



S=092767

NO. _____
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57

AND

**IN THE MATTER OF EVERGREEN GAMING CORPORATION AND WASHINGTON
GAMING, INC., AND THEIR SUBSIDIARIES LISTED ON SCHEDULE "A"**

PETITIONERS

PETITION TO THE COURT

THIS IS THE PETITION OF:

**Evergreen Gaming Corporation,
Washington Gaming, Inc.,
and their subsidiaries listed on Schedule "A"**
#1500 – 1040 West Georgia Street
Vancouver, B.C.
V6E 4N7

Let all persons whose interests may be affected by the order sought TAKE NOTICE that the Petitioners apply to court for the relief set out in this petition.

APPEARANCE REQUIRED

IF YOU WISH TO BE NOTIFIED of any further proceedings, YOU MUST GIVE NOTICE of your intention by filing a form entitled "Appearance" in the above registry of

this court within the Time for Appearance and YOU MUST ALSO DELIVER a copy of the "Appearance" to the Petitioners' address for delivery, which is set out in this petition.

YOU OR YOUR SOLICITOR may file the "Appearance". You may obtain a form of "Appearance" at the registry.

IF YOU FAIL to file the "Appearance" within the proper Time for Appearance, the Petitioners may continue this application without further notice.

Where this Petition is served on a person in British Columbia, the time for appearance by that person is 7 days from the service (not including the day of service).

Where this Petition is served on a person outside British Columbia, the time for appearance by that person after service, is 21 days in the case of a person residing anywhere within Canada, 28 days in the case of a person residing in the United States of America, and 42 days in the case of a person residing elsewhere.

[or, where the time for appearance has been set by order of the court, within that time.]

TIME FOR RESPONSE

IF YOU WISH TO RESPOND to the application, you must, on or before the 8th day after you have entered an appearance,

- (a) deliver to the petitioner
 - (i) 2 copies of a response in Form 124, and
 - (ii) 2 copies of each affidavit on which you intend to rely at the hearing, and
- (b) deliver to every other party of record
 - (i) one copy of a response in Form 124, and
 - (ii) one copy of each affidavit on which you intend to rely at the hearing.

1. The address for the registry is:

The Law Courts
800 Smithe Street
Vancouver, British Columbia V6Z 2E1

2. ADDRESS FOR DELIVERY is:

Fraser Milner Casgrain LLP
Barristers and Solicitors
1500 – 1040 West Georgia Street
Vancouver, British Columbia V.6E 4H8
Telephone: (604) 687-4460
Attention: Christopher J. Ramsay

Fax number for delivery (if any): (604) 683-5214

3. The name and office address of the Petitioners' solicitor is:

Same as address for delivery.

SERVICE ON ORIGINATING PROCESS FOR SERVICE OUTSIDE BRITISH COLUMBIA

The Petitioners claim the right to serve this Petition on any interested party on the grounds that the proceedings concern a business carried on in British Columbia.

The Petitioners apply to this Court for:

- (A) a Declaration that the Petitioners are corporations to which the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C – 36, as amended (the "CCAA") applies and, in respect of certain Petitioners to which the *Business Corporations Act*, S.B.C. 2002, c. 57 (the "BCA") and the *Alberta Business Corporations Act*, R.S.A. 2000, c. B – 9 apply.
- (B) an Order authorizing and permitting the Petitioners to file with this Court a formal plan of compromise or arrangement between the Petitioners and their creditors (the "Plan") pursuant to the provisions of the CCAA, at such time as may be directed by the Court.
- (C) an Order that, upon filing of the Plan, the Petitioners call a meeting (the "Meeting") of the affected classes of their creditors to vote upon the Plan.

- (D) an Order that, until further order of this Court, all proceedings against the Petitioners be stayed, and the Petitioners' operations be carried out in accordance with the express terms of the draft Order attached to this Petition as **Schedule "B"** (the "Initial Order"), with liberty to seek to extend the terms of such Initial Order at the hearing of the Petition.
- (E) an Order that the Petitioners be at liberty to serve all pleadings and notices and related materials (including the Plan) in this proceeding on any of their creditors by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, fax transmission or email to the Petitioners' creditors at their respective addresses as last shown on the records of the Petitioners, and any such service or notice by courier, personal delivery, fax transmission or email shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing, and that the time for filing an Appearance by persons outside of British Columbia be abridged to 14 days.
- (F) such directions as may be required from time to time respecting the presentation of the Plan to the Creditors of the Petitioners and, if subsequently required, a proof of claim process, conduct of the Meeting and related matters.
- (G) an Order defining the classes of creditors of the Petitioners for the purposes of meetings with respect to, and voting upon, the Plan.
- (H) an Order sanctioning and approving the Plan with such amendments as may be proposed by the creditors of the Petitioners and approved by the Petitioners or as may be proposed by the Petitioners.
- (I) an Order that the Orders in these proceedings shall have full force and effect in all provinces and territories of Canada and any other foreign country where creditors of the Petitioners are domiciled.
- (J) an Order authorizing the Petitioners and the Monitor to apply as a foreign representative to apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the United States Bankruptcy Code, as amended.

- (K) an Order requesting the aid and recognition of any Court or any administrative body in any province of Canada, the Federal Court of Canada, any administrative tribunal or other Court constituted pursuant to the authority of the Parliament of Canada or any of its provinces or territories to act in aid of and to be complimentary to this Court in carrying out the terms of any Order pronounced in these proceedings.
- (L) such further and other Orders as this Honourable Court may deem proper under the circumstances.

As more particularly set out in the form of order attached hereto as Schedule "B".

The Petitioners' application is made pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C - 36, the *Business Corporations Act*, S.B.C. 2002, c. 57, Rules 3, 10, 12, 13(1), 13(6.1), 14, 44, 46 and 52 of the *Rules of Court* and the inherent jurisdiction of this Court.

The facts upon which this Petition is based are as follows:

THE PETITIONERS

1. Evergreen Gaming Corporation ("Evergreen"), formerly Transac Enterprise Corp is a company incorporated under the laws of British Columbia. It was incorporated on April 11, 1979 and has a registered address of 700 - 595 Howe Street, Vancouver, BC V6C 2T5. Daniel Sutherland is the Chief Executive Officer, Norman Osatuik is the President and Messrs. Osatuik, Sutherland, Libin, and Cosgrove are directors of Evergreen. Evergreen operates 11 casinos comprised of ten house-banked card rooms in the Seattle Puget Sound area of Washington State, USA and one full service casino in Calgary, Alberta. Evergreen is a public company listed on the TSX Venture Exchange (TSX-TNA.V). Evergreen's operations and reporting are on a fully consolidated basis, inclusive of the business operations in Canada and the United States, held through various subsidiaries (the "Evergreen Group of Companies").
2. EGC Holdings Ltd. ("EGC Holdings") formerly known as FSSD Holdings Ltd. is a company incorporated under the laws of Alberta and has a business address of 280 - 11331 Coppersmith Way, Richmond, BC V7A 5J9. EGC Holdings was incorporated on March 31,

2004. Norman Osatuik and Cory Coyle are the directors of EGC Holdings. EGC Holdings is a 100% wholly-owned subsidiary of Evergreen.

3. EGC Properties Ltd. ("EGC Properties") formerly known as Forty Second Avenue Holdings Ltd. is a company incorporated under the laws of Alberta and has a business address of 280 – 11331 Coppersmith Way, Richmond, BC V7A 5J9. EGC Properties was incorporated on March 31, 2004. Norman Osatuik and Cory Coyle are the directors of EGC Properties. EGC Properties is a wholly owned subsidiary of EGC Holdings and owns the following land in Alberta:

- Lands municipally described as 1010 – 42nd Avenue, SE, Calgary, Alberta and legally described as:

PLAN 8368HA
BLOCK 24
EXCEPTING THEREOUT ALL MINES AND MINERALS
- Lands municipally described as 4412 – 9th Street SE, Calgary, Alberta and legally described as:

PLAN 8121 HN
BLOCK 4
THE SOUTH 236.27 FEET
CONTAINING 0.421 HECTARES (1.04 ACRES) MORE OR LESS.
EXCEPTING THEREOUT ALL MINES AND MINERALS
- Lands municipally described as 1007 – 42nd Avenue SE, Calgary, Alberta and legally described as:

PLAN CALGARY 8121HN
BLOCK FOUR (4)
CONTAINING TWO AND TWENTY NINE HUNDREDTHS (2.29) ACRES
MORE OR LESS
EXCEPTING THE SOUTH TWO HUNDRED AND THIRTY SIX AND
TWENTY SEVEN ONE HUNDREDTHS (236.27) FEET CONTAINING ONE
AND FOUR HUNDREDTHS (1.04) ACRES MORE OR LESS
EXCEPTING THEREOUT ALL MINES AND MINERALS

(collectively, the "Alberta Lands").

4. Frank Sisson's Silver Dollar Ltd. ("Frank Sisson") is a company incorporated under the laws of Alberta and has a business address of 280 – 11331 Coppersmith Way, Richmond, BC V7A 5J9. Frank Sisson was incorporated on August 19, 1981. Norman Osatuik and Cory Coyle are the directors of Frank Sisson. Frank Sisson is a wholly-owned subsidiary of EGC Holdings. Frank Sisson operates a 100,000 square foot casino in Calgary, Alberta, the

"Silver Dollar Casino". EGC Properties leases to Frank Sisson the land upon which the Silver Dollar Casino is located at 1010 42nd Ave, SE Calgary, AB.

5. Washington Gaming, Inc. ("WGI") is a company incorporated under the laws of the State of Washington and has an address of 711 Powell Ave SW, Renton, WA, 98055. Washington Gaming was incorporated on October 3, 2001. Dan Sutherland, Len Libin and Norman Osatuik are the directors of Washington Gaming. Washington Gaming is a holding company for all of the Washington-based subsidiaries, including Gaming Management Inc., Gaming Consultant Inc. and Gameco Inc., which do not operate casinos. WGI is a 100% wholly-owned subsidiary of Evergreen.

6. Big Nevada, Inc., ("Big Nevada") is a company incorporated under the laws of Washington State. It is a wholly-owned subsidiary of WGI. Big Nevada was registered on August 6, 1998 and has an address of 711 Powell Ave SW, Renton, WA, 98055. Cory Coyle and Norman Osatuik are the directors of Big Nevada. Big Nevada operates the Silver Dollar Casino in Sea-Tac, Washington, which is a house-banked card room casino. The Silver Dollar Casino in Sea-Tac commenced operations in July 1999, with 15 gaming tables.

7. Little Nevada II, Inc. ("Little Nevada II") is a company incorporated under the laws of the State of Washington. It is a wholly-owned subsidiary of WGI. It has an address of 711 Powell Ave SW, Renton, WA, 98055. Little Nevada II was incorporated on September 16, 1998. Cory Coyle and Norman Osatuik are the directors of Little Nevada II. Little Nevada II operated a house banked card room casino in Mountlake Terrace, Washington. It ceased operations in the fall of 2008.

8. Little Nevada III, Inc. ("Little Nevada III") is a company incorporated under the laws of the State of Washington. It is a wholly-owned subsidiary of WGI. It has an address of 711 Powell Ave SW, Renton, WA, 98055. Little Nevada III was incorporated on May 12, 1999. Cory Coyle and Norman Osatuik are the directors of Little Nevada III. Little Nevada III operated the JD's Wild West Saloon in Tacoma which ceased operations in September 2006.

9. Silver Dollar Mill Creek, Inc. ("Silver Dollar") is a company incorporated under the laws of the State of Washington. It is a wholly-owned subsidiary of WGI. It has an address of 711 Powell Ave SW, Renton, WA, 98055. Silver Dollar was incorporated on March 22, 1999. Cory Coyle and Norman Osatuik are the directors of Silver Dollar. Silver Dollar operates the Silver Dollar Casino in Millcreek, Washington, which is a house-banked card room casino. The Silver Dollar Casino commenced operations in February 2003, with 15 gaming tables.

10. Golden Nugget Tukwila, Inc. ("Golden Nugget") is a company incorporated under the laws of the State of Washington. It is a wholly-owned subsidiary of WGI. It has an address of 711 Powell Ave SW, Renton, WA, 98055. Golden Nugget was incorporated on October 18, 1994. Cory Coyle and Norman Osatuik are the directors of Golden Nugget. Golden Nugget operates the Golden Nugget Casino in Tukwila, Washington, which is a house-banked card room casino. The Golden Nugget Casino commenced operations in January 2002, with 14 gaming tables.

11. Shoreline Gaming, Inc. ("Shoreline") is a company incorporated under the laws of the State of Washington and has an address of 711 Powell Ave SW, Renton, WA, 98055. Shoreline was incorporated on April 20, 2001. Cory Coyle and Norman Osatuik are the directors of Shoreline. WGI and Mike McCarthy each have a 50% ownership interest in Shoreline which operates the Golden Nugget Casino in Shoreline, Washington, a house-banked card room casino. The Golden Nugget Casino commenced operations in May 2002, with 6 gaming tables.

12. Little Nevada, Inc. ("Little Nevada") is a company incorporated under the laws of the State of Washington. It is a wholly owned subsidiary of WGI. It has an address of 711 Powell Ave SW, Renton, WA, 98055. Little Nevada was incorporated on March 26, 1996. Cory Coyle and Norman Osatuik are the directors of Little Nevada. Little Nevada operates the Silver Dollar Casinos in Tukwila and Renton, Washington, which are house-banked card room casinos. The Silver Dollar Casino in Tukwila commenced operations in August 1998, with 10 gaming tables and the Silver Dollar Casino in Renton commenced operations in November 2004, with 15 gaming tables.

13. Snohomish Gaming Inc. ("Snohomish") is a company incorporated under the laws of the State of Washington. It is a wholly owned subsidiary of WGI. It has an address of 711 Powell Ave SW, Renton, WA, 98055. Snohomish was incorporated on November 9, 2005. Cory Coyle and Norman Osatuik are the directors of Snohomish. Snohomish has 100% ownership in Royal Casino Holdings Inc. ("Royal Casino"). It operates Royal Casino in Everett, Washington, which is a house banked card room casino.

14. Hollydrift Gaming, Inc. ("Hollydrift") is a company incorporated under the laws of the State of Washington. It is a wholly owned subsidiary of WGI. It has an address of 711 Powell Ave SW, Renton, WA, 98055. Hollydrift was incorporated on August 11, 2005. Cory Coyle and Norman Osatuik are the directors of Hollydrift. Hollydrift operates the Club Hollywood Casino and the Drift on Inn Casino in Shoreline, Washington, which are house-banked card room casinos. Both commenced operations in March 2007, with 23 combined gaming tables.

15. Royal Casino is a company incorporated under the laws of the State of Washington. It is a wholly owned subsidiary of Snohomish. It has an address of 711 Powell Ave SW, Renton, WA, 98055. Royal Casino was incorporated on November 9, 2005. Cory Coyle and Norman Osatuik are the directors of Royal Casino. Royal Casino operates the Royal Casino in Everett, Washington, which is a house-banked card room casino. Royal Casino commenced operations in January 2006, with 15 gaming tables.

16. Gameco, Inc. ("Gameco") is a company incorporated under the laws of the State of Washington. It is a wholly-owned subsidiary of WGI. It has an address of 711 Powell Ave SW, Renton, WA, 98055. Gameco was incorporated on July 25, 2002. Cory Coyle and Norman Osatuik are the directors of Gameco. Gameco is a distributor and service supplier to the Evergreen Group of Companies.

17. Gaming Management Inc. ("Gaming Management") is a company incorporated under the laws of the State of Washington. It is a wholly-owned subsidiary of WGI. It has an address of 711 Powell Ave SW, Renton, WA, 98055. Gaming Management was incorporated on August 11, 2005. Cory Coyle and Norman Osatuik are the directors of Gaming Management. Gaming Management is a distributor and service supplier to the Evergreen Group of Companies.

18. Gaming Consultants, Inc. ("Gaming Consultants") is a company incorporated under the laws of the State of Washington. It is a wholly-owned subsidiary of WGI. It has an address of 711 Powell Ave SW, Renton, WA, 98055. Gaming Consultants was incorporated on May 12, 1999. Cory Coyle and Norman Osatuik are the directors of Gaming Consultants. Gaming Consultants is a distributor and service supplier to the Evergreen Group of Companies.

19. Shoreline Holdings Inc. ("Shoreline Holdings") is a wholly-owned subsidiary of WGI. Shoreline Holdings owns 100 % of the shares of Hollydrift. Shoreline Holdings is a company incorporated under the laws of the State of Washington and has an address of 711 Powell Ave SW, Renton, WA, 98055. Hollydrift operates the Hollywood Casino.

20. Mill Creek Gaming, Inc. ("Mill Creek") is a company incorporated under the laws of the State of Washington. It is a wholly-owned subsidiary of WGI. It has an address of 711 Powell Ave SW, Renton, WA, 98055. Mill Creek has no active operations but its assets are utilized at the Silver Dollar Casino in Mill Creek.

BACKGROUND TO GAMING OPERATIONS

21. Evergreen is a public company listed on the TSX Venture Exchange. Its business is overseeing the gaming operations of its two principal subsidiaries, WGI and EGC Holdings. Through its subsidiary corporations, Evergreen operates casinos in Alberta and Washington State 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. Evergreen's corporate headquarters are based in Richmond, B.C. This is where the day-to-day operations of the Evergreen group are conducted, where management is located, and where the strategic and operational management functions for the Evergreen Group of Companies are carried out. Evergreen files financial statements on a consolidated basis for all its subsidiaries expressed in US dollars and all public reporting is on a consolidated basis.

22. On October 26, 2006 Evergreen formerly Transac Enterprise Corp. ("Transac") acquired all of the issued and outstanding share capital of WGI. As consideration, Evergreen issued 78,000,000 common shares. The acquisition of WGI was accounted for by "reverse takeover" accounting. Under this method, WGI is deemed to be the acquiror for accounting purposes. Evergreen was subsequently listed on the TSX-Ventures Exchange (TNA) and Transac changed its name to Evergreen Gaming Corporation. In early 2007 Evergreen completed its first private placement for net proceeds of \$5.7 million.

23. On January 25, 2007, Evergreen and WGI 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 Evergreen and WGI was \$488,600. On January 31, 2007, Evergreen and WGI sold 100% of the issued shares of 914906 Alberta Ltd., which operated ATMs in the Edmonton area. Evergreen and WGI received total cash consideration of CDN \$157,900, and repatriated CDN \$3,750,000 that was used in the operation of the ATM division.

24. On March 1, 2007 Evergreen and WGI 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 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 Evergreen at the time, and a private company that they wholly own.

25. During 2006, Evergreen and WGI purchased the assets of Royal Casino Everett. In addition, Evergreen and WGI 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, Evergreen and WGI 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.

26. On October 1, 2007, Evergreen acquired 100% of the outstanding stock of FSSD Holdings, Ltd. (now EGC Holdings, Ltd.) in Calgary, Alberta for net consideration of US \$13,582,276 (CDN \$13,489,200) which includes 500,000 warrants. The net consideration consisted of US \$22,151,800 (CDN \$22,000,000), plus acquisition related costs of US \$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 US \$10,723,535 (CDN \$10,650,050). EGC Holdings owns 100% of the shares of Frank Sisson.

Evergreen Alberta Casino Operations

27. The Silver Dollar Casino is a 100,000 square foot casino and entertainment complex featuring 504 slot machines, 25 video lottery terminals, 20 gaming tables, a 38 lane bowling alley, a 1200 seat live entertainment and convention facility, and numerous food and beverage outlets located throughout the property. It currently employs approximately 150 full-time employees. The complex and adjoining parking lots occupy seven acres of land. The land was recently appraised in the amount of \$16.8 million. The Silver Dollar Casino represents the Evergreen Group of Companies' largest casino and land asset.

28. The Silver Dollar Casino is just off of Blackfoot Trail in Calgary in an area containing a mixture of light industry, office buildings and commercial businesses. The casino is unique as it is part of an entertainment centre featuring 38 lanes of 5-pin and 10-pin bowling. Prior to the acquisition in October 2007, the facility announced the opening of two new additions: an eight-lane bowling room available for private bookings; and the Convention Centre, a 20,000 sq. ft. area for banquets, meetings and catered and licensed events. The facility also offers free parking for 797 cars.

29. The Alberta Provincial Government regulates all gaming operations under the *Gaming and Liquor Act*, R.S.A. 2000, c. G-1 (the "Act") through the Alberta Gaming and Liquor Commission ("AGLC"). The AGLC is the primary authority responsible for the management, regulation and inspection of gaming activities in the province. Under this model, the provincial government licenses privately owned and operated casinos in Alberta. The licensee is an independent contractor who provides the services set out in the Casino and VLT Agreements.

The licensee holds all funds, less winnings and commissions in trust for the AGLC. The AGLC owns or leases all the equipment used in the province's gaming venues, including slot machines, VLTs and electronic bingo units. This equipment is provided to casino operators who are paid a commission for the space and services they provide to customers. Operators provide all the other resources required for the operation of the casino such as operating floats, chips, playing cards, surveillance equipment, insurance, advertising and promotions. The obligations of the casino operator are outlined in the casino operating agreements between the AGLC and the casino operator.

30. On September 13, 2007 the AGLC approved the sale of Frank Sisson to Evergreen and issued a Casino Facility Licence No. 255670 to Evergreen as Licensee on September 17, 2007. Under the terms of the Casino Gaming Retailer Agreement and the Video Lottery Retail Agreement both dated August 13, 2007 between Frank Sisson and the AGLC the ("AGLC Agreements") the AGLC Agreements are terminated immediately in the event of bankruptcy or insolvency of the casino gaming retailer or if a receiver is appointed over some or all of the assets, or if any assets of the Casino gaming retailer are seized or distrained upon. Further the AGLC can terminate the AGLC Agreements without cause or reason on seven (7) days notice to the Casino gaming retailer. The license further provides that it shall become void should the premises be sold, leased, assigned or otherwise transferred to the control of another person.

31. The Silver Dollar Casino operates one full service lounge "The Evergreen Room" (80-seats), a 70-seat lounge, one snack/liquor bar (in the bowling area) plus a 275-seat showroom. In November 2006, as a result of the new expansion, the casino added an additional snack/liquor bar in the Party Bowling Room and added catered and locally prepared food services as well as a full service bar to the convention and entertainment centre.

32. Typically, the busiest times of the year are from September to April, which corresponds to colder weather and the bowling leagues utilizing the bowling alley.

33. In December 2006, the Silver Dollar Casino opened its new 20,000 sq. ft. convention and entertainment centre upon completion of the new building extension on the east end of the existing building. Since opening, this facility has been underutilized but provides an opportunity for revenue growth from entertainment ticket sales, room rental for conventions, catered events and parties and food and liquor sales. The Casino also operates seven ATMs, which pay Evergreen a transaction fee for each transaction processed plus bonuses from time to time. ATM revenues generate approximately CDN \$30,000 per month in commissions.

34. Total net revenue for the Frank Sisson Casino as of year end December 31, 2008 was \$6,680,000 of which \$900,000 was derived from the sale of food and beverages. Income from operations was negative \$522,547. Since the acquisition of EGC Holdings in October 2007, the Frank Sisson Casino has lost money and Evergreen's Alberta operations have been supported by the Washington State Casino business by the injection of cash when required into the Calgary operations. Evergreen Management are confident that given time and through increased marketing, the Frank Sisson Casino will become cash flow positive.

Evergreen Washington Casino Operations

35. Evergreen currently operates ten (10) casinos in the Seattle-Puget Sound area of Washington state through WGI, and is regulated by the Washington State Gambling Commission ("WSGC") and by local governments through City ordinances. Evergreen operates restaurants in its casinos as required by Washington state law. It has approximately 1,400 employees. Evergreen and WGI currently offers the following card games: Blackjack, Spanish Blackjack, Texas Hold-em, 3-card Poker, 4-card Poker and Pai Gow. The 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. Evergreen rents all casino storage and office facilities of its Washington operations through various related and independent parties which are owned by WGI or related parties. Evergreen currently operates ten of the 81 house-banked card room locations in Washington state.

36. Evergreen and WGI are permitted to operate up to a total of 150 table games (i.e., 15 tables per card room) at its properties and it currently operates 126 tables. Evergreen and WGI have the ability to change the gaming mix of its tables at any time to meet changes in customer demand. Some of Evergreen's Washington State casino are open 24 hours a day, seven days a week; the maximum permitted under state regulations. Evergreen's ten Washington state casinos are listed as follows:

Casino Property	Location	Date Open/ Acquired	Gaming Tables	Pull Tabs
Silver Dollar Casino – Seatac	SeaTac	July 1999	15	Yes
Silver Dollar Casino – Tukwila	Tukwila	August 1998	10	Yes
Silver Dollar Casino – Renton	Renton	November 2004	15	Yes
Silver Dollar Casino – Mill Creek	Mill Creek	February 2003	15	Yes
Golden Nugget Casino – Tukwila	Tukwila	January 2002	14	Yes
Golden Nugget Casino – Shoreline	Shoreline	May 2002	6	Yes
Riverside Casino	Tukwila	August 2006	14	Yes
Royal Casino	Everett	January 2006	15	Yes
Hollywood Casino	Shoreline	March 2007	15	No
Drift on Inn Casino	Shoreline	March 2007	10	Yes
			126	

37. Evergreen operates its casinos in Washington principally by leasing casino premises, although it also owns land and premises through its ownership of Mountlake Gaming Inc. Riverside Casino Inc. operates the Riverside Casino (Tukwila) (which is not a Petitioner in this proceeding) and the Silver Dollar Casino in Tukwila operated by Little Nevada Inc. Riverside Casino (19,000 square feet facility; has an assessed value of \$3.1 million) and the Silver Dollar – Tukwila Casino (6,000 square feet facility; has an appraised value of \$1.55 million).

38. The following is a description of the Evergreen leased Washington casino premises leases:

Property	Location	Square Feet	Annual Lease Expense
Gaming Consultants Inc. (1)	Renton	8,600	\$177,581
Big Nevada doing business as Silver Dollar – Seatac	SeaTac	11,400	\$225,303
Shoreline doing business as Golden Nugget – Shoreline	Shoreline	3,750	\$228,000
Silver Dollar doing business as Silver Dollar – Mill Creek	Bothell	17,000	\$285,656
Little Nevada doing business as Silver Dollar – Renton	Renton	20,000	\$475,468
Golden Nugget doing business as Golden Nugget – Tukwila	Tukwila	4,500	\$144,000
Royal Casino	Everett	12,700	\$344,999
Hollydrift doing business as Club Hollywood Casino (2)	Shoreline	22,700	\$654,001
Hollydrift doing business as Drift on Inn Casino (2)	Shoreline	16,000	\$339,264
TOTAL			\$2,874,272

(1) The sole business of Gaming Consultants Inc. is to provide management services to WGI and hence the expiry of its lease would not affect gaming operations.

(2) The Club Hollywood and Drift on Inn Casino share a parking lot and are adjacent to one another.

39. Prior to the receipt of the Fortress demand and the acceleration of the money owing under the Credit Facility, discussed infra, WGI and its Washington subsidiaries were meeting their current liabilities which on a consolidated basis as of December 31, 2008 amounted to \$4,758,265 and had little debt. Trade payables of \$492,171 were current and operations were cash positive. The total net revenue for the Washington operations as of year end December 31, 2008 was \$46,500,000 of which \$8,800,000 was derived from sale of food and beverage. Income from operations from the Washington subsidiaries at year end December 31, 2008 was \$2,650,000.

40. The following is a summary of loans payable as of November 30, 2008 of WGI and its operating subsidiaries showing a balance due as of December 31, 2008 of \$802,298.58:

Debtor	Creditor	Acct No.	Principal Loan Amount \$	Int. rate	Balance as of December 31, 2008 \$	Monthly payments \$
Little Nevada III	N/P Razore Enterprises	2609	1,000,000.00	7.00%	407,584	15,000
Silver Dollar – Renton	N/P Dave Smith	2612	50,000.00	10.00%	35,009	661
Silver Dollar – Renton	N/P Elizabeth Brousseau	2611	50,000.00	10.00%	36,027	661
Washington Gaming, Inc.	N/P Chuck Thomas	2614	603,287.44	17.70%	380,433	15,000
Washington Gaming, Inc.	N/P Jennifer Habu & Richard Chinn	2624	241,314.97	17.70%	216,808	6,000
Gaming Consultants Inc.	N/P Shufflemaster – Game Licenses	2670-1		4.25%	128,703	18,661
Hollydrift Gaming Inc.	Shufflemaster-7 MD 1.1 Shufflers	2670	25,039.82	4.77%	3,125	1,715
Hollydrift Gaming Inc.	Shufflemaster-4 MD 1.1 Shufflers	2670	14,308.48	4.77%	2,376	1,786
TOTALS			1,983,950.71		802,298.58	

41. The inter-Company debt between the Evergreen group of companies as of December 31, 2008 is as follows:

- Total Due Gaming Consultants 9,971,642
- Total Due EGC Holdings 14,318,528
- Total Due Evergreen Gaming 19,914,652

SUMMARY OF FORTRESS CREDIT AGREEMENT AND SECURITY

42. On October 2, 2007 Evergreen entered into a Credit Agreement (the “Credit Facility”) governed by New York state law with Fortress Credit Corp. (“Fortress”), a company based in New York. Fortress agreed to make a term loan available to Evergreen in the amount of \$28,250,000 for the purpose of the acquisition by Evergreen of 100% of the shares of FSSD Holdings Ltd. (EGC Holdings), and to retire certain indebtedness in the amount of \$16,436,569. Specifically, \$9,960,000 owing by Forty Second Avenue Holdings Ltd. (EGC Properties) to Roynat, \$500,000 owing to ATB Financial and \$505,000 owing to Alberta Prosperity Fund. The balance of the funds were used to retire certain debt owing by Silver Dollar, Hollydrift and Little Nevada, owing to certain individuals.

43. The Credit Facility provides for repayment by way of 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 Evergreen and WGI and shares in their subsidiaries except Riverside Casino (Tukwila) and its parent company Mountlake Gaming Inc. The Credit Facility is denominated in US dollars and as the functional currency of Evergreen is the Canadian dollar, and accordingly the Fortress debt is subject to foreign exchange risk.

44. The Credit Facility is secured by an unlimited and continuing guarantee dated October 2, 2007 given by WGI and all the subsidiaries listed as Petitioners on Schedule "A" to this Petition, under which WGI and each and every subsidiary agreed to guarantee all obligations of Evergreen owing to Fortress under the Credit Facility. The Credit Facility is secured by, inter alia, the following:

(i) Securities Pledge Agreement dated October 2, 2007 governed by Alberta law given to Fortress by both Evergreen and EGC Holdings in which Evergreen pledged all its outstanding shares in the capital of EGC Holdings to Fortress, and EGC Holdings pledged all of its issued and outstanding shares in the capital of EGC Properties and Frank Sisson to Fortress.

(ii) A Stock Pledge Agreement dated October 2, 2007 governed by New York state law with Fortress in which Evergreen pledged and granted to Fortress all of its 100% ownership in the 13,345,668 issued and outstanding common shares held in WGI.

(iii) A Pledge and Security Agreement dated October 2, 2007 between WGI and all the Washington State subsidiaries and Fortress governed by New York state law by which each of WGI and its subsidiaries granted to Fortress a security interest in all of their right title and interest in all of their personal property including all deposit accounts held with any bank or financial institution, including WGI ownership in the shares of its subsidiaries.

(iv) A Security Agreement given by Evergreen, EGC Holdings, EGC Properties and Frank Sisson (governed by Alberta Law) to 1144515 Alberta Ltd. the trustee for and on behalf of Fortress granting a security interest in all their present and future assets and property.

(v) A Fixed and Floating Charge Demand Debenture and Debenture Pledge Agreement in the principal amount of CDN \$42,381,450 (governed by Alberta law) given by EGC Holdings and EGC Properties each granted to 1144515 Alberta Ltd. the trustee for and on behalf of Fortress under which they mortgaged and assigned by way of a fixed and specific mortgage in favour of

Fortress all their right title and interest in the Alberta Property. The mortgage was registered at the Alberta Registrar of Land Titles on September 10, 2007 under registration number 071-499-683 against the ownership interest of EGC Properties.

(vi) Deposit Account Control Agreement between Fortress, the Washington State subsidiaries and Banner Bank governed by Washington State law under which the subsidiaries agreed that upon two (2) days after notice given by Fortress to Banner Bank, Fortress will have exclusive control over all accounts of the subsidiaries including all main bank accounts, payroll accounts and ATM accounts.

(vii) Blocked Account Agreement governed by British Columbia law between Evergreen, Fortress and Bank of Montreal (BMO) dated October 2, 2007 under which Evergreen agreed with Fortress that upon notice given to BMO by Fortress by way of an Activation Notice, Fortress would have complete control of operating account 0012 4524382 –US\$ and operating account 0012 1200906 –CA\$.

(viii) Blocked Account Agreement governed by British Columbia law between Frank Sisson, Fortress and Bank of Montreal (BMO) dated October 24, 2007 under which Frank Sisson agreed with Fortress that upon notice given to BMO by Fortress by way of an Activation Notice, Fortress would have complete control of operating accounts:

Account 0012 1213-256
 Account 0012 1213 264
 Account 0012 1213 264
 Account 0012 1213 395

(ix) Leasehold Deeds of Trust, Assignment of Leases and Rents, Security Agreements and Fixtures Filing governed by Washington State law given by each of Royal Casino Holdings Inc., Little Nevada, Inc., Little Nevada III Inc., Golden Nugget Tukwila, Inc., Silver Dollar Mill Creek, Inc. to Fortress.

45. In addition to the obligations owing under the Credit Facility, Evergreen is also indebted to a related party Ms. Laura Jean Sutherland in the amount of \$1,130,220 by way of an unsecured note payable. The total indebtedness owing by Evergreen as of December 31, 2008 is as follows:

Debtor	Creditor	Acct No.	Principal Loan Amount	Int. rate	Balance as of November 30, 2008	Monthly payments \$
Evergreen Gaming Corp.	N/P Laura Jean Sutherland	2611-0	1,130,220	9.50%	CDN \$423,397	9,431
Evergreen Gaming Corp.	N/P Fortress Credit Facility	2610-0	28,250,000	12.6275%	US \$27,338,125	variable

CURRENT FINANCIAL SITUATION

46. Despite meeting operational costs at each of its casino locations and keeping accounts payable current, the Evergreen Group of Companies are presently insolvent. Evergreen has failed to meet the obligations under the Credit Facility by not paying monthly interest payable to Fortress in the total approximate amount of US \$280,000 with respect to missed payments which were to be made on November 6, 2008, December 4, 2008, January 7, 2009, February 5, 2009, and March 5, 2009. Payment is to be made within 3 business days following each interest payment date as required pursuant to section 2.14 of the Credit Facility. Under the guarantees given by the subsidiaries, each is liable for the amount owing under the Credit Facility.

47. In addition, Evergreen has failed to pay the March 2009 principal payment in the amount of US\$ 70,625 which was due March 31, 2009. The failure to pay the interest owing to Fortress has been caused primarily by the current economic climate in the United States and particularly a slowdown in the regions in which the Evergreen Group of Companies operate. The ongoing operations of Evergreen have failed to produce sufficient cash flow to service the Evergreen Credit Facility.

48. Since November 2008, Evergreen has been in discussions with representatives of Fortress in an attempt to restructure the Credit Facility. The parties have been in negotiation since last November which has recently resulted in Fortress providing additional terms in the form of a draft Forbearance Agreement and Amendment No. 3 to the Credit Facility.

49. The proposed terms of the Forbearance Agreement and Amendment to the Credit Facility are not acceptable to Evergreen, principally because the terms of the Forbearance Agreement provide that the closing of a transaction either by way of a proposed financing or proposed asset sale sufficient to pay all the outstanding obligations to Fortress, must take place on or before May 31, 2009 or Fortress will be free to enforce its security and take control over

Evergreen's business. The drop dead date of May 31, 2009 is practically unachievable, even though Evergreen is presently in discussions with third parties and is optimistic with respect to a potential refinancing of the Credit Facility.

50. On April 1, 2009 Fortress issued a Notice of Default and Acceleration Notice on Evergreen, WGI and its subsidiaries as guarantors seeking the outstanding amount of \$30,109,148.83, broken down as follows:

Obligation Description	Obligation Amount
Outstanding Principal Balance as of 31 March, 2009	US \$27,267,500.00
All regularly accrued and unpaid interest as of March 31, 2009	US \$1,745,066.00
All accrued and unpaid Default Interest as of March 31, 2009	US \$414,587.00
The accrued and unpaid fee due to the Agent under <u>Section 10.12.2</u> of the Credit Agreement on January 1, 2009	US \$2,500.00
All fees and expenses due and owing by the Credit Parties to Agent and Lenders (including (a) payment to Agent of US \$54,472.77 in fees and expenses paid and to be paid in advance by Agent to McCarthy Tetrault LLP as of March 30, 2009, (b) payment of US \$673,273.06 in fees and expenses paid and to be paid in advance by Agent to Sidley Austin LLP as of March 30, 2009, (c) payment of US \$1,750 in fees and expenses to be paid to Pinnacle Gaming Services, and (d) <u>less</u> Borrower's payment to Agent for fees and expenses due in the amount of US \$50,000 on March 31, 2009)	US \$679,495.83
TOTAL	US \$30,109,148.83

51. In addition, Notices of Intention to Enforce Security pursuant to the *Bankruptcy and Insolvency Act* dated April 1, 2009 were served on each of Evergreen, WGI, EGC Holdings, EGC Properties and Frank Sisson, which expired Friday, April 10, 2009. Fortress is now in a position to enforce its security and take control of the Evergreen Casino operations.

ASSETS AND LIABILITIES ON A CONSOLIDATED BASIS

52. As at the nine months ended September 30, 2008, Evergreen has total assets in the amount of \$56,764,371 and total liabilities of \$42,511,845. Evergreen has current liabilities of \$6,502,096 comprised of accounts payable, accrued liabilities, jackpots, prize liabilities, and current notes payable in the amount of \$1,192,745. It has long term notes payable in the amount

of \$33,286,772 (the Fortress Credit Facility) and related party notes payable in the amount of \$1,349,040 (unsecured note payable to Laura Sutherland). Below is the consolidated balance sheet for Evergreen expressed in U.S. Dollars.

CONSOLIDATED BALANCE SHEET (UNAUDITED, PREPARED BY MANAGEMENT)

	September 30, 2008 \$	December 31, 2007 \$
ASSETS		
Current		
Cash	4,860,174	6,543,458
Accounts Receivable	390,420	415,275
Income Tax Receivable	207,806	269,292
Assets Held for Sale	500,000	500,000
Prepaid Expenses and other assets	584,351	854,683
Current income tax asset	1,283,543	-
Inventory	284,382	269,940
	8,110,676	8,852,648
Property and equipment	25,624,386	26,699,087
Notes receivable	159,021	245,608
Deposits	287,137	160,092
Goodwill	21,320,746	21,711,531
Other assets, net of amortization	820,211	846,384
Future income tax asset	442,194	650,000
	56,764,371	59,165,350
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	4,212,682	4,833,341
Chips outstanding	95,231	70,672
Jackpots and prize liabilities	801,594	393,707
Notes payable	1,192,745	823,962
Notes payable, related parties	-	39,652
Current portion of capital lease obligation	199,844	411,671
	6,502,096	6,573,005
Deferred tax liability	1,373,937	1,404,090
Notes payable	33,286,772	33,972,396
Notes payable, related parties (Note 5)	1,349,040	1,387,820
Capital leases	-	133,614
	42,511,845	43,470,925
Stockholders equity		
Common stocks, no par value, unlimited shares authorized, 102,466,865 common shares (December 31, 2007 - 102,466,865) issued and outstanding	16,224,547	16,224,547
Share subscriptions received	-	-
Contributed surplus	911,766	651,376
Accumulated comprehensive loss	103,398	(30,157)
Accumulated deficit	(2,987,185)	(1,151,341)
	14,252,526	15,694,425
	56,764,371	59,165,350

CAPITAL STOCK OF EVERGREEN

53. As of December 31, 2008 Evergreen had 102,466,865 common shares issued and outstanding with no par value.

54. At December 31, 2008 Evergreen had outstanding stock options and warrants, enabling the holders to acquire common shares as follows:

	Number	Exercise Price	Expiry Date
Options	970,000	CDN \$ 1.00	October 26, 2011
	1,507,500	1.00	October 29, 2012
	100,000	0.65	October 2, 2009
	300,000	0.50	April 11, 2013
	100,000	0.55	June 5, 2013
Warrants	83,333	0.60	October 26, 2009
	4,427,000	1.25	January 24, 2009
	1,424,000	1.25	March 28, 2009
	500,000	1.00	October 2, 2012

55. The audited consolidated financial statements for Evergreen as at year end December 31, 2007, and the unaudited consolidated financial statements for the three and nine months ended September 30, 2008 as prepared by management are attached as **Schedule "C"**.

RESTRUCTURING EFFORTS

56. Evergreen has been in discussions with Fortress since October, 2008 to address the possibility of amending its long term Credit Facility to provide short term liquidity relief to Evergreen. In this regard, Evergreen has been investigating all methods to ensure it will be able to meet a revised repayment schedule including operational changes, the issuance of debt or equity and potential asset sales. Unfortunately, due to Fortress accelerating the Credit Facility and making demand, Evergreen will require some time to put such plans into operation.

57. Capital West Partners ("Capital West") was engaged by Evergreen on December 11, 2008, to assist it with a strategic review including exploring debt refinancing, strategic alliances, joint venture opportunities, acquisitions and the potential sale of parts of Evergreen's assets. Capital West has contacted over 100 interested parties, including mezzanine speciality providers, Canadian senior debt providers, North American private equity providers, Canadian and US Gaming operators. There has been substantial interest expressed in the Evergreen group of companies, however no definitive agreements have yet been executed.

58. Evergreen has also engaged a real estate broker in Calgary, Alberta and has been in negotiations with a third party purchaser, to sell the Silver Dollar Casino in Calgary either by way of a sale of assets or the sale of shares of EGC Holdings. A sale of assets would include all of the property of the casino including equipment, the casino operations, VLT licences and operations, entertainment and convention facility operations, food and beverage operations, bowling operations and the parking lots, but would exclude the land and buildings that house the Casino. The purchaser will be entering into a lease agreement with EGC Properties to lease the land and buildings to the purchaser to allow operations to continue uninterrupted. It is possible that the sale could include the land and building or the entire operations.

59. In addition, Evergreen Management has been closely monitoring its business operations in Washington State and has been assessing which operations are profitable or not. In this regard the Evergreen management closed the Silver Dollar Mountlake Terrace Casino effective November 30, 2008 due to unprofitable results.

60. Evergreen is also currently in discussions with a Canadian senior bank lender with regard to a facility that will inject substantial cash into the operations to allow for a significant paydown of the Fortress Credit Facility. As negotiations are proceeding, no definitive documents have yet been executed.

LIQUIDATION ALTERNATIVE

61. The Evergreen Group of Companies employs approximately 1,600 individuals in British Columbia, Alberta and Washington State and contributes to the local economies. In the event a receiver is appointed, or Fortress takes control over the Banner casino accounts in Washington State and the BMO accounts in British Columbia and Alberta, it is unlikely that the casinos will continue to operate as the licenses will likely be terminated if there is a change of control under Washington State gaming laws. Moreover, given a scenario that the casinos may close their doors, any ultimate sale price would be uncertain. The damage that would occur in

the event of having to shut down and restart operations is indeterminable but would very likely result in irreparable harm to the creditors, and other stakeholders. There are significant risks if a receivership was to occur. In contrast, the orderly restructuring of the Evergreen business either *en bloc*, or through addressing specific assets, would undoubtedly lead to the greatest preservation of the business and, in the event a sale is the only viable restructuring alternative, the greatest recovery for all concerned.

MONITOR

62. Deloitte & Touche Inc., licensed trustee in bankruptcy, has consented to act as Monitor in these proceedings and to oversee the operations of the Petitioners, provide assistance to the management of the Petitioners during the CCAA restructuring period and generally assist the Petitioners with its restructuring efforts including the Plan of Arrangement to be put to its creditors.

63. In order to effectively restructure the Petitioners and the Evergreen Group of Companies in the most effective way, the Petitioners and the Monitor intend to seek relief from the United States Bankruptcy Court pursuant to Chapter 15 of the United States Bankruptcy Code. The application for such relief, and any interim required relief, will be made immediately following the granting of an Initial Order pursuant to the CCAA.

63. The Petitioners expect that, with the assistance of the Monitor, they will be able to develop a marketing and business plan for the Petitioners that will show the benefits to all stakeholders of preserving Evergreen as a whole such that the Petitioners will be able to present a Plan of Arrangement to their creditors for their consideration.

The Petitioners estimate that the application will take 60 minutes.

Dated: April 9th, 2009


Solicitor for the Petitioners

THIS PETITION is filed by the firm of Fraser Milner Casgrain LLP, Barristers and Solicitors, 15th Floor, The Grosvenor Building, 1040 West Georgia Street, Vancouver, British Columbia, V6E 4H8, (Telephone: 687-4460), Attention: Christopher J. Ramsay.

Schedule "A"

EGC Holdings Ltd.,
EGC Properties Ltd.,
Frank Sisson's Silver Dollar Ltd.,
Big Nevada, Inc.,
Little Nevada II, Inc.,
Little Nevada III, Inc.,
Silver Dollar Mill Creek, Inc.,
Golden Nugget Tukwila, Inc.,
Shoreline Gaming, Inc.,
Little Nevada, Inc.,
Snohomish Gaming Inc.,
Hollydrift Gaming, Inc.,
Royal Casino Holdings, Inc.,
Gameco, Inc.,
Gaming Management Inc.,
Gaming Consultants, Inc.,
Shoreline Holdings Inc., and
Mill Creek Gaming, Inc.

Schedule "B"

NO. _____
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57

AND

**IN THE MATTER OF EVERGREEN GAMING CORPORATION AND WASHINGTON
GAMING, INC., AND THEIR SUBSIDIARIES LISTED ON SCHEDULE "A"**

PETITIONERS

INITIAL ORDER

BEFORE THE HONOURABLE) WEDNESDAY, THE 15TH DAY
THE CHIEF JUSTICE) OF APRIL, 2009

THE APPLICATION of the Petitioners coming on for hearing *ex parte* at Vancouver, British Columbia, on the 15TH day of April, 2009 (the "Filing Date"); AND ON HEARING John R. Sandrelli and Christopher J. Ramsay, counsel for the Petitioners and other counsel as listed on **Schedule "B"** hereto; AND UPON READING the material filed, including the Affidavit #1 of Norman Osatuik sworn April 15, 2009; AND pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36 (the "CCAA"), Rules 3, 10, 12, 13(1), 13(6), 14 and 44 of the Rules of Court and the inherent jurisdiction of this Honourable Court:

JURISDICTION

1. THIS COURT ORDERS AND DECLARES that the Petitioners are companies to which the CCAA applies.

PETITION HEARING

2. THIS COURT ORDERS that the hearing of the Petition in this proceeding be held at the Courthouse at 800 Smithe Street, Vancouver, British Columbia at _____ .m. on _____, the _____ day of May, 2009, provided that the service referred to in paragraph 45 of this Order occur no later than April 22, 2009.

3. THIS COURT ORDERS that all of the relief provided for in the subsequent paragraphs of this Order is granted to the Petitioners on an interim basis only, and that the relief made in the subsequent paragraphs will expire at 11:59 p.m. (local Vancouver time) on May 15, 2009, unless extended by this Court at the hearing of the Petition which will occur on that date.

POSSESSION OF PROPERTY AND OPERATIONS

4. THIS COURT ORDERS that, subject to this Order and any further Order of this Court, the Petitioners shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"), and continue to carry on their business in the ordinary course and in a manner consistent with the preservation of their business (the "Business") and Property. The Petitioners shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "Assistants") currently retained or employed by them, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for carrying out the terms of this Order.

5. THIS COURT ORDERS that the Petitioners shall be entitled, but not required, to pay the following expenses which may have been incurred prior to the Filing Date:

- (a) all outstanding wages, salaries, employee and pension benefits (including long and short term disability payments), vacation pay, bonuses and expenses (but

excluding severance pay) payable before or after the Filing Date, in each case incurred in the ordinary course of business and consistent with the relevant compensation policies and arrangements existing at the time incurred (collectively "Wages"); and

- (b) the fees and disbursements of any Assistants retained or employed by the Petitioners in respect of these proceedings, at their standard rates and charges, including payment of the fees and disbursements of legal counsel retained by the Petitioners, whenever and wherever incurred, in respect of:
 - (i) these proceedings or any other similar proceedings in other jurisdictions in which the Petitioners or any subsidiaries or affiliated companies of the Petitioners are domiciled;
 - (ii) any litigation in which any of the Petitioners are named as a party, whether commenced before or after the Filing Date; and
 - (iii) any related corporate matters;

necessary to assist in the restructuring of the Petitioners.

6. THIS COURT ORDERS that, except as otherwise provided herein, the Petitioners shall be entitled to pay all expenses reasonably incurred by the Petitioners in carrying on the Business in the ordinary course following the Filing Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses reasonably incurred for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors' and officers' insurance), maintenance and security services;
- (b) all capital expenditures reasonably incurred for the preservation of the Property or the Business as approved by the Monitor, as defined in paragraph 30 herein;

- (c) all obligations incurred by the Petitioners after the Filing Date, including without limitation, with respect to goods and services actually supplied to the Petitioners following the date of this Order (including those under purchase orders outstanding at the Filing Date but excluding any interest on the Petitioners' obligations incurred prior to the Filing Date);
- (d) amounts outstanding to creditors for goods and services provided prior to the Filing Date where expressly authorized by this Order or any further Order of this Court; and
- (e) fees and disbursements of the kind referred to in paragraph 5(b) which may be incurred after the Filing Date.

7. THIS COURT ORDERS that the Petitioners is authorized to remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from Wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes or any such claims which are to be paid pursuant to Section 18.2 of the CCAA;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Petitioners in connection with the sale of goods and services by the Petitioners, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal property taxes, municipal business taxes or other taxes, assessments or levies of any nature or kind which may at law be payable in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Petitioners.

8. THIS COURT ORDERS that until such time as the Petitioners repudiate a real property lease in accordance with paragraph 12(b)(iv) of this Order, the Petitioners may pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable as rent to the landlord under the lease) based on the terms of existing lease arrangements or as otherwise may be negotiated by the Petitioners from time to time, for the period commencing from and including the date of this Order ("Rent"), but shall not pay any rent in arrears.

9. THIS COURT ORDERS that until such time as the Petitioners repudiates any equipment lease in accordance with paragraph 12(b)(v) of this Order, and provided that the equipment lease is a true lease and not a financing lease creating a security interest, the Petitioners may pay all amounts or payable under such leases based on the terms of existing lease arrangements or as otherwise may be negotiated by the Petitioners from time to time, for the period commencing from and including the date of this Order, but shall not pay any amount with respect to pre-Filing Date arrears.

10. THIS COURT ORDERS that, except as specifically permitted herein, the Petitioners are hereby directed, until further Order of this Court:

- (a) to make no payments of principal, interest or otherwise on account of amounts owing by the Petitioners to any of their creditors as of the Filing Date except as authorized by this Order;
- (b) to grant no security interests, trust, mortgages, liens, charges or encumbrances upon or in respect of any of their Property, nor become a guarantor or surety, nor

otherwise become liable in any manner with respect to any other person or entity except as authorized by this Order; and

- (c) to grant credit only to the customers of its business and then only for goods and services actually supplied to those customers and on payment terms ordinarily granted by the Petitioners in the usual course of their business, and in that event there is no right of set-off in respect of amounts owing for such goods and services against any debt owing by the Petitioners to such customers as of the Filing Date.

RESTRUCTURING

11. THIS COURT ORDERS that, subject to the terms of this Order, the Petitioners shall remain in possession of their Property and Business, provided that:

- (a) they shall not sell or otherwise dispose of any of their Property or Business outside of the ordinary course of business except pursuant to this paragraph or as may be authorized by an Order of the Court; and
- (b) they shall have the right, subject to the consent of the Monitor, to proceed with an orderly downsizing of the Business and operations, including without limitation, the right to:
 - (i) permanently or temporarily cease, downsize or shut down any of their Business or operations, and to dispose of redundant or non-material assets not exceeding a value of \$100,000 in any one transaction or \$500,000 in the aggregate;
 - (ii) terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate on such terms as may be agreed upon between the Petitioners and such employee, or failing such agreement, to deal with the consequences thereof in the Plan;

- (iii) terminate such of their supplier arrangements as they deem appropriate;
- (iv) in accordance with paragraphs 13 and 14 of this Order, vacate, abandon or quit any leased premises and/or repudiate any real property lease and any ancillary agreements relating to any leased premises, on such terms as may be agreed upon between the Petitioners and such landlord, or failing such agreement, to deal with the consequences thereof in the Plan;
- (v) repudiate such leases of equipment as they deem to be unnecessary for their business, on such terms as may be agreed upon between the Petitioners and the lessor of such equipment, or failing such agreement, to deal with the consequences thereof in the Plan;
- (vi) terminate or repudiate such of their arrangements or agreements of any nature whatsoever as the Petitioners deems appropriate, on such terms as may be agreed upon between the Petitioners and such counter-parties, or failing such agreement, to deal with the consequences thereof in the Plan; and
- (vii) pursue all sources of refinancing and offers for material parts of their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or any sale, except as permitted by subparagraph (b)(i), above;

all of the foregoing to permit the Petitioners to proceed with an orderly restructuring of the Business (the "Restructuring").

12. THIS COURT ORDERS that the Petitioners shall provide each of the relevant landlords with notice of the Petitioners' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present on the leased premises to observe such removal

and, if the landlord disputes the Petitioners' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any secured creditors who claim a security interest in the fixtures, such landlord and the Petitioners, or by further Order of this Court upon application by the Petitioners on at least two (2) clear days' notice to such landlord and any such secured creditors. If the Petitioners repudiates the lease governing such leased premises in accordance with paragraph 12(b)(iv) of this Order, they shall not be required to pay Rent under such lease pending resolution of any such dispute with respect to the fixtures, and the repudiation of the lease shall be without prejudice to the Petitioners' claim to the fixtures in dispute.

13. THIS COURT ORDERS that if a lease is repudiated by the Petitioners in accordance with paragraph 12(b)(iv) of this Order, then at the effective time of the repudiation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Petitioners in respect of such lease or leased premises and such landlord shall be entitled to notify the Petitioners of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

14. THIS COURT ORDERS that, subject to the other provisions of this Order (including the payment of Rent as herein provided) and any further Order of this Court, the Petitioners shall be permitted to dispose of any or all of the Property located (or formerly located) on such leased premises without any interference of any kind from the landlord (notwithstanding the terms of any leases) and, for greater certainty, the Petitioners shall have the right to realize upon the Property in such manner and at such leased locations, including at such leased premises, as it deems suitable or desirable for the purpose of maximizing the proceeds and recovery therefrom.

15. THIS COURT DECLARES that, pursuant to Section 7(3)(c) of the *Personal Information Protection and Electronics Documents Act*, S.C. 2000, c. 5 and Section 18(1)(o) of the *Personal Information Protection Act*, S.B.C. 2003, c. 63, and any regulations promulgated under authority of either Act, as applicable (the "Relevant Enactment"), the Petitioners is permitted, in the course of these proceedings, to disclose personal information of identifiable individuals in their possession or control to stakeholders, their advisors, prospective investors, financiers, buyers or strategic partners (collectively, "Third Parties"), but only to the extent

desirable or required to negotiate and complete the Restructuring or to prepare and implement the Plan or transactions for that purpose; provided that the Third Parties to whom such personal information is disclosed enter into confidentiality agreements with the Petitioners binding them in the same manner and to the same extent with respect to the collection, use and disclosure of that information as if they were an organization as defined under the Relevant Enactment, and limiting the use of such information to the extent desirable or required to negotiate and complete the Restructuring or to prepare and implement the Plan or transactions for that purpose, and attorning to the jurisdiction of this Court for the purposes of that agreement. Upon the completion of the use of personal information for the limited purposes set out herein, the Third Parties shall return the personal information to the Petitioners or destroy it. If the Third Parties acquire personal information as part of the Restructuring or the preparation and implementation of the Plan or transactions in furtherance thereof, such Third Parties may, subject to this paragraph and any Relevant Enactment, continue to use the personal information in a manner which is in all respects identical to the prior use thereof by the Petitioners.

NO PROCEEDINGS AGAINST THE PETITIONERS OR MONITOR

16. THIS COURT ORDERS that until and including May 15, 2009, or such later date as this Court may order (the "Stay Period"), no action, suit or proceeding in any court or tribunal (each, a "Proceeding") shall be commenced or continued against or in respect of the Petitioners, or affecting the Business or the Property, except with the written consent of the Petitioners or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Petitioners or affecting the Business or the Property are hereby stayed and suspended during the Stay Period pending further Order of this Court.

17. THIS COURT ORDERS that during the Stay Period, no Proceeding shall be commenced against or in respect of the Monitor, in its capacity as Monitor, except with the written consent of the Monitor or with leave of this Court.

18. THIS COURT ORDERS that, without limiting the provisions contained in paragraph 16 hereof, no Securities Commission shall suspend trading in the shares or secured notes of the Petitioners and the TSX Venture Exchange (the "TSXV") shall not issue an order to suspend trading or to delist the shares or secured notes of the Petitioners from trading, shall not refuse to accept for filing any notice given to the TSXV by the Petitioners of the requirements of the TSXV, shall not require shareholder approval of any notice or transaction occurring either with respect to any plan proposed by the Petitioners or where such plan is approved by this Court

and shall not refuse to accept the issuance of any securities without restriction on sale or transfer in the Petitioners, the issuance of which occurs as a result of the approval by this Court of the Plan, as a result of the insolvency of the Petitioners these proceedings or any other matter arising after the date of the Initial Order, including any failure to comply with the requirements of National Instrument 51-102 ("NC 51-102") regarding the filing of annual financial statements, managements' discussion and analysis or the filing of any annual information form.

NO EXERCISE OF RIGHTS OR REMEDIES

19. THIS COURT ORDERS that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other persons or entities having notice of this Order (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Petitioners or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Petitioners or leave of this Court, provided however that the written consent of the Monitor shall also be required if a right or remedy is being asserted against it, and further provided that nothing in this paragraph shall (i) empower the Petitioners to carry on any business which the Petitioners is not lawfully entitled to carry on, (ii) affect the rights and remedies of a regulatory body with respect to any investigation in respect of the Petitioners, Property or the Business or Proceeding taken or to be taken by a regulatory body against the Petitioners or with respect to the Property or Business, except when it is seeking, directly or indirectly, to enforce any of its rights as a secured creditor or an unsecured creditor, (iii) prevent the filing of any registration to preserve or perfect a mortgage, charge or security interest (subject to the provisions of Section 18.5 of the CCAA relating to the priority of statutory Crown securities) or (iv) prevent the registration or filing of a lien or claim for lien or the commencement of a Proceeding to protect lien or other rights that might otherwise be barred or extinguished by the effluxion of time, provided that no further step shall be taken in respect of such lien, claim for lien or Proceeding except for service of the initiating documentation on the Petitioners.

20. THIS COURT ORDERS that the rights and remedies hereby stayed shall include all rights or remedies relating to mortgages, charges, trusts, security interests, securities, instruments, debentures, notes or bonds issued by or on behalf of the Petitioners.

NO INTERFERENCE WITH RIGHTS

21. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal

right, contract, agreement, licence or permit in favour of or held by the Petitioners, except with the written consent of the Petitioners or leave of this Court.

22. Without limiting the generality of the foregoing, Her Majesty the Queen in Right of Alberta as represented by the Alberta Gaming and Liquor Commission ("AGLC") shall not cancel, suspend, impose new conditions or vary existing conditions of, the registration of, agreements or licence in relation to, Evergreen Gaming Corporation, Frank Sisson's Silver Dollar Ltd. and Frank Sisson Silver Dollar Casino under the *Gaming and Liquor Act*, R.S.A. 2000, C. G-1, or the *Alberta Gaming and Liquor Regulation*, Reg 143/96 nor shall the AGLC make any orders to freeze any of the Property of the Petitioners, unless otherwise agreed in writing by the Petitioners and the Monitor or unless leave of this Honourable Court is first obtained.

CONTINUATION OF SERVICES

23. THIS COURT ORDERS that during the Stay Period, all Persons having agreements with the Petitioners or mandates under an enactment for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Business or the Petitioners, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with, breaching or terminating any such agreement for the supply of such goods or services as may be required by the Petitioners, and that the Petitioners shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges (excluding amounts outstanding as at the Filing Date) for all such goods or services received by the Petitioners after the date of this Order are paid by the Petitioners in accordance with normal payment practices of the Petitioners or such other arrangements as may be agreed upon by the supplier or service provider and the Petitioners, or as may be ordered by this Court.

24. THIS COURT ORDERS that during the Stay Period and subject to the other provisions of this Order, no creditor of or other person who has dealt or may deal with the Petitioners shall be under any obligation after the date of this Order to enter into new or renewed arrangements with the Petitioners except that:

- (a) any person who has provided policies of insurance or indemnity at the request of the Petitioners shall be required to continue or to renew such policies of insurance or indemnities following the date of this Order provided that the Petitioners makes payment of the premiums (other than premiums outstanding as at the Filing Date) on the usual commercial terms (as if these proceedings had not been commenced) and otherwise complies with the provisions of such policies; and
- (b) any person who has supplied goods and/or services to the Petitioners essential to the operations of the Petitioners shall be required to continue or to renew any contracts or agreements or otherwise continue the arrangement for the provision of such supply or service, provided that the Petitioners pays the prices or charges under the agreements for such goods or services (excluding amounts outstanding as at the Filing Date) incurred after the Filing Date concurrently with such supply, or alternatively when the same become due in accordance with the payment terms negotiated between the Petitioners and such person subsequent to the Filing Date, and provided that such terms shall be the usual or common commercial terms charged by such person to others for the same or similar supplies and services and, in any event, such terms to be no more onerous than those which applied to the Petitioners before these proceedings had been commenced for such supplies and services.

25. THIS COURT ORDERS that, notwithstanding any provision in this Order, no creditor of the Petitioners shall be under any obligation after the making of this Order to advance or re-advance any monies or otherwise extend any credit to the Petitioners.

26. The Petitioners may, by written advice from their counsel of record herein and with the written consent of the Monitor, agree to waive any of the protections provided to them herein.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

27. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.5(2) of the CCAA, no Proceeding may be commenced or continued against any of

the current or future directors and officers of the Petitioners with respect to any claim against the directors and officers that arose before the date hereof and that relates to any obligations of the Petitioners whereby the directors and officers are alleged under any law to be liable in their capacity as directors and officers for the payment or performance of such obligations.

DIRECTORS AND OFFICERS INDEMNIFICATION AND CHARGE

28. THIS COURT ORDERS that the Petitioners is permitted to indemnify their present and future directors and officers and each of them from all claims, costs, charges and expenses relating to the failure of the Petitioners, after the date hereof, to make payments of such obligations which they sustain or incur by reason of or in relation to their respective capacities as directors and officers of the Petitioners (and irrespective of whether such obligations of the Petitioners arose before or after the Filing Date), provided that such indemnity shall apply only to the extent that the directors and officers have acted honestly and in good faith with a view to the best interests of the Petitioners, have not committed wilful misconduct or gross negligence, have not breached their related fiduciary duties, and have not authorized actions or conduct inconsistent with the terms of this Order or any other order subsequently pronounced in these proceedings.

29. THIS COURT ORDERS that the directors and officers of the Petitioners shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, which charge shall not exceed an aggregate amount of \$150,000, as security for the indemnity provided in paragraph 29 of this Order. The Directors' Charge shall have the priority set out in paragraphs 40 and 42 herein.

30. THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Petitioners' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 28 of this Order. The Petitioners shall not allow such directors and officers insurance, if any, to lapse, or reduce coverage under or fail to renew such insurance, save with the consent of the Monitor.

APPOINTMENT OF MONITOR

31. THIS COURT ORDERS that Deloitte & Touche Inc. is hereby appointed pursuant to the CCAA as the monitor (the "Monitor"), an officer of this Court, to monitor the Property and the Petitioners' conduct of the Business with the powers and obligations set out in the CCAA or set forth herein, and that the Petitioners and their shareholders, officers, directors, and Assistants shall cooperate fully with the Monitor in the exercise of its powers and rights and discharge of its obligations.

32. THIS COURT ORDERS that the Monitor, in addition to its rights and obligations specifically set out in the CCAA, is hereby directed and empowered to:

- (a) monitor the Petitioners' receipts and disbursements;
- (b) report to this Court and the creditors at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, the Restructuring and such other matters as may be relevant to the proceedings herein;
- (c) advise the Petitioners as to the preparation of the Petitioners' cash flow statements and reporting and such financial and other information as required by the Lender;
- (d) advise the Petitioners as to the development of any Plan authorized to be presented to the creditors, and any amendments to the Plan;
- (e) have full and complete access to the Property, books, records and management, employees and advisors of the Petitioners, to the extent required to perform its duties arising under this Order;
- (f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;

- (g) perform such other duties as are required by this Order or by this Court from time to time;
- (h) ensure that the Petitioners makes payment of all required amounts from its bank accounts or otherwise in the manner directed in this Order; and
- (i) provide assistance to the Petitioners with respect to the Restructuring and the downsizing.

33. THIS COURT ORDERS that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, or by inadvertence in relation to the due exercise of powers or performance of duties under this Order, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof, and nothing in this Order shall be construed as resulting in the Monitor being an employer or a successor employer, within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

34. THIS COURT ORDERS that the Monitor shall provide the Lender and any other creditor of the Petitioners with information provided by the Petitioners in response to reasonable requests for information made in writing by the Lender or such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information provided by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Petitioners is confidential, the Monitor shall not provide such information to the Lender or the creditors unless otherwise directed by this Court or on such terms as the Monitor and the Petitioners may agree.

35. THIS COURT ORDERS that, in addition to the rights and protections specifically afforded to the Monitor under the CCAA or which the Monitor possesses as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the rights and protections given to the Monitor by any applicable legislation.

36. THIS COURT ORDERS that the Monitor need not file security with this Court for the due and proper exercise and performance of its powers and duties as Monitor.

37. THIS COURT ORDERS that the Monitor shall be at liberty to post any report relating to the subject matter of this proceeding on the Monitor's web site at www.[] [NTD: need Monitor's website] in lieu of mailing such reports to creditors of the Petitioners or to any other interested parties.

ADMINISTRATION CHARGE

38. THIS COURT ORDERS that the Monitor, counsel to the Monitor, if any, and counsel to the Petitioners shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Petitioners as part of the cost of these proceedings. The Petitioners are hereby authorized and directed to pay the accounts of the Monitor, counsel to the Monitor and counsel to the Petitioners on a periodic basis and, in addition, the Petitioners are hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Petitioners, retainers in the amounts of \$75,000 respectively to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

39. THIS COURT ORDERS that the Monitor, counsel to the Monitor, if any, and counsel to the Petitioners shall be entitled to the benefits of, and are hereby granted, a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$500,000, as security for payment of their respective fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 40 and 42 hereof.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

40. THIS COURT ORDERS that the priorities of the Administration Charge and the Directors' Charge, as between them, shall be as follows:

- First – Administration Charge (to the maximum amount of \$500,000);
- Second – Directors' Charge (to the maximum amount of \$150,000).

41. THIS COURT ORDERS that the filing, recording, registration or perfection of the Administration Charge and the Directors' Charge (collectively, the "Charges") shall not be required, and the Charges shall, notwithstanding any lack of filing, recording, registering or perfection, be valid and enforceable for all purposes, including as against any right, title or interest filed, recorded, registered or perfected before or after the Charges come into existence.

42. THIS COURT ORDERS that each of the Administration Charge and the Directors' Charge (as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, mortgages, charges and encumbrances, statutory or otherwise (collectively, "Encumbrances"), in favour of any Person.

43. THIS COURT ORDERS that except as otherwise expressly provided herein, or as may be approved by this Court, the Petitioners shall not grant any Encumbrances over any Property that rank in priority to, or pari passu with the Charges, unless the Petitioners obtain the prior written consent of the Monitor and the beneficiaries of the Charges (collectively, the "Chargees").

44. THIS COURT ORDERS that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to *Bankruptcy and Insolvency Act* ("BIA"), or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; or (d) any negative covenants, prohibitions or other similar provisions or lack of consent with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan document, lease, mortgage, security agreement, debenture, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the Petitioners; and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of any documents relating thereto shall create or be deemed to constitute a breach by the Petitioners of any Agreement to which it is a party; and

- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges.

SERVICE AND NOTICE

45. THIS COURT ORDERS that the Petitioners be at liberty to serve this Order, the Petition, the Notice of Hearing of Petition, the Affidavit #1 of Norman Osatuik and any other pleadings in this proceeding on any creditor or shareholder of the Petitioners, or any other interested party, other than employees and creditors to which the Petitioners owes less than \$250.00:

- (a) by delivering a copy of same to the last address known to the Petitioners, if any, communicated by such creditor, shareholder or party to the Petitioners; and
- (b) by causing an advertisement to be placed in one edition of each of the The Globe and Mail and the Calgary Herald describing these proceedings; and
- (c) by posting a copy of the pleadings on the Monitor's website.

The Monitor is relieved of its obligation under Section 11(5) of the CCAA to provide similar notice, other than to supervise this process.

46. THIS COURT ORDERS that counsel of record who provide an email address in an Appearance filed in these proceedings shall be deemed to have consented to delivery of documents by any party by email unless objection is made before or at the time of the hearing of the Petition.

47. THIS COURT ORDERS that the Petitioners and the Monitor be at liberty to serve the documents referred to in paragraph 45 of this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or fax transmission to the Petitioners' creditors at their respective addresses as last shown on the records of the Petitioners, and any such service or notice by courier, personal delivery or fax transmission shall be deemed to be received on the

next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

48. THIS COURT ORDERS that notwithstanding paragraphs 45 and 47 of this Order, service of the Petition, the Notice of Hearing, the Affidavit #1 of Norman Osatuik, this Order and any other pleadings in this proceeding, shall be made on the federal and British Columbia Crowns in accordance with the *Crown Liability and Proceedings Act*, R.S.C. 1985, c. C-50, and regulations thereto, in respect of the federal Crown, and the *Crown Proceeding Act*, R.S.B.C. 1996, c. 89, in respect of the British Columbia Crown.

GENERAL

49. THIS COURT ORDERS that the Petitioners or the Monitor may from time to time apply to this Court for advice and directions in the discharge of their respective powers, duties and obligations hereunder.

50. THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Petitioners, the Business or the Property.

51. THIS COURT ORDERS that this Order and any other orders in these proceedings shall have full force and effect in all provinces and territories of Canada and shall be binding on all creditors of the Petitioners, wherever situate. This Court seeks and requests the aid and recognition of other Canadian and foreign Courts and administrative bodies including any Court or administrative tribunal of any Federal or State Court or administrative body in the United States of America, to act in aid of and to be complementary to this Court in carrying out the terms of this Order where required.

52. THIS COURT ORDERS that each of the Petitioners and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order. In particular, the Monitor shall be authorized as a foreign representative of the Petitioners to apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1330, as amended, if required.

53. THIS COURT FURTHER ORDERS that the Petitioners may (subject to the provisions of the CCAA and the BIA) at any time file a voluntary assignment in bankruptcy or a proposal pursuant to the commercial reorganization provisions of the BIA if and when the Petitioners determine that such a filing is appropriate.

54. THIS COURT FURTHER ORDERS that the Petitioners are hereby at liberty to apply for such further interim or interlocutory relief as to them may be advisable within the time for the filing of an Appearance by the creditors of the Petitioners in this proceeding.

55. THIS COURT FURTHER ORDERS that any interested person or creditor of the Petitioners may file an Appearance in this proceeding and the time limited for filing such an Appearance for such person or creditor of the Petitioners outside of British Columbia shall be 14 days from the date of service upon such person or creditor.

56. THIS COURT FURTHER ORDERS that liberty is reserved to any interested person or party to apply to this Court on two (2) clear days' notice to the Petitioners and such persons who have filed Appearances for such further Order of this Court or for variation of this Order or otherwise as may be advised.

57. THIS COURT FURTHER ORDERS that short leave is hereby granted to allow the hearing of an application on two (2) clear days' notice after delivery of the Notice of Motion, affidavits in support and Notice of Hearing, subject to the Court in its discretion further abridging or extending the time for service. Outlines, Responses and Chambers Records shall not be required to be exchanged by counsel or filed in this proceeding.

58. THIS COURT FURTHER ORDERS that endorsement of this Order by counsel appearing on this application is hereby dispensed with.

59. THIS COURT ORDERS that this Order and all of its provisions are effective as of 12:01 a.m. local Vancouver time, the date of this Order.

BY THE COURT

DISTRICT REGISTRAR

APPROVED AS TO FORM:

Counsel for the Petitioners

Schedule "C"

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



1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, BC, Canada, V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

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	<u>269,940</u>	<u>212,722</u>
	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)	<u>650,000</u>	<u>641,000</u>
	<u>\$ 59,165,350</u>	<u>\$ 29,265,302</u>

- 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
<i>Cont'd...</i>		
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)	<u>411,671</u>	<u>450,433</u>
	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)	<u>133,614</u>	<u>531,069</u>
	<u>43,470,925</u>	<u>18,418,291</u>
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	<u>(1,151,341)</u>	<u>(1,511,323)</u>
	<u>15,694,425</u>	<u>10,847,011</u>
	<u>\$ 59,165,350</u>	<u>\$ 29,265,302</u>

Nature of operations (Note 1)

Commitments and contingencies (Note 20)

On behalf of the Board:

"Daniel Sutherland" Director
Daniel Sutherland

"Norman Osatuik" Director
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	<u>(3,456,078)</u>	<u>(2,582,420)</u>
	<u>50,845,716</u>	<u>45,281,817</u>
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	<u>515,492</u>	<u>58,308</u>
	<u>47,555,092</u>	<u>41,560,797</u>
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)	<u>572,056</u>	<u>-</u>
	<u>(2,748,482)</u>	<u>(617,587)</u>
Income before income taxes	542,142	3,103,433
Provision for income taxes (Note 17)	<u>(182,160)</u>	<u>(478,000)</u>
Net income for the year	359,982	2,625,433
Foreign currency translation adjustment	<u>66,604</u>	<u>(96,761)</u>
Comprehensive income for the year	<u>\$ 426,586</u>	<u>\$ 2,528,672</u>
Basic and diluted earnings per common share from continuing operations	<u>\$ 0.00</u>	<u>\$ 0.08</u>

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							Total
	Number of Shares	Amount	Contributed Surplus	Share Subscriptions Received	Accumulated Comprehensive Loss	Accumulated Deficit		
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	<u>2,850,456</u>	<u>3,856,110</u>
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	<u>(20,056,869)</u>	<u>(808,582)</u>
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	<u>15,722,350</u>	<u>(1,752,483)</u>
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	<u>7,726,533</u>	<u>6,790,370</u>
Cash, end of year	<u>\$ 6,543,458</u>	<u>\$ 7,726,533</u>

Supplemental disclosure with respect to cash flows (Note 18)

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

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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.

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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.

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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.

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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.

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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.

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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.

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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	<u>(19,643)</u>
	<hr/> \$ 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	<u>(545,992)</u>
Loss for the period	<hr/> \$ (264,093)

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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	<u>(79,847)</u>
Net cash used in operating activities	<u>(73,937)</u>

Financing activities

Proceeds from notes payable	207,646
Repayment of capital lease	(7,844)
Proceeds from issuance of shares	<u>439,525</u>
Net cash provided by financing activities	<u>639,327</u>

Investing activities

Acquisition of property and equipment	<u>(249,916)</u>
Net cash used in investing activities	<u>(249,916)</u>
Effect of foreign currency translation on cash during the period	<u>113,447</u>
Increase in cash, for the period	428,921
Cash, beginning of period	<u>2,882,289</u>
Cash, end of period	\$ <u>3,311,210</u>

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.

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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.

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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, Sea Tac:		
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...

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

9. NOTES PAYABLE (cont'd...)

	December 31, 2007	December 31, 2006
<i>Continued...</i>		
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...

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

9. NOTES PAYABLE (cont'd...)

	December 31, 2007	December 31, 2006
<i>Continued...</i>		
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...

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

9. NOTES PAYABLE (cont'd...)

	December 31, 2007	December 31, 2006
<i>Continued...</i>		
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...

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

9. NOTES PAYABLE (cont'd...)

	December 31, 2007	December 31, 2006
<i>Continued...</i>		
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

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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.	<u>1,387,820</u>	<u>1,476,142</u>
	1,427,472	1,476,142
Less current portion	<u>(39,652)</u>	<u>(1,476,142)</u>
	<u>\$ 1,387,820</u>	<u>\$ -</u>

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	<u>4,075,456</u>
	<u>\$ 19,438,880</u>

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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	<u>(201,292)</u>	<u>(264,593)</u>
Net book value of equipment under capital leases	<u>\$ 579,725</u>	<u>\$ 537,245</u>

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	<u>135,577</u>
	569,203
Less: interest	<u>(23,918)</u>
Total future principal payments	545,285
Less: current portion	<u>(411,671)</u>
	<u>\$ 133,614</u>

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 share 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.

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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.

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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	<u>(663,500)</u>	0.65	
Outstanding at December 31, 2006	683,333	0.64	
Granted	6,351,000	1.23	
Forfeited	(600,000)	1.25	
Exercised	<u>-</u>	-	
Outstanding at December 31, 2007	6,434,333	CDN\$ 1.22	2.30

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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.

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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	<u>576,764</u>	<u>630,746</u>
	1,967,282	1,892,522
Valuation allowance	<u>(1,317,282)</u>	<u>(1,251,522)</u>
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	<u>(43,000)</u>	<u>(43,000)</u>
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.

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
DECEMBER 31, 2007

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	<u>(13,896,518)</u>	<u>(161,000)</u>
Cash paid	<u>\$ 12,432,442</u>	<u>\$ 1,875,000</u>
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)	-	<u>110,841</u>

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.

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

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2008
(Unaudited, Prepared by Management)

EVERGREEN GAMING CORPORATION
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)
(Unaudited, Prepared by Management)

	September 30, 2008	December 31, 2007
ASSETS		
Current		
Cash	\$ 4,860,174	\$ 6,543,458
Accounts Receivable	390,420	415,275
Income Tax Receivable	207,806	269,292
Assets Held for Sale	500,000	500,000
Prepaid Expenses and other assets	584,351	854,683
Current income tax asset	1,283,543	-
Inventory	284,382	269,940
	<u>8,110,676</u>	<u>8,852,648</u>
Property and equipment	25,624,386	26,699,087
Notes receivable	159,021	245,608
Deposits	287,137	160,092
Goodwill	21,320,746	21,711,531
Other assets, net of amortization	820,211	846,384
Future income tax asset	442,194	650,000
	<u>\$ 56,764,371</u>	<u>\$ 59,165,350</u>

- Continued -

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

EVERGREEN GAMING CORPORATION
CONSOLIDATED BALANCE SHEETS
(Expressed in U.S. Dollars)
(Unaudited, Prepared by Management)

	September 30, 2008	December 31, 2007
<i>Cont'd...</i>		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 4,212,682	\$ 4,833,341
Chips outstanding	95,231	70,672
Jackpots and prize liabilities	801,594	393,707
Notes payable	1,192,745	823,962
Notes payable, related parties	-	39,652
Current portion of capital lease obligation	199,844	411,671
	<u>6,502,096</u>	<u>6,573,005</u>
Deferred tax liability	1,373,937	1,404,090
Notes payable	33,286,772	33,972,396
Notes payable, related parties (Note 5)	1,349,040	1,387,820
Capital leases	-	133,614
	<u>42,511,845</u>	<u>43,470,925</u>
Stockholders equity		
Common stock, no par value, unlimited shares authorized, 102,466,865 common shares (December 31, 2007 - 102,466,865) issued and outstanding	16,224,547	16,224,547
Share subscriptions received	-	-
Contributed surplus	911,766	651,376
Accumulated comprehensive loss	103,398	(30,157)
Accumulated deficit	(2,987,185)	(1,151,341)
	<u>14,252,526</u>	<u>15,694,425</u>
	<u>\$ 56,764,371</u>	<u>\$ 59,165,350</u>

Nature of operations (Note 1)
Subsequent event (Note 9)

On behalf of the Board:

"Dan Sutherland" Director "Norman Osatuik" Director

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)
(Unaudited, Prepared by Management)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
REVENUES				
Gaming Operations	\$ 10,570,243	\$ 9,902,872	\$ 33,952,819	\$ 29,931,144
Pull Tab	233,613	304,162	906,996	936,564
Food & Beverage	2,295,958	2,107,659	7,278,526	6,462,597
Other, Incl ATM Operations	475,410	566,456	1,938,713	1,185,570
Less Promotional Allowances	(872,941)	(825,342)	(2,771,963)	(2,393,165)
Total revenues	12,702,283	12,055,807	41,305,091	36,122,910
EXPENSES				
Operating	8,834,462	7,485,713	27,074,552	22,844,336
Selling, General and Administrative	3,700,539	3,393,191	11,551,621	9,887,579
Depr & Amort	419,908	333,900	1,304,763	1,000,162
Stock Based Compensation	150,041	117,192	260,390	309,660
Total expenses	13,104,950	11,329,996	40,191,326	34,041,737
INCOME FROM OPERATIONS	(402,667)	725,811	1,113,765	2,081,173
OTHER INCOME (EXPENSE):				
Interest Income	3,599	31,488	8,157	41,470
Interest Expense	(1,031,591)	(279,251)	(2,919,186)	(771,813)
Other Income (Expense)	-	-	(241,315)	136,697
Gain (Loss) on Foreign Exchange	(744,709)	-	(783,552)	-
Gain (Loss) on Disposal of Capital Assets	-	(19,809)	(1,103)	(739,411)
Gain (Loss) on Disposal of Subsidiary	-	26,045	-	587,232
Total other income (expense)	(1,772,701)	(241,527)	(3,936,999)	(745,825)
Net income (loss) for the period before income taxes	(2,175,368)	484,284	(2,823,234)	1,335,348
Provision for Income Taxes	650,816	(346,439)	987,390	(706,373)
Net income (loss) for the period	(1,524,552)	137,845	(1,835,844)	628,975
Foreign currency translation adjustment	121,489	(48,059)	133,555	(105,860)
Comprehensive income for the period and year to date	\$ (1,403,063)	\$ 89,786	\$ (1,702,289)	\$ 523,115
Basic and diluted earnings per common share	\$ (0.01)	\$ 0.00	\$ (0.02)	\$ 0.01
Weighted average number of common shares outstanding				
Basic	102,466,865	102,466,865	102,466,865	101,637,053
Diluted	102,466,865	102,474,599	102,466,865	101,661,486

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

EVERGREEN GAMING CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Expressed in U.S. Dollars)
(Unaudited, Prepared by Management)

	Common Stock							Total
	Number Of Shares	Amount	Contributed Surplus	Share Subscriptions Received	Accumulated Comprehensive Loss	Accumulated Deficit		
January 1, 2007	96,615,912	\$ 11,390,399	\$ 58,308	\$ 1,006,388	\$ (96,761)	\$ (1,511,323)	\$ 10,847,011	
Shares issued for cash	5,851,000	4,992,180	-	(1,006,388)	-	-	3,985,792	
Stock-based compensation	-	-	515,492	-	-	-	515,492	
Adjustment for Partial Shares	(47)	-	-	-	-	-	-	
Share Issuance Costs	-	(158,032)	-	-	-	-	(158,032)	
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	
Shares issued for cash	-	-	-	-	-	-	-	
Stock-based compensation	-	-	260,390	-	-	-	260,390	
Cumulative translation adjustment	-	-	-	-	133,555	-	133,555	
Net loss	-	-	-	-	-	(1,835,844)	(1,835,844)	
September 30, 2008	102,466,865	\$ 16,224,547	\$ 911,766	\$ -	\$ 103,398	\$ (2,987,185)	\$ 14,252,526	

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)
(Unaudited, Prepared by Management)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Net income (loss)	(1,524,552)	137,845	(1,835,844)	628,975
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Change in cash value of company owned life insurance	11,887	(19,937)	12,341	(45,490)
Depreciation & Amortization	419,908	333,900	1,304,763	1,000,162
Gain on sale of discontinued operations	-	(26,045)	-	(587,231)
Loss on sale of Fixed Assets	1,452	19,809	1,452	739,411
Loss on Foreign Exchange	745,350	-	783,552	-
Gain on renegotiated note payable	-	-	-	(150,000)
Future income taxes	(710,815)	-	(1,042,136)	-
Stock Based Compensation	150,041	117,192	260,390	309,660
Loss on termination of lease guarantee	-	-	241,315	-
Change in assets, net of effects from acquisitions:				
Accounts receivable	(169,938)	(7,649)	(133,389)	(36,063)
Prepaid expenses and other assets	104,571	34,422	264,793	173,976
Inventory	72,475	24,761	(15,592)	(13,698)
Change in liabilities, net of effects from acquisitions:				
Accounts payable & accrued liabilities	453,742	(155,898)	(431,409)	381,874
Chips outstanding	24,202	-	24,558	(5,932)
Jackpots and prize liabilities	9,558	55,510	412,972	133,207
Net cash provided by (used in) operating activities	(412,119)	513,910	(152,234)	2,528,851
Cash flows from investing activities				
Acquisition of property, plant and equipment	(90,734)	(58,871)	(679,622)	(567,883)
Proceeds from disposal of assets	493	34,011	993	720,735
Decrease (increase) in deposits	(204,771)	(373,787)	(176,221)	(1,284,233)
Issuance of notes receivable	-	-	-	(135,204)
Principal payments on notes receivable	23,904	25,244	73,710	-
Acquisition of casinos, net of cash acquired	-	-	-	(7,690,700)
Adjustment to purchase price of Calgary	-	-	175,115	-
Net cash used in investing activities	(271,108)	(373,403)	(606,025)	(8,957,285)
Cash flows from financing activities:				
Repayment of principal on borrowings	(140,304)	(278,452)	(595,038)	(1,600,462)
Long term borrowings	-	-	-	2,256,700
Repayment of capital lease	(49,778)	(175,545)	(301,014)	(345,833)
Proceeds from subscriptions received	-	-	-	3,827,760
Net cash provided by (used in) financing activities	(190,082)	(453,997)	(896,052)	4,138,165
Effect of foreign exchange rates on cash:	(38,057)	62,410	(28,973)	266,096
Change in cash during the year	(911,366)	(251,080)	(1,683,284)	(2,024,173)
Cash, beginning of period	5,771,540	5,953,440	6,543,458	7,726,533
Cash, end of period	4,860,174	5,702,360	4,860,174	5,702,360
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS:				
Cash paid for interest	\$ 752,785	\$ 279,251	\$ 2,640,379	\$ 771,813
Cash paid for income taxes	-	-	-	22,629
Other non-cash transactions:				
Property and Equipment included in the purchase of Casinos	-	-	-	700,000
Note payable issued in exchange for termination of a lease guarantee	-	-	241,315	-

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

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
(Unaudited, Prepared by Management)
SEPTEMBER 30, 2008

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 majority 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

The unaudited interim financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of management, all adjustments (consisting of normal and recurring accruals) considered necessary for fair presentation have been included. Operating results for the three and nine month periods ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ended December 31, 2008.

The interim financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual financial statements for the year ended December 31, 2007. For further information, refer to the financial statements and footnotes thereto included for the year ended December 31, 2007.

All of the amounts referenced herein are expressed in United States dollars, unless otherwise stated.

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 8.

Handbook Section 3862 - Financial Instrument Disclosures and Handbook Section 3863 - Financial Instrument Presentation

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 3.

EVERGREEN GAMING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
(Unaudited, Prepared by Management)
SEPTEMBER 30, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Handbook Section 3031 – Inventories

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 as of January 1, 2008.

Future accounting changes

The Company will adopt the new standard "Goodwill and Intangible Assets" (Section 3064) for its fiscal year beginning January 1, 2009. This Section replaces Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its consolidated financial statements.

In addition to the above new accounting pronouncements the Canadian Accounting Standards Board ("AcSB") in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition of IFRS cannot be reasonably estimated at this time.

3. 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
Measured at fair value:			
Cash	x		x
Accounts receivable	x		x
Accounts payable and accrued liabilities		x	x
Measured at amortized cost:			
Note receivable	x		
Notes payable		x	x
Notes payable, related parties		x	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (Expressed in U.S. Dollars)
 (Unaudited, Prepared by Management)
 SEPTEMBER 30, 2008

3. 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. Assets subject to credit risk are carried on the balance sheet at values that represent their approximate fair value. Such assets include cash, accounts receivable and notes receivable.

Cash – Credit risk associated with cash is minimized substantially by ensuring that cash is placed in capitalized financial institutions. While the Company is exposed to credit losses due to defaults by those who are custodians of the cash, the Company considers the risk remote.

Accounts receivable and Note receivable – Credit risk associated with these assets is minimized by the nature of the amounts. The majority of these receivable balances are due from revenues from ATM operations in the Calgary casino, income tax credits from the Canadian Revenue Agency and a note receivable from the sale of certain ATMs. The provision for doubtful accounts receivable is estimated based on an assessment of individual accounts and the length of terms balances have been outstanding.

(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 8), continuously monitoring forecast and actual cash flows, and managing the maturity profiles of financial assets and financial liabilities. The Company expects the following repayment schedule, including interest payments where applicable, of its outstanding liabilities:

	Expected payments by period as at September 30, 2008				Total
	Within 1 year	Within 2 to 3 years	Within 4 to 5 years	More than 5 years	
Accounts payable and accrued liabilities	\$ 4,212,684	-	-	-	\$ 4,212,684
Notes payable, related parties	134,904	269,808	269,808	1,360,282	2,034,802
Notes payable	5,042,613	9,829,193	33,025,363	5,255,052	53,152,221
	\$ 9,390,201	\$ 10,099,001	\$ 33,295,171	\$ 6,615,334	\$ 59,399,707

The notes payable, and notes payable, related parties presented above include the repayment of interest and principal on the notes outstanding. The notes payable bear interest at rates ranging from 6.0% – 17.7%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
(Unaudited, Prepared by Management)
SEPTEMBER 30, 2008

3. FINANCIAL INSTRUMENTS (continued)

(c) *Market Risk*

Market risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates and/or foreign currency exchange rates. The following sets out a sensitivity analysis of the effect on the carrying amount of the Company's financial instruments that are subject to foreign currency risk by applying reasonably possible changes in foreign currency rates to the Company's reporting currency, the United States dollar. A weakening of the U.S. dollar would increase the value of the Company's Canadian dollar-denominated assets at the date of measurement and change the average rates at which Canadian operating results are converted to U.S. dollars. A 10% decrease in the value of the U.S. dollar relative to the Canadian dollar at the measurement date would have resulted in an increase in reported net loss of \$139,836 and an additional decrease of \$460,980 in accumulated comprehensive income through an increase in the foreign currency translation adjustment.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. At September 30, 2008, if interest rates had been 50 basis points (0.50% per annum) lower with all other variables held constant, the loss for the nine months ended September 30, 2008 would have been \$104,288 lower, arising mainly as a result of a decreased interest expense on certain notes payable which bears interest at LIBOR plus a spread (7.5% at September 30, 2008). Conversely, if interest rates had been 50 basis points (0.50% per annum) higher with all other variables held constant, net loss for the nine months ended September 30, 2008 would have been \$104,288 higher, arising mainly as a result of increased interest expense on the aforementioned note payable. There would have been no material impact on the Company's other comprehensive income.

(d) *Fair Values*

The fair values of cash, accounts receivable, notes receivable, accounts payable and accrued liabilities, notes payable and notes payable, related parties, approximate their carrying values.

4. BUSINESS COMBINATIONS

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. In 2008, the Company received a payment of \$175,115 from the acquiree in settlement of an adjustment of the purchase price related to liabilities outstanding as of the acquisition date. Based on the facts and circumstances of the settlement, management believes this to be a reflection of conditions present at the time of the acquisition and not the resolution of a contingency. As a result of this adjustment, goodwill was reduced by \$175,115.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (Expressed in U.S. Dollars)
 (Unaudited, Prepared by Management)
 SEPTEMBER 30, 2008

5. RELATED PARTIES

Related-party debt consisted of the following:

	September 30, 2008	December 31, 2007
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 10% per annum payable monthly, and is due on April 30, 2013.	\$ 1,349,040	\$ 1,387,820

Related-party expense was as follows:

Interest expense		
For quarter ended September 30	\$ 33,952	\$ 27,450
For the nine months ended September 30	\$ 101,836	\$ 79,671

6. 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 share 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.

Stock options

Under the 2006 Amended and Restated Stock Option Plan (the 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 nine months ended September 30, 2008, there were no options granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
(Unaudited, Prepared by Management)
SEPTEMBER 30, 2008

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

The compensation cost charged to income for the three and nine month periods ended September 30, 2008 was \$150,041 and \$260,390 (September 30, 2007 - \$117,192 and \$309,660) respectively.

The number of options outstanding and the weighted average option price for the period ended September 30, 2008 are as follows:

	Number of Options		Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Outstanding at December 31, 2007	3,510,000	CDN\$.99	4.40
Granted	575,000		.55	
Forfeited	(1,107,500)		(.93)	
Exercised	-		-	
Outstanding at September 30, 2008	2,977,500	CDN\$.92	3.71
Number of options currently exercisable	1,248,750	CDN\$.96	3.40

Warrants

The number of warrants outstanding and the weighted average exercise price for the period ended September 30, 2008 are as follows:

	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Outstanding at December 31, 2007	6,434,333	CDN\$	1.22	
Granted	-		-	
Forfeited	-		-	
Exercised	-		-	
Outstanding at September 30, 2008	6,434,333	CDN\$	1.22	.65

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (Expressed in U.S. Dollars)
 (Unaudited, Prepared by Management)
 SEPTEMBER 30, 2008

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

At September 30, 2008 the Company had outstanding stock options and warrants, enabling the holders to acquire common shares as follows:

	Number	Exercise Price	Expiry Date
Options	970,000	CDN\$ 1.00	October 26, 2011
	1,507,500	1.00	October 29, 2012
	100,000	0.65	October 2, 2009
	300,000	0.50	April 11, 2013
	100,000	0.55	June 5, 2013
Warrants	83,333	0.60	October 26, 2009
	4,427,000	1.25	January 24, 2009
	1,424,000	1.25	March 28, 2009
	500,000	1.00	October 2, 2012

Employee Share Purchase Plan

Effective January 1, 2008, the Company initiated an Employee Share Purchase Plan (the "ESPP" or "the Plan"). The Plan allows employees to contribute to the Plan through payroll deductions of up to 5% of base pay, and all contributions are matched 25% by the Company. All contributions will be used solely for the purpose of purchasing shares of Company stock currently traded on the TSX Venture Exchange. As all shares are purchased on the open market, the Company has not and will not issue any shares in conjunction with the Plan. All employees of the Company are eligible to participate after 90 days of full time service. The Company pays all fees and commissions related to share purchases, while participants are responsible for any fees or commissions relating to the withdrawal or sale of shares. All share purchases, including those made with matching contributions, are immediately vested.

7. 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 \$9,547,404 is held in the United States and \$16,076,982 is held in Canada.

8. CAPITAL MANAGEMENT

The Company manages its capital structure, and makes adjustments to it based on the funds available to the Company, in order to support the development plans of its properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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, cash flows from operations and proceeds from notes payable to finance its properties' development plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars)
(Unaudited, Prepared by Management)
SEPTEMBER 30, 2008

9. SUBSEQUENT EVENTS

The Company is negotiating with the lender on an amendment to its long term credit facility that would provide significant short term liquidity relief to the Company while calling for revised repayment terms beginning in 2009. While not yet completed, the Company and the lender have agreed in principle on the terms of an amendment and management expects the amendment to be completed before year end.

The amendment, when completed, permits interest due and payable on the loan from October 1, 2008 to January 31, 2009 to accrete as additional principal of the loan under certain conditions that the Company expects to occur. The amendment also increases the interest rate on the loan by 3% per annum until such time as a \$10 million repayment is made. Should such repayment occur on or prior to March 31, 2009, the additional 3% interest will be forgiven by the lender. Should such repayment not be made by March 31, 2009, the additional interest will be added to the principal amount of the debt and additional fees will be incurred by the Company when repayments are made. The Company is investigating all available methods to ensure that it will be able to meet with the terms of the amended debt agreement, including operational revisions, issuing additional debt or equity, and potential asset disposals. In particular, the Company has engaged the services of a real estate broker to assist with the sale of the land on which our Calgary operation currently resides. The Company anticipates that such a sale would be accompanied by a lease-back of the facilities to allow for operations to continue uninterrupted. It is possible that the sale could include the land and building, or the entire operation, depending on the circumstances of a proposed sale. As of the date of this filing, no firm offer has been received or accepted.

In addition, management has determined to close the Silver Dollar Mountlake Terrace effective November 30, 2008 due to unprofitable results at that location. Through September 30, 2008, the Silver Dollar Mountlake Terrace contributed revenues of \$1,750,000, EBITDA of \$(423,000) with a net loss of \$536,000. Other than as discussed above, management has committed to no specific plans related to any of its locations or alternatives.