to be redeemed.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Revenue recognition

Casino revenue is the net win from gaming activities, which is the difference between gaming wins and losses. Food and beverage revenues, entertainment center revenues, and bowling revenues are recognized upon sale.

Promotional allowances

Promotional allowances represent goods and services, which would be accounted for as revenue if sold, that the Company gave to customers. The retail amount of promotional allowances are included in gross revenue and offset by deducting it from gross revenue to arrive at net revenue. The cost of providing promotional allowances is included in operating costs.

Future income taxes

Future income taxes are provided for using the asset and liability method whereby future tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and future tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Future tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the future tax assets will not be realized. Future tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date enacted.

Earnings per share

Basic earnings per share are computed by dividing the net income for the year by the weighted average number of common shares outstanding during the year.

For diluted per share computations, assumptions are made regarding potential common shares outstanding during the period. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the period, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

Stock-based compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as stock-based compensation expense over the vesting period of the stock options.

Financial instruments

The Company's financial instruments include cash, accounts receivable, interest receivable, note receivable, accounts payable and accrued liabilities, notes payable, notes payable-related party, and capital lease obligations. Unless otherwise noted, it is management's opinion that the carrying values of these financial instruments are reasonable estimates of their fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Long-lived assets

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the assets exceeds the undiscounted estimate of future cash flows from the asset. To December 31, 2007 and 2006, no impairment losses have been recorded.

Foreign currency translation

The functional currency of the Company is the United States dollar. The Company's subsidiaries whose functional currency is the Canadian dollar are translated using the current rate method. Accordingly, assets and liabilities are translated into U.S. dollars at the year-end exchange rates while revenue and expenses are translated at the average exchange rates during the year. Related exchange gains and losses are included in a separate component of stockholders' equity as accumulated comprehensive loss.

Monetary assets and liabilities of the Company denominated in a foreign currency are translated at the exchange rate in effect at the balance sheet date while non-monetary assets and liabilities are translated at historical rates. Revenue and expense items denominated in a foreign currency are translated at exchange rates prevailing when such items are recognized in the statement of operations. Exchange gains and losses arising on translation of foreign currency items are included in the statement of operations.

Future accounting changes

Effective January 1, 2008, the Company will adopt new CICA standards relating to capital disclosures and financial instruments disclosure and presentation, and, effective January 1, 2009, a standard relating to goodwill and intangible assets. The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

Capital disclosures (Section 1535)

This standard establishes standards for the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements and (iv) if it has not complied, the consequences of such non-compliance.

Financial instruments – Disclosures (Section 3862) and financial instruments – Presentation (Section 3863)

These two standards replace the current standard "Financial Instruments –Disclosure and Presentation" (Section 3861), revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new Sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Future accounting changes (cont'd…)

Goodwill and intangible assets (Section 3064)

This new standard replaces the current standard for goodwill and intangible assets, Section 3062, and establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of pre-production and start-up costs and requires that these costs be expensed as incurred.

Inventories (Section 3031)

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.

3. CONCENTRATIONS OF CREDIT RISK

The Company maintains cash balances in financial institutions in Washington State and British Columbia. The Federal Deposit Insurance Corporation (FDIC) insures the accounts at Washington State institutions up to $100,000. The aggregate funds held in one institution may exceed the FDIC insured limit from time to time and specific funds held by the institution may not be covered by FDIC insurance.

Management does not anticipate any material effect on the financial position of the Company as a result of these concentrations. The Company also maintains a significant amount of cash on hand. The total cash on hand as of December 31, 2007 and 2006 was $2,352,672 and $3,567,814, respectively.

4. REVERSE TAKEOVER

Effective October 26, 2006 the Company acquired all of the issued and outstanding share capital of WGI. WGI is in the gaming operations business as described in Note 1. As consideration, the Company issued 78,000,000 common shares. Upon issuance the 78,000,000 common shares were held in escrow and were subject to a four month hold period. Under the escrow agreement 25% of the shares were released on the issuance of the final exchange bulletin, and 25% are subject to release every six months thereafter.

(Expressed in U.S. Dollars)

4. REVERSE TAKEOVER (cont'd…)

The acquisition of WGI was accounted for under "reverse takeover" ("RTO") accounting. Under this method, WGI is deemed to be the acquirer for accounting purposes. Accordingly the net assets of WGI are included in the balance sheet at book values. The Company's president is a significant shareholder of WGI. Accordingly the transaction is accounted for as a related party transaction whereby the net assets of the Company are determined at cost, which approximates fair value.

The total purchase price of $2,806,056 was allocated as follows:

Current assets	$ 3,382,971
Property and equipment	950,627
Accounts payable and accrued liabilities	(137,356)
Current loans and other current liabilities	(1,370,543)
Long term liabilities	(19,643)
	$ 2,806,056

The consolidated balance sheet as of December 31, 2006 is that of the Company and WGI and the results of operations and cash flows for the year ended December 31, 2006 are that of WGI, and the Company's results of operations and cash flows from October 26, 2006 (date of acquisition) to December 31, 2006.

The Company's results of operations and cash flows for the period January 1, 2006 to the date of the reverse takeover were:

Operations	
Revenues	$ 1,164,972
Amortization	(159,312)
General and administrative	(569,759)
Interest on capital lease	(1,686)
Interest on loans payable	(78,160)
Stock-based compensation	(74,156)
Wages, benefits and management fees	(545,992)
Loss for the period	$ (264,093)

(Expressed in U.S. Dollars)

4. REVERSE TAKEOVER (cont'd…)

Cash flows	
Operating activities	
Cash received from customers	$ 1,167,719
Cash paid to suppliers, employees, related entities	(1,161,809)
Interest paid	(79,847)
Net cash used in operating activities	(73,937)
Financing activities	
Proceeds from notes payable	207,646
Repayment of capital lease	(7,844)
Proceeds from issuance of shares	439,525
Net cash provided by financing activities	639,327
Investing activities	
Acquisition of property and equipment	(249,916)
Net cash used in investing activities	(249,916)
Effect of foreign currency translation on cash during the period	113,447
Increase in cash, for the period	428,921
Cash, beginning of period	2,882,289
Cash, end of period	$ 3,311,210

5. DISPOSITIONS

On January 25, 2007, the Company sold its 22 ATMs located in casino facilities in and around Vancouver, British Columbia, together with the benefit of the related operating agreement and the assignment of its armored car lease. Total consideration to the Company was $488,600.

On January 31, 2007, the Company sold 100% of the issued shares of 914906 Alberta Ltd., which operated ATMs in the Edmonton area. The Company received total cash consideration of CDN$157,900, and repatriated CDN$3,750,000 that was used in the operation of the ATM division.

(Expressed in U.S. Dollars)

5. DISPOSITIONS (cont'd…)

On March 1, 2007 the Company sold its remaining 62 ATMs sited in the Vancouver area, together with the related operating agreements, for $192,044. By agreement, two payments of $42,677 each were received during the year, while the remaining balance, along with all accrued interest is due within one year of sale. The unpaid portion of the consideration bears interest at the rate of 8% per annum and is secured by the assets sold. The transaction was a related party transaction as the purchasers were a senior officer of the Company at the time, and a private company that he wholly owns.

6. VARIABLE INTEREST ENTITIES

WGI leases land and buildings from Sequoia Enterprises, Inc. ("Sequoia"). Management has completed its evaluation of the requirements of Ac-G 15 (see note 2), and based on it's assessment of these requirements, management believes it is necessary to include Sequoia in the consolidated financial statements of Washington Gaming, Inc. As an integral part of its business, Sequoia relies nearly exclusively on WGI for its activity. The financial information of Sequoia for the years ended December 31, 2007 and 2006, are as follows:

	2007	2006
Gross revenue	$ 159,000	$ 179,523
Net income	1,025,425	(266,541)
Total assets	1,018,288	1,038,564
Total liabilities	1,865,480	2,910,417
Stockholders' deficit	(847,192)	(1,871,853)

7. BUSINESS COMBINATIONS

During 2006, the Company purchased the assets of the Royal Casino Everett. In addition, the Company also acquired the remaining 10% of the outstanding common shares of the Golden Nugget Tukwila, Inc., and the remaining 25% interest in Silver Dollar 6th Ave., LLC. During 2007, the Company purchased the assets of the Drift on Inn and Club Hollywood Casinos. The acquired companies, all in Washington, operate their gaming activities as house-banked card rooms.

On October 1, 2007, the Company also acquired 100% of the outstanding stock of FSSD Holdings, Ltd (now EGC Holdings, Ltd) in Calgary, Alberta for net consideration of $13,582,276 (CDN$13,489,200) which includes 500,000 warrants. The fair value of the warrants, being $77,576 (CDN$77,044), was determined using the Black-Scholes option pricing model with a volatility of 59%, risk free rate of 4.06%, expected life of 2.5 years and a dividend rate of 0%. The net consideration consists of $22,151,800 (CDN$22,000,000), plus acquisition related costs of $2,076,435 (CDN$2,062,206) and the fair value of the warrants of $77,576, less the assumption of long term debt of $10,723,535 (CDN$10,650,050). The Calgary casino operates table games, slot machines, video lottery terminals, an entertainment complex and a 38 lane bowling alley.

The results of the acquired companies operations have been included in the consolidated financial statements since their acquisition date.

(Expressed in U.S. Dollars)

7. BUSINESS COMBINATIONS (cont'd…)

The following table summarizes the fair values of the assets acquired and liabilities assumed at the dates of acquisition.

	Royal Casino	Club Hollywood Casino	Drift on Inn Casino	EGC Holdings, Ltd
Current assets	$ 25,000	$ 538,000	$ 38,000	$ 2,080,501
Property and equipment	100,000	492,933	264,308	16,319,780
Goodwill	1,811,000	3,512,000	2,768,700	8,047,420
Other assets	100,000	100,000	100,000	311,070
Total assets acquired	2,036,000	4,642,933	3,171,008	26,758,771
Current liabilities	-	-	-	(2,452,960)
Long-term debt	-	(42,933)	(14,308)	(10,723,535)
Total liabilities assumed	-	(42,933)	(14,308)	(13,176,495)
Purchase Price	$ 2,036,000	$ 4,600,000	$ 3,156,700	$ 13,582,276

8. PROPERTY AND EQUIPMENT

	2007	2006
Furniture, fixtures and equipment	$ 6,162,817	$ 4,537,301
Leasehold improvements	5,990,948	6,053,424
Buildings	9,159,356	2,487,692
ATMs	150,156	1,298,009
Equipment on capital lease	781,017	801,838
	22,244,294	15,178,264
Accumulated depreciation	(6,764,907)	(6,510,202)
	15,479,387	8,668,062
Land	10,946,919	2,619,999
Construction in progress	272,781	6,541
Net book value	$ 26,699,087	$ 11,294,602

(Expressed in U.S. Dollars)

8. PROPERTY AND EQUIPMENT (cont'd…)

In the event that facts and circumstances indicate that the carrying amount of an asset may not be recoverable and an estimate of future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss will be recognized. Management's estimates of revenues, operating expenses, and operating capital are subject to certain risks and uncertainties which may affect the recoverability of the Company's investments in its assets. Although management has made its best estimate of these factors based on current conditions, it is possible that changes could occur which could adversely affect management's estimate of the net cash flow expected to be generated from its operations.

9. NOTES PAYABLE

Long-term debt, excluding related-party notes payable (Note 10), consisted of the following:

	December 31, 2007	December 31, 2006
Big Nevada, Inc. doing business as Silver Dollar Casino, SeaTac:		
Note payable to a stockholder, the unsecured note is due in 360 monthly payments of $3,835, commencing May 1, 2001, including interest at 8.25%.	$ -	$ 36,877
Note payable to an individual, payable in 136 monthly payments of $2,155, commencing on September 1, 1996, including interest at 12%; collateralized by business equipment, fixtures and inventory.	-	16,239
Little Nevada, Inc. doing business as Silver Dollar Casino, Tukwila:		
Note payable to a stockholder, the unsecured note is due in 180 monthly payments of $3,871, commencing July 1, 1998, including interest at 8.795%.	-	447,839
Little Nevada III.:		
Note payable to Razore Enterprises, payable in monthly payments of $15,000, commencing on September 28, 2004, including interest at 7%, due May 31, 2009; not collateralized.	553,464	689,508

Continued…

(Expressed in U.S. Dollars)

9. NOTES PAYABLE (cont'd…)

	December 31, 2007	December 31, 2006
Continued…		
Silver Dollar Mill Creek, Inc.:		
Note payable to an individual in the amount of $1,200,000, commencing on March 15, 2003, due in 60 monthly payments of $24,725, including interest at 9% per annum, due February 15, 2008; collateralized by security instruments.	-	327,428
Note payable in the amount of $300,000, commencing on April 1, 2005, with interest accruing at 15%. Principal and interest shall be due and payable no later than March 13, 2013, however, until the note is paid in full, an amount equal to 13.636% of net profits of the Silver Dollar Mill Creek, Inc. shall be paid quarterly beginning for the period ending September 30, 2005. There is no collateral on the note.	-	300,000
Note payable to individuals in the amount of $200,000, commencing on April 1, 2004. Monthly payments are $2,000 of interest only at 12%. The entire amount due on the note, including principal and interest, is due and payable no later than March 31, 2013, however, until the note is paid in full, an amount equal to 9.091% of net profits of Silver Dollar Mill Creek, Inc. shall be paid quarterly beginning for the period ending September 30, 2005. There is no collateral on the note.	-	200,000
Note payable in the amount of $200,000, commencing on April 1, 2005, with interest accruing at 15%. Principal and interest shall be due and payable no later than March 13, 2013, however, until the note is paid in full, an amount equal to 9.091% of net profits of the Silver Dollar Mill Creek, Inc. shall be paid quarterly beginning for the period ending September 30, 2005. There is no collateral on the note.	-	200,000
Note payable in the amount of $100,000, commencing on April 1, 2005, with interest accruing at 15%. Principal and interest shall be due and payable no later than March 13, 2013, however, until the note is paid in full, an amount equal to 4.545% of net profits of the Silver Dollar Mill Creek, Inc. shall be paid quarterly beginning for the period ending September 30, 2005. There is no collateral on the note.	-	100,000

Continued…

(Expressed in U.S. Dollars)

9. NOTES PAYABLE (cont'd…)

	December 31, 2007	December 31, 2006
Continued…		
Note payable in the amount of $150,000, commencing on April 1, 2005, with interest accruing at 15%. Principal and interest shall be due and payable no later than March 13, 2013, however, until the note is paid in full, an amount equal to 6.818% of net profits of the Silver Dollar Mill Creek, Inc. shall be paid quarterly beginning for the period ending September 30, 2005. There is no collateral on the note.	-	150,000
WGI:		
Lease settlement payable to Charles Tomas in the amount of $603,287, commencing on September 1, 2006, due in 60 monthly payments of $15,000, including interest at 17.07%, due August 31, 2011.	482,999	569,038
Note payable to a stockholder; the unsecured note commenced September 29, 2001, matures on September 29, 2016 is due in monthly payments of $887, including interest at 6.63%.	-	74,875
Note payable to a stockholder; the unsecured note commenced February 12, 1999, is due in 108 monthly payments of $1,817, including interest at 9%.	-	151,510
Silver Dollar Casino, Renton:		
Note payable to individuals in the amount of $50,000 plus interest at 10%. The unsecured note is payable in 120 equal instalments, commencing on December 15, 2004. In addition to principal and interest, payments equal to 1.25% of net profits of the Silver Dollar Casino, Renton are required until such time as the note is paid in full.	39,206	43,006
Note payable to individuals in the amount of $50,000 plus interest at 10%. The unsecured note is payable in 120 equal instalments, commencing on February 15, 2005. In addition to principal and interest, payments equal to 1.25% of net profits of the Silver Dollar Casino, Renton are required until such time as the note is paid in full.	40,128	43,840
Note payable to an individual in the amount of $50,000 plus interest at 10%. The note is payable in 120 equal instalments, commencing on December 15, 2004. In addition to principal and interest, payments equal to 1.25% of net profits of Silver Dollar Casino, Renton are required until such time as the note is paid in full.	-	43,247

Continued…

(Expressed in U.S. Dollars)

9. NOTES PAYABLE (cont'd…)

	December 31, 2007	December 31, 2006
Continued…		
Mountlake Gaming, Inc.:		
Note payable to an individual in the amount of $480,200, commencing on February 16, 2005. The payments vary based on interest of 2% for the fourth and fifth years and 6% for the remaining years. The note is secured by the stock of Riverside Casino, Inc and is due February 5, 2020.	440,708	452,468
Note payable to an individual in the amount of $499,800, commencing on February 16, 2005. The payments vary based on interest of 2% for the fourth and fifth years and 6% for the remaining years. The note is secured by the stock of Riverside Casino, Inc and is due February 5, 2020.	458,696	470,936
Note payable to a trust in the amount of $3,920,000, commencing on February 16, 2005. The payments vary based on interest of 2% for the fourth and fifth years and 6% for the remaining years. The note is collateralized by the property located at 14060 Interurban Ave South, Tukwila, WA and is due February 5, 2020.	3,597,618	3,693,618
Royal Casino Holdings, Inc.:		
Note payable to a stockholder, the unsecured note is due in monthly payments of $15,214, including interest at 9%, payable in full December 1, 2007.	-	1,450,420
Tukwila Land Company:		
Note payable to an individual in the amount of $1,424,641, commencing on November 1, 2000, due in 96 monthly payments of $15,000, including interest at 8% through December 2005 and 10% until note is paid in full. The note is collateralized by properties located at 14027 Interurban Avenue South, Tukwila, WA due December 1, 2008.	719,556	821,969
Note payable to an individual in the amount of $894,178, commencing on May 4, 2000, due in 120 monthly payments of $8,911, including interest at 9.5% per annum and is due May 5, 2010, with the entire unpaid principal balance together with accrued interest due in full. The current monthly payments being made at $6,756 which will continue through July 5, 2007. The payments are less than the interest due and, as a result, the balance has been increased for the unpaid interest. The note is collateralized by properties located at 14027-14051 Interurban Avenue South, Tukwila, WA.	913,983	916,876

Continued…

(Expressed in U.S. Dollars)

9. NOTES PAYABLE (cont'd…)

	December 31, 2007	December 31, 2006
Continued…		
Evergreen Gaming Corp:		
Loan payable to Fortress Credit Corp., commencing October 2, 2007; due in 20 quarterly payments of $70,625 in addition to monthly interest payments on the outstanding balance, at an initial rate of LIBOR plus 6.5%, which is subject to adjustment based on covenant compliance. The loan has a term of six years, with payment in full due by December 31, 2012 and is secured by all assets of the Company and stock in subsidiaries except Riverside Casino Inc., Mountlake Gaming Inc., and real property located in Washington.	27,550,000	-
Loan payable to an individual, unsecured, bearing interest at 8% per annum, having no specific terms of repayment and is due on demand.	-	430,334
	34,796,358	11,630,028
Less current portion	(823,962)	(2,696,419)
	$ 33,972,396	$ 8,933,609

The aggregate amounts of principal maturities of notes payable outstanding at December 31, 2007, for subsequent years are as follows:

Years Ending December 31:	Amount
2008	$ 823,962
2009	1,130,714
2010	1,514,537
2011	610,515
2012	26,655,861
Thereafter	4,060,769
	$ 34,796,358

(Expressed in U.S. Dollars)

10. RELATED PARTIES

Related-party debt consists of the following:

	December 31, 2007	December 31, 2006
Evergreen Gaming Corp.:		
Loan payable to a director and members of his family is unsecured, bears interest at 8% per annum payable monthly, has no specific terms of repayment and is due on demand.	$ 39,652	$ -
Loan payable to a member of a director's family is unsecured, bears interest at 8% per annum payable monthly, and is due on April 30, 2013.	1,387,820	1,476,142
	1,427,472	1,476,142
Less current portion	(39,652)	(1,476,142)
	$ 1,387,820	$ -

Related-party expense was as follows:

	December 31, 2007	December 31, 2006
Interest expense	$ 94,792	$ 33,345

Other

As disclosed in Note 4, the acquisition of WGI constitutes a related party transaction.

11. LEASE OBLIGATIONS

As at December 31, 2007, minimum operating lease payments of the Company were as follows:

2008	$ 3,700,437
2009	3,793,978
2010	3,886,731
2011	3,982,278
2012	4,075,456
	$ 19,438,880

(Expressed in U.S. Dollars)

11. LEASE OBLIGATIONS (cont'd…)

Capital leases

The Company has entered into several capital lease arrangements for equipment. The leases have varying terms and maturity dates. Capital leases for equipment are summarized as follows:

	2007	2006
Total cost of equipment	$ 781,017	$ 801,838
Less: accumulated amortization	(201,292)	(264,593)
Net book value of equipment under capital leases	$ 579,725	$ 537,245

Amortization expense for capital lease equipment for the years ended December 31, 2007 and 2006 was $56,017 and $138,310, respectively.

Future payment obligations are as follows:

2008	$ 433,626
2009	135,577
	569,203
Less: interest	(23,918)
Total future principal payments	545,285
Less: current portion	(411,671)
	$ 133,614

12. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Holders of common stock are entitled to one vote for each share held. There are no restrictions that limit the Company's ability to pay dividends on its common stock.

During the year ended December 31, 2007, the Company issued a total of 5,851,000 units at a price of CDN $1.00 per unit for gross proceeds of CDN $5,851,000. Each unit consists of one common shares and one common share purchase warrant entitling the holder to purchase one additional common share for a period of 2 years at a price of CDN $1.25 per share.

During the year ended December 31, 2006 the Company repurchased (and cancelled) 103,380 common shares, with a cost of $215,071, issued 78,000,000 common shares with a value of $2,806,056 for the acquisition of WGI, and issued 75,000 common shares upon exercise of stock options for proceeds of $42,305.

(Expressed in U.S. Dollars)

12. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Stock options

Under the 2006 Amended and Restated Stock Option Plan the Company may grant options to its directors, officers, employees, consultants and other service providers to acquire up to 3,600,000 shares. Under this plan, the exercise price of each option equals the market price of the Company's stock on the date of grant, less allowable discounts, with options having a maximum term of ten years. The options are generally subject to a vesting schedule whereby 25% of the options vest six months after the date of grant and 25% vests every six months thereafter.

During the year ended December 31, 2007, the Company recognized stock-based compensation of $515,492 (2006 - $58,308), being the fair value of the options vested and exercisable in the year. There remains a total of $2,150,766 compensation costs for unvested options which will be expensed in future periods.

The following weighted average assumptions were used for the valuation of stock options granted during the year:

	2007	2006
Risk-free interest rate	4.00%	4.01%
Expected life of options	5 years	5 years
Annualized volatility	88.05%	115%
Dividend rate	0.00%	0.00%

The weighted average number of shares under option and the weighted average exercise price for the period ended December 31, 2007 is as follows:

	Number of Shares	Weighted Average Exercise Price (CDN$)	Weighted Average Remaining Life (Years)
Outstanding at December 31, 2006	1,735,000	$ 1.00	4.80
Granted	2,210,000	0.99	-
Forfeited	(435,000)	(1.00)	-
Exercised	-	-	-
Outstanding at December 31, 2007	3,510,000	$ 0.99	4.40
Number of options currently exercisable	908,750	$ 1.00	3.87

The weighted average fair value of each option granted during the year was $0.46.

(Expressed in U.S. Dollars)

12. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

At December 31, 2007, the Company had outstanding stock options, enabling holders to acquire common shares as follows:

	Number	Exercise Price	Expiry Date
Options	1,300,000	CDN$ 1.00	October 26, 2011
	300,000	1.00	March 29, 2012
	1,810,000	1.00	October 29, 2012
	100,000	0.75	October 29, 2012

Warrants

The number of warrants outstanding and the weighted average exercise price for the year ended December 31, 2007 are as follows:

	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Outstanding at December 31, 2005	1,600,000	CDN$	0.65	
Granted	83,333		0.60	
Forfeited	(336,500)		0.65	
Exercised	(663,500)		0.65	
Outstanding at December 31, 2006	683,333		0.64	
Granted	6,351,000		1.23	
Forfeited	(600,000)		1.25	
Exercised	-		-	
Outstanding at December 31, 2007	6,434,333	CDN$	1.22	2.30

(Expressed in U.S. Dollars)

12. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

At December 31, 2007 the Company had outstanding warrants, enabling the holders to acquire common shares as follows:

	Number	Exercise Price	Expiry Date
Warrants	83,333	CDN$ 0.60	October 26, 2009
	4,427,000	1.25	January 24, 2009
	1,424,000	1.25	March 28, 2009
	500,000	1.25	October 1, 2012

Earnings per share

The following weighted average number of shares were used for computation of earnings per share:

	2007	2006
Weighted average shares used in computation of basic earnings per share	101,846,785	32,501,595
Effect of diluted securities		
Stock options and warrants	20,753	8,706
Weighted average shares used in computation of diluted earnings per share	101,867,538	32,510,301
Net income for the year	$ 359,982	$ 2,625,433

13. UNCONDITIONAL PROMISE TO GIVE

In 2001, Little Nevada II, Inc. entered into an irrevocable donation and pledge agreement with the Seattle Junior Hockey Association. The agreement commenced August 1, 2001, and was amended on May 1, 2003. The amendment extended the life of the agreement until December 31, 2021, and reduced the monthly payments from $30,000 to $15,000. The amended pledge agreement was capitalized with an imputed interest rate of 10%.

On April 2, 2006, Little Nevada II, Inc. renegotiated the terms of the irrevocable donation and pledge agreement. As of April 2, 2006, the Company is no longer under pledge obligation, and has written off the remaining obligation of $1,428,046 to other income.

(Expressed in U.S. Dollars)

14. RETIREMENT PLAN

In 2006, the Company established the Washington Gaming, Inc. Key Employee Non-Qualified Deferred Compensation Plan ("the Plan"), a defined contribution plan. The Plan is a self-directed plan where participants are allowed to choose from a variety of fund options offered by Principal Financial Group. For the years ended December 31, 2007 and 2006, no employer matching contribution or profit sharing contribution was made.

15. CASINO CLOSURES

The Company operated two casinos (Little Nevada III, Inc. and Silver Dollar 6th Ave., LLC.) within the city of Tacoma, Washington. In 1999, the Tacoma City Council voted to ban mini casinos but allowed existing casinos six years to recoup their investment. The moratorium was scheduled to expire on December 31, 2005. In the fall of 2005, an organized group of card room employees prevailed in a lawsuit to force the City of Tacoma to extend the moratorium on the ban until September 2006, when an initiative petition seeking to overturn the City's ban went before voters. The outcome of that election was unfavorable. Effective September 30, 2006, both Tacoma casinos ceased operations.

16. ADVERTISING

The Company expenses advertising costs as they are incurred. Advertising expenses incurred during the years ended December 31, 2007 and 2006, were $961,615 and $1,574,244, respectively.

17. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	December 31, 2007	December 31, 2006
Income for the year from continuing operations before income taxes	$ 542,142	$ 3,103,433
Income taxes	$ 181,225	$ 1,096,571
Other non-taxable income	(607,695)	(676,511)
Permanent differences related to disposition of assets of discontinued operations	-	
Unrecognized benefit of non-capital losses	608,630	57,940
Total income taxes	$ 182,160	$ 478,000

(Expressed in U.S. Dollars)

17. INCOME TAXES (cont'd…)

The significant components of the Company's future tax assets and liabilities are as follows:

	December 31, 2007	December 31, 2006
Future tax assets:		
Loss carry-forwards	$ 621,952	$ 485,909
Property and equipment	680,321	775,867
Other assets	88,245	-
Resource deductions	576,764	630,746
	1,967,282	1,892,522
Valuation allowance	(1,317,282)	(1,251,522)
Future tax assets	$ 650,000	$ 641,000
Current future tax asset	$ -	$ -
Long-term future tax asset	$ 650,000	$ 641,000
Liabilities		
Property and equipment	$ (1,361,090)	$ (154,000)
Instalment sale	(43,000)	(43,000)
Deferred tax liability	$ (1,404,090)	$ (197,000)

The Company has available for deduction against future taxable income Canadian non-capital losses of approximately $2,194,000. These losses, if not utilized, will expire through 2027. Subject to certain restrictions, the Company also has resource expenditures available of approximately $2,136,000 to reduce taxable income in future years. Resource expenditures arose when the Company was in the natural resource industry. Future tax benefits which may arise as a result of the non-capital losses and resource expenditures have been offset by a valuation allowance due to the uncertainty of their realization.

(Expressed in U.S. Dollars)

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	December 31, 2007	December 31, 2006
Supplemental schedule of non-cash investing and financing activities:		
Capital lease obligations incurred	$ 57,029	$ 629,600
Non-cash equipment disposals	-	(51,470)
Note payable incurred for cancellation of lease agreement	-	603,287
Interest incurred and added to line of credit	-	13,049
Acquisitions of subsidiaries:		
Fair value of assets acquired	$ 26,328,960	$ 2,036,000
Liabilities assumed	(13,896,518)	(161,000)
Cash paid	$ 12,432,442	$ 1,875,000
Other non-cash disclosures:		
Non-cash additions to property and equipment from assets held for investment and assets held for sale	$ -	$ 15,492
Non-cash addition in note receivable (5% interest, due on April 15, 2006)	-	110,841

19. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, that of operating casinos and their corresponding food and beverage operations in the United States and Canada. Of the total property and equipment $10,301,100 is held in the United States and $16,397,987 is held in Canada.

20. COMMITMENTS AND CONTINGENCIES

Little Nevada II, Inc. entered into a non-cancelable agreement for the consulting services of a communication director. The term of the agreement is for ten years commencing August 1, 2001 and ending December 31, 2011. The agreement calls for payments of $110,000 annually.