Gamehost Inc.

Condensed Consolidated Interim Financial Statements

for the nine months ended September 30, 2011

Notice

These Condensed Consolidated Interim Financial Statements have not been reveiwed by the Company's auditor.

Condensed consolidated interim statement of financial position

In Canadian dollars	*Note*	*(unaudited)* September 30, 2011	*(audited)* December 31, 2010	*(audited)* January 1, 2010
Assets				
Current Assets				
Cash and equivalents		16,055,504	14,572,108	9,973,895
Restricted cash		52,411	37,984	67,700
Trade and other receivables		1,310,788	1,391,210	827,504
Inventories	12	522,536	499,347	305,488
Prepaid expenses		683,647	258,788	175,278
Total current assets		18,624,886	16,759,437	11,349,865
Non-current assets				
Property, plant and equipment	5	84,147,619	87,651,021	30,272,210
Intangibles	10	76,890,798	76,890,798	42,579,216
Investment property	11	2,820,000	2,820,000	2,820,000
Deferred tax assets	4	1,382,997	-	-
Total non-current assets		165,241,414	167,361,819	75,671,426
Total assets		183,866,300	184,121,256	87,021,291
Liabilities				
Current liabilities				
Trade and other payables		3,557,865	5,100,437	2,882,466
Deferred income		57,763	13,957	-
Loans and borrowings	15	23,539,053	25,304,521	23,250,076
Distributions payable		-	862,972	862,972
Dividends payable		1,561,132	-	-
Total current liabilities		28,715,813	31,281,887	26,995,514
Non-current liabilities				
Debentures payable	15	46,904,677	48,256,207	-
Deferred tax liabilities	4	9,387,240	5,687,948	1,784,403
Class B limited partnership units		-	-	72,279,371
Total non-current liabilities		56,291,917	53,944,155	74,063,774
Total liabilities		85,007,730	85,226,042	101,059,288
Equity				
Share capital	13	139,099,875	137,426,715	-
Unitholders capital		-	-	36,918,350
Retained earnings		(48,307,350)	(46,590,582)	(50,956,347)
Equity attributable to the company		90,792,525	90,836,133	(14,037,997)
Non-controlling interest		8,066,045	8,059,081	-
Total equity		98,858,570	98,895,214	(14,037,997)
Total liabilities and equity		183,866,300	184,121,256	87,021,291

Accompanying notes are an integral part of the condensed consolidated interim financial statements

Condensed consolidated interim statement of comprehensive income

In Canadian dollars	*Note*	***(unaudited)***		***(unaudited)***	
		nine months ended September 30		**three months ended September 30**	
		2011	**2010**	**2011**	**2010**
Operating revenue					
Operating revenue		53,031,656	44,628,965	17,612,172	17,284,233
Cost of sales					
Other		(27,568,680)	(22,119,009)	(9,206,339)	(8,555,541)
Amortizaton and depreciation		(1,764,484)	(1,595,243)	(587,843)	(637,974)
Total Cost of sales		(29,333,164)	(23,714,252)	(9,794,182)	(9,193,515)
Gross profit (loss)		23,698,492	20,914,713	7,817,990	8,090,718
Other income		172,129	181,398	60,746	61,256
Administrative expenses					
Other		(2,209,055)	(2,641,492)	(635,289)	(739,689)
Amortization and depreciation		(1,980,908)	(746,064)	(653,771)	(711,602)
Total Administrative expenses		(4,189,963)	(3,387,556)	(1,289,060)	(1,451,291)
Gain(loss) on revaluation of assets		-	27,083,015	-	-
Profit (Loss) from operating activities		19,680,658	44,791,570	6,589,676	6,700,683
Finance income		60,650	36,063	21,269	11,208
Finance costs		(4,348,401)	(9,055,032)	(1,520,187)	(3,507,005)
Fair value changes to Class B limited partnership units		-	(14,094,944)	-	(7,374,176)
Net finance costs	7	(4,287,751)	(23,113,913)	(1,498,918)	(10,869,973)
Profit (Loss) before income tax		15,392,907	21,677,657	5,090,758	(4,169,290)
Deferred tax (expense) recovery	4	(2,316,295)	286,819	(1,213,403)	283,406
Total comprehensive income (loss) for the period		13,076,612	21,964,476	3,877,355	(3,885,884)
Total comprehensive income (loss) attributable to:					
Owners of the Company		12,241,649	21,475,132	3,606,568	(4,190,803)
Non-controlling interests		834,963	489,344	270,787	304,919
Total comprehensive income (loss) for the period		13,076,612	21,964,476	3,877,355	(3,885,884)
Earnings per share (2010 per unit)					
Basic earnings per share (CAD)		0.579	1.017	0.170	(0.199)
Diluted earnings per share (CAD)		0.578	0.955	0.178	(0.122)

Accompanying notes are an integral part of the condensed consolidated interim financial statements

Condensed consolidated interim statement of cash flows

In Canadian dollars	***(unaudited)***		***(unaudited)***	
	nine months ended September 30		**three months ended September 30**	
	2011	**2010**	**2011**	**2010**
Cash flows from operating activities				
Total comprehensive income (loss) for the period	13,076,612	21,964,476	3,877,355	(3,885,884)
Adjustments for:				
Amortization of property, plant and equipment	3,745,392	2,341,306	1,241,614	1,349,576
Net finance costs	4,287,751	23,113,913	1,498,918	10,869,973
Gain on revaluation of assets	-	(27,083,015)	-	-
Income tax expense (recovery)	2,316,295	(286,819)	1,213,403	(283,406)
	23,426,050	20,049,861	7,831,290	8,050,259
Change in:				
- trade and other receivables	80,422	40,362	91,202	84,993
- inventories	(23,188)	27,873	(18,169)	10,317
- prepaid expenses	(424,859)	(297,850)	94,889	260,888
- trade and other payables	12,227	2,648	(175,517)	(349,649)
- deferred income	43,806	82,405	26,339	35,460
Cash generated from (used in) operating activities	23,114,458	19,905,299	7,850,034	8,092,268
Cash flows from investing activities				
Interest received	60,650	36,063	21,269	11,208
Acquisition of property, plant and equipment	(241,989)	(135,385)	(85,866)	(70,713)
Acquisition of Deerfoot joint venture	-	(52,684,429)	-	-
Net cash from (used in) investing activities	(181,339)	(52,783,751)	(64,597)	(59,505)
Cash flows from financing activities				
Proceeds (payments) of borrowings	(1,765,468)	(1,886,000)	(589,703)	(926,610)
Interest paid	(4,896,004)	(7,961,960)	(1,955,283)	(3,953,029)
Distributions to non-controlling interest	(828,000)	(480,600)	(265,500)	(345,600)
Distributions to fund unit holders	(862,972)	(7,766,749)	-	(2,588,916)
Dividends paid	(12,397,284)	-	(4,654,924)	-
Share repurchases	(699,995)	-	(486,715)	-
Net cash from (used in) financing activities	(21,449,723)	34,252,637	(7,952,125)	(7,815,155)
Net increase (decrease) in cash and cash equivalents	1,483,396	1,374,185	(166,688)	217,608
Opening cash and cash equivalents	14,572,108	9,973,895	16,222,192	16,418,683
Cash acquired in acquisition of subsidiary	-	5,288,211	-	-
Closing cash and cash equivalents	16,055,504	16,636,291	16,055,504	16,636,291

Accompanying notes are an integral part of the condensed consolidated interim financial statements

Condensed consolidated interim statement of changes in equity

In Canadian dollars — ***(unaudited)***

	Share capital	Retained earnings	Total	Non-controlling interests	Total equity
Balance (Deficit) January 1, 2010	36,918,350	(50,956,347)	(14,037,997)	-	(14,037,997)
Total comprehensive income (loss) for the period	-	21,475,133	21,475,133	489,344	21,964,476
Transactions with owners of the Company					
Change in debenture conversion privilege	-	4,893,001	4,893,001	-	4,893,001
Non-controlling interest addition due to acquisition	-	-	-	8,147,899	8,147,899
Distributions to owners of the Fund	-	(7,766,747)	(7,766,747)	(480,599)	(8,247,346)
Total transactions with owners of the company	-	(2,873,746)	(2,873,746)	7,667,300	4,793,554
Balance (Deficit) September 30, 2010	36,918,350	(32,354,960)	4,563,390	8,156,644	12,720,033
Balance (Deficit) at December 31, 2010	137,426,715	(46,590,582)	90,836,133	8,059,081	98,895,214
Total comprehensive income for the period	-	12,241,649	12,241,649	834,963	13,076,612
Transactions with owners of the Company					
Dividends to owners of the Company	-	(13,958,417)	(13,958,417)	-	(13,958,417)
Distributions to non-controlling interest	-	-	-	(828,000)	(828,000)
Shares repurchased for cancellation	(699,995)	-	(699,995)	-	(699,995)
Conversion of debentures into common shares	2,604,905	-	2,604,905	-	2,604,905
Change in debenture conversion privilege	(231,749)	-	(231,749)	-	(231,749)
Total transactions with owners of the Company	1,673,160	(13,958,417)	(12,285,256)	(828,000)	(13,113,256)
Balance (Deficit) September 30, 2011	139,099,875	(48,307,350)	90,792,525	8,066,044	98,858,569

Accompanying notes are an integral part of the condensed consolidated interim financial statements

1. Reporting entity

Gamehost Inc. (the "Company" or "Gamehost") is incorporated in Canada under the Business Corporations Act (Alberta). The address of the Company's registered office is Suite 2800 – 715, 5th Avenue S.W. Calgary, Alberta T2P 2X6. The condensed consolidated interim financial statements of the Company as at and for the nine months ended September 30, 2011 are comprised of the Company, its wholly owned subsidiaries and its 91% controlling interest in Deerfoot Inn & Casino Inc. ("Deerfoot"). The Company's activities are currently confined to the Province of Alberta, Canada. Operations include the Deerfoot Inn & Casino in Calgary, Boomtown Casino in Ft. McMurray, the Great Northern Casino in Grande Prairie and Service Plus Inns & Suites ("Service Plus"), a limited service hotel, also located in Grande Prairie. As a complement to the hotel, the Company owns a retail complex (the "Strip Mall") that leases space to a pub, a full service restaurant operation and a liquor store. Gaming operations of the Company are controlled by the Alberta Gaming and Liquor Commission including Company owned table games and government owned slot machines, video lottery terminals and lottery ticket outlets. Hotel operations of the Company include full and limited service hotels and banquet and convention services. Food, beverages and entertainment are offered at each of the Company's casino locations.

2. Basis of presentation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) with "IAS 34 Interim Financial Reporting" as issued by the International Accounting Standards Board. Certain disclosures that are required to be included in the annual financial statements prepared in compliance with IFRS that are not included in the Company's most recent annual financial statements prepared in accordance with Canadian generally accepted accounting principles ("CGAAP") have been included in these financial statements for the comparative annual periods. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

IFRS 1 First-time Adoption of International Financial Reporting Standards ("Standard") sets out the requirements that the Company must follow when it adopts IFRS for the first time as the basis for preparing its condensed consolidated interim financial statements. The Company is required to establish its IFRS accounting policies for the year ending December 31, 2011, and apply these retrospectively to determine the IFRS opening statement of financial position at the Company's date of transition of January 1, 2010. To assist companies in the transition process, the Standard permits a number of specified exemptions from the general principle of retrospective restatement. The Company has elected certain specified exemptions from the general principal of retrospective application as follows:

i. The Company has applied the business combinations exemption in IFRS 1. It has not restated business combinations that took place prior to the Company's date of transition to IFRS.

ii. The Company has elected to apply the transitional provisions of IAS 23 prospectively from the Company's date of transition to IFRS. This exemption applies to capitalized borrowing costs included in all qualifying assets measured at cost in the opening IFRS statement of financial position.

The remaining optional exemptions under IFRS 1 are not applicable to the Company. All other mandatory exemptions in IFRS 1 were not applicable because there were no significant differences from management's application of CGAAP in these areas.

Estimates made under IFRS at January 1, 2010 are consistent with estimates made for the same date under CGAAP.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 17.This note includes reconciliations of equity and total comprehensive income for comparative periods at the date of transition reported under GAAP and under IFRS.

2. Basis of presentation (con't)

These condensed consolidated interim financial statements were approved by the Board of Directors on November 10, 2011. The policies applied in these condensed consolidated interim financial statements are based upon IFRS issued and outstanding as of November 10, 2011, the date the Board of Directors approved the financial statements. Any subsequent changes to IFRS, that are given effect in the Company's annual condensed consolidated interim financial statements for the year ended December 31, 2011 could result in restatement of these condensed consolidated interim financial statements, including adjustments recognized upon transition to IFRS. These condensed interim condensed consolidated interim financial statements should be read in conjunction with the Company's 2010 annual financial statements prepared in accordance with CGAAP and in consideration of the IFRS transition disclosures included in note 17 to these condensed consolidated interim financial statements.

(b) Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position, which are recorded at fair value:

- Investment property

(c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information is presented in Canadian dollars.

(d) Use of estimates and judgments

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and disclosures of contingent assets and liabilities at the dates of the condensed consolidated interim financial statements. Actual results may differ materially from these estimates.

Estimates, judgments and assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant estimates used in the preparation of these condensed consolidated interim financial statements include estimates and assumptions used in the determination of the useful lives of property and equipment [note 3(e)] and the fair value of investment property [note 3(g)].

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements is included in the note appearing below related to the impairment of financial and non-financial assets [note 3(i)].

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS statement of financial position as at January 1, 2010 for the purposes of the transition to IFRS, unless otherwise indicated.

The accounting policies have also been applied consistently by Company entities. Certain prior year figures have been reclassified to conform to the current method of presentation.

(a) Basis of consolidation

i) Business combinations

The Company applies the acquisition method to account for business combinations. The Company measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognized amount of any non-controlling interests in the acquired, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative a bargain purchase gain is recognized immediately in profit or loss.

The Company elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognized amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

i.i) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of the subsidiaries are included in the condensed consolidated interim financial statements from the date that control commences until the date that control ceases.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

i.ii) Jointly controlled entities

A joint venture is a contractual arrangement where two or more parties (venturers) undertake an economic activity that is subject to joint control. Joint control exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers. A jointly controlled entity is a joint venture that involves the establishment of a Company, partnership or other entity to engage in economic activity that the Company jointly controls with its fellow venturers.

The Company's 91% interest in Deerfoot represents a controlling interest in the joint venture. Accordingly, Deerfoot is consolidated in the accounts of the Company. The 9% non-controlling interest was recorded at fair value at the date of acquiring control of the joint venture on May 1, 2010.

i.iii) Transactions eliminated on consolidation

Intra-Company balances and transactions, and any unrealized income and expenses arising from intra-Company transactions, are eliminated in preparing the condensed consolidated interim financial statements.

3. Significant accounting policies (con't)

(b) Financial instruments

The Company's financial assets and liabilities are classified into the following categories:

		Measurement	
Financial asset/liability	Classification	Fair Value	Amortized Cost
Cash and cash equivalents	Loans and receivables		✔
Trade and other receivables	Loans and receivables		✔
Trade and other payables	Other financial liabilities		✔
Class B limited partnership units	Fair value through profit or loss ("FVTPL")	✔	
Loans and other borrowings	Other financial liabilities		✔

The Company has not classified any of its financial assets as available-for-sale or held-to-maturity.

i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company classifies its non-derivative financial assets in the loans and receivables category. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables are comprised of cash and cash equivalents and trade and other receivables.

ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. Significant accounting policies (con't)

iii) Other financial liabilities

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise: loans and borrowings and trade and other payables.

iv) Financial liabilities at fair value through profit or loss

A financial liability is classified at fair value through profit or loss (FVTPL) if it is held for trading or if it is designated as FVTPL upon initial recognition. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at FVTPL are measured at fair value and changes therein are recognized in profit or loss.

Financial liabilities designated at fair value through profit or loss are comprised of the class B partnership units.

v) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

vi) Compound financial instruments

Compound financial instruments issued by the Company comprise its convertible debentures that can be converted to common shares at the option of the holder. The number of shares issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest and losses and gains, relating to the financial liability are recognized in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognized on conversion.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, and balances with financial institutions. Cash balances with financial institutions earn interest at a rate of bank prime less 1.65%.

(d) Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of inventories is based on the first-in first-out method and includes expenditures incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3. Significant accounting policies (con't)

(e) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after January 1, 2010.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a reducing balance basis with the exception of land improvements and leaseholds, over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

Land Improvements	- 2% straight line
Buildings	- 4% - 5% reducing balance
Leaseholds	- 5 to 10 years straight line
Furniture, fixtures and equipment	- 20% - 100% reducing balance

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3. Significant accounting policies (con't)

(f) Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. See note 3(a)(i) for the policy on measurement of goodwill at initial recognition. In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amounts recognized under CGAAP.

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses.

Licenses

Licenses are issued by the Alberta Gaming and Liquor Commission and allow for the operation of government owned slot machines, video lottery terminals and lottery ticket kiosks as well as private operator owned table games in private operator facilities. Licenses are renewable every three years and are estimated to have an indefinite life. They are measured at cost less accumulated impairment losses.

(g) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognized in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

The Company's Strip Mall has been classified as investment property.

(h) Leases

Leases in which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognized in the Company's statement of financial position.

3. Significant accounting policies (con't)

(i) Impairment

i) Financial Assets (including loans and receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

The Company's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

3. Significant accounting policies (con't)

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(j) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected income tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(k) Employee benefits

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. The Canada Pension Plan corresponds to a defined contribution plan.

A liability is recognized for the amount expected to be paid under short term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably .

(l) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

3. Significant accounting policies (con't)

(m) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as the principal or agent. The following specific recognition criteria must also be met before revenue is recognized:

Gaming operations

Revenues from gaming operations consist of the Company's share of the gaming wins net of prizes paid pursuant to its operating agreement with Alberta Gaming and Liquor Commission and are recognized in profit or loss in the same period in which the game is played. Related operating costs are recorded in the profit or loss in the period they are incurred.

Hotel operations

Revenues from hotel operations are recognized in profit or loss when services are rendered to customers, when the selling price is fixed or determinable, and when collection is reasonably assured. Related operating costs are recorded in profit or loss in the period they are incurred.

Food and beverage operations

Revenues from food and beverage sales are recognized in profit or loss when services are rendered to customers, when the selling price is fixed and determinable, and when collection is reasonably assured. Related operating costs are recorded in profit or loss in the period they are incurred.

In certain locations, food and beverage sales are commission based. When the Company acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commissions earned by the Company.

(n) Finance income and finance costs

Finance income comprises interest income on funds on deposit. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial liabilities at fair value through profit or loss, and impairment losses recognized on financial assets.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(o) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential ordinary shares, which comprise convertible debentures.

3. Significant accounting policies (con't)

(p) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Operating Officer (COO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the COO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(q) New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended September 30, 2011, and have not been applied in preparing these condensed consolidated interim financial statements. These standards become mandatory for the Company's 2013 condensed consolidated interim financial statements. None of these standards are expected to significantly affect the Company's statements, however the extent of the impact is unknown. IFRS 9 Financial Instruments is expected to impact the classification and measurement of financial assets. IFRS 10 Consolidated Financial Statements, revises the definition of control. IFRS 11 Joint Arrangements removes the choice of proportionate conslidation for jointly controlled entities. IFRS 12 Disclosure of Interests in Other Entities provides disclosure guidance on IFRS 10 and IFRS 11. IFRS 13 Fair Value Measurement explains how to measure and disclose fair value.

4. Income taxes

Income tax expense is based on management's best estimate of the annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The Company's consolidated effective tax rate in respect of continuing operations for the nine months ended September 30, 2011 was 25 percent (nine months ended September 30, 2010 - nil). The change in effective tax rate was caused by the following factors:

Prior to December 31, 2010, the corporation was an income trust subject to a different tax structure. The Company's policy was to fully distribute taxable income to unit holders resulting in zero taxes paid.

An amalgamation of a Company subsidiary will occur during the year allowing the Company to access non-capital income tax losses. The losses will be carried forward to a future period. A deferred tax asset has been recognized for these losses.

A deferred tax liability has been recorded for the current years income tax provision. The deferral arrises from timing difference on the depreciation of property, plant and equipment as well as a deferral provision for the current year's income tax due to flow through arrangements from a limited partnership.

Income taxes expense (recovery) is comprised of:

nine months ended	September 30, 2011	September 30, 2010
Current tax expense (recovery):	-	-
Deferred tax expense (recovery)		
Origination and reversal of temporary differences	84,900	(286,819)
Income tax expense on current year income	3,614,392	-
Arising from non-capital losses	(1,382,997)	-
	2,316,295	(286,819)
Income tax expense on current year income		
Income tax using the Company's domestic tax rate	26.5%	25.0%
Expected income tax expense	3,831,256	-
Changes in expected income tax resulting from:		
Tax deferrals	(224,195)	-
Non-deductible expenses	7,331	-
	3,614,392	-
The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:		
Deferred tax assets:		
Arising from non-capital losses	1,382,997	-
Deferred tax liability		
Property, plant and equipment	(5,772,848)	5,687,948
Income taxes on current year income	(3,614,392)	-
	(9,387,240)	5,687,948
Net deferred income tax asset (liability)	(8,004,243)	5,687,948

5. Property, Plant and Equipment

	Land	Land Improvement	Buildings	Leaseholds	Furniture Fixtures and Equipment	Total
Cost						
Balance at January 1, 2010	4,396,206	1,827,406	25,891,078	2,491,968	6,722,804	41,329,462
Deerfoot Acquisition- FV bump	2,868,514	16,256	31,917,762	-	7,146,693	41,949,225
Deerfoot - 60% of Deerfoots assets	3,594,310	1,463,047	17,364,701	-	4,843,269	27,265,328
Additions	-	-	51,986	-	257,429	309,415
Disposals	-	-	(2,330,032)	-	(61,458)	(2,391,489)
Balance at December 31, 2010	10,859,030	3,306,709	72,895,496	2,491,968	18,908,738	108,461,941
Additions	-	-	31,561	-	208,943	240,504
Balance at September 30, 2011	10,859,030	3,306,709	72,927,057	2,491,968	19,117,681	108,702,445
Accumulated Depreciation and impairments						
Balance at January 1, 2010	-	189,169	5,438,578	999,974	4,429,530	11,057,251
						-
Deerfoot Acquisition-FV bump		163	638,355		767,352	1,405,870
Deerfoot - 60% of Deerfoot assets	-	128,219	2,844,901	-	3,458,436	6,431,556
Depreciation	-	58,394	1,288,869	238,674	722,760	2,308,697
Disposals	-	-	(356,662)	-	-	(356,662)
Depreciation of Investment property	-	(2,338)	(31,097)		(2,356)	(35,791)
Balance at December 31, 2010	-	373,606	9,822,945	1,238,648	9,375,721	20,810,920
Depreciation	-	51,354	1,978,344	163,388	1,577,580	3,770,666
Disposals	-	-	-	-	(1,182)	(1,182)
Depreciation of Investment property	-	(1,754)	(22,156)		(1,668)	(25,579)
Balance at September 30, 2011	-	423,207	11,779,133	1,402,036	10,950,451	24,554,826
Carrying amount						
At January 1, 2010	4,396,206	1,638,237	20,452,500	1,491,994	2,293,274	30,272,211
At December 31, 2010	10,859,030	2,933,103	63,072,551	1,253,320	9,533,017	87,651,021
At September 30, 2011	10,859,030	2,883,502	61,147,924	1,089,932	8,167,231	84,147,619

Certain equipment and machines housed on premises of Gamehost are provided by and owned by Alberta Gaming and Liquor Commission and have not been included in these financial statements.

6. Operating segments

The Company's reportable segments are strategic business units that offer different services. They are managed separately because of the unique operational and marketing requirements. Each segment compliments the other segment.

The Company has three reportable segments: gaming operations, hotel operations and food and beverage operations. The gaming operations include three casinos offering slot, VLT, lotto and table games. The hotel operations include two hotels catering to the casino players and mid range clients. The food and beverage operations are located within the casinos and hotels as a further compliment to those operations.

nine months ended September 30, 2011	Gaming	Hotel	Food & Beverage	Other (1)	Total
Revenues	30,725,876	9,530,811	12,758,337	16,632	53,031,656
Finance costs (net)	2,137,165	1,932,821	278,329	(60,565)	4,287,751
Amortization and depreciation	848,192	653,625	267,054	1,976,521	3,745,392
Other expenses	14,322,670	4,673,652	9,272,695	1,336,589	29,605,606
Profit before income tax	13,417,849	2,270,713	2,940,259	(3,235,913)	15,392,907
Segment assets	119,933,992	46,187,451	13,110,644	4,634,212	183,866,300
Segment liabilities	41,005,033	18,962,789	13,130,030	11,909,878	85,007,730
Capital expenditures	103,765	69,958	29,075	39,190	241,989

nine months ended September 30, 2010	Gaming	Hotel	Food & Beverage	Other (1)	Total
Revenues	28,103,186	6,691,235	9,813,811	20,733	44,628,965
Finance costs (net)	1,398,620	1,343,323	169,123	20,202,847	23,113,913
Amortization and depreciation	595,219	408,592	101,940	1,235,556	2,341,307
Other expenses	11,779,103	2,974,532	6,437,911	3,387,557	24,579,103
Profit before income tax	14,330,244	1,964,788	3,104,837	(24,805,227)	(5,405,358)
Segment assets	123,316,568	47,729,514	13,629,201	2,973,201	187,648,484
Segment liabilities	45,403,032	20,996,645	14,538,292	93,990,481	174,928,450
Capital expenditures	14,740,719	18,913,387	8,396,344	(60,423)	41,990,028

(1) Other administrative expenses consist of expenses which are not allocated to segments because they are related to all segments.

7. Finance income and finance costs recognized in profit or loss

Net finance costs include the interest income earned on bank accounts, interest expenses relating to debt instruments and debenture amortization, as well as fair value adjustments and distributions reclassified in the prior period.

	September 30, 2011	September 30, 2010
Interest income on bank deposits	60,650	36,063
Finance income	60,650	36,063
Debenture interest	2,555,389	-
Debenture amortization	1,021,719	-
Interest on demand loans	771,293	2,897,128
Fair value changes to Class B limited partnership units	-	14,094,944
Distributions to Class B limited partnership units	-	6,157,904
Finance costs	4,348,401	23,149,976
Net finance recognized in profit or loss	4,287,751	23,113,913

8. Related party transactions

Related party transactions are measured at the exchange amount which is the amount agreed to by related parties. Related party balances are unsecured and non-interest bearing with no specific terms of repayment with one exception noted below.

Gamehost had related party transactions with the persons of David Will and Darcy Will and/or companies owned or controlled by David Will and/or Darcy Will collectively (the "Wills"). Both David Will and Darcy Will are Directors of Gamehost and significant shareholders. Together, the Wills control 44.1% of the outstanding Shares of Gamehost.

- Gamehost recorded $1,028,765 ($847,499 - 2010) in key management personnel compensation for the Period which are included in administrative expenses. Compensation is in the form of short term employee benefits, director fees and management agreements. Management fees stipulated in management services agreements are based on a percentage of revenues and/or earnings before interest, taxes depreciation and amortization. At the end of the Period $79,318 ($115,040 - 2010) remained in accounts payable.

- Gamehost recorded $113,752 ($65,712 – 2010) of charter aircraft rental expenses for the Period which is included in administrative expenses. At the end of the Period, $10,092 ($12,129 – 2010) remained in accounts payable accounts. Travel to Gamehost's operational centers of Grande Prairie and Ft. McMurray is made more efficient via charter air services than can be accomplished through commercial carriers.

- Gamehost recorded $nil ($86,861 – 2010) in interest charges during the Period which are included in finance costs. At the end of the Period $nil ($nil – 2010) remained in accounts payable. Interest charges arose from $nil ($4,001,000 – 2010) in outstanding amounts on promissory notes during the Period. The promissory note was repaid in full July 2010. The loan was unsecured with a fixed interest rate of 3.25%.

Gamehost recorded $83,500 ($100,250 – 2010) in directors fees during the Period paid to other Directors of Gamehost. At the end of the Period $nil ($28,750 - 2010) remained in accounts payable.

Gamehost recorded $9,331 ($25,373 – 2010) in professional and administrative fees during the Period paid to companies controlled by other Directors of Gamehost. At the end of the Period $nil ($518 - 2010) remained in accounts payable.

Gamehost recorded $159,300 ($159,300 – 2010) in management services expenses paid to companies controlled by other Officers of Gamehost. At the end of the Period $18,585 ($17,700 - 2010) remained in accounts payable.

9. Revenue

	September 30, 2011	September 30, 2011
Sale of goods	12,758,337	9,813,811
Rendering of services	40,256,687	34,794,421
Other	16,632	20,733
	53,031,656	44,628,965

The sale of goods relates to food and beverage revenues while the rendering of services relates to the casino, hotel and ATM revenues. Other revenue includes miscellaneous revenues not included in the above categories.

10. Intangibles

	Goodwill	Licenses	Total
Cost			
Balance at January 1, 2010	42,579,216	-	42,579,216
Addition- Deerfoot Acqusition	15,311,582	19,000,000	34,311,582
Balance at September 30, 2011	57,890,798	19,000,000	76,890,798
Accumulated Depreciation and impairments			
Balance at January 1, 2010	-	-	-
Balance at September 30, 2011	-	-	-
Carrying amount			
At January 1, 2010	42,579,216	-	42,579,216
At December 31, 2010	57,890,798	19,000,000	76,890,798
At September 30, 2011	57,890,798	19,000,000	76,890,798

For the purpose of impairment testing, intangibles are allocated to the Company's cash generating units which represent the lowest level within the Company at which the intangibles are monitored for internal management purposes, which is not higher than the Company's operating segments.

The aggregate carrying amounts of intangibles allocated to each unit are as follows:

	September 30, 2011	December 31, 2010	January 1, 2010
Great Northern Casino	29,379,659	29,379,659	29,379,659
Boomtown Casino	13,199,557	13,199,557	13,199,557
Service Plus Inns and Suites- Grande Prairie	-	-	-
Deerfoot Casino	26,655,791	26,655,791	-
Deerfoot Hotel	7,655,791	7,655,791	-
	76,890,798	76,890,798	42,579,216

The impairment test for each cash generating unit is based on fair value less costs to sell. An independent appraisal of the properties was used in the determination of fair value. The costs to sell are based on an estimated percentage of the fair value.

11. Investment property

	TOTAL
Balance at January 1, 2010	2,820,000
Balance at December 31, 2010	2,820,000
Fair value adjustment	-
Balance at September 30, 2011	2,820,000

The Company's classifies the Strip Mall as an investment property. This property is located in Grande Prairie and lease income is earned from two tenants.

12. Inventory

	September 30, 2011	December 31, 2010	January 1, 2010
Consumables	137,963	114,592	80,826
Merchandise	20,744	16,113	17,633
Product supplies	363,829	368,643	207,029
	522,535	499,348	305,488

Consumables consist of supplies that are used in daily operations including uniforms and cards. Merchandise inventory are promotional items. Product supplies include cigarettes, food and liquor used in the supply of food and beverages. In 2011, consumables, merchandise and product supplies recognized as a cost of sales amounted to $3,401,104 ($2,615,847 - 2010).

13. Capital and other components of equity

Common Shares	September 30, 2011	December 31, 2010	January 1, 2010
Opening number of shares January 1	21,107,553	-	-
Trust unit to share conversion	-	21,107,553	-
Debenture conversions	244,592	-	-
Shares purchased for cancellation	(63,460)	-	-
Ending number of common shares	21,288,685	21,107,553	-

Normal course issuer bid

The Company repurchased 63,460 common shares for $699,994 under a normal course issuer bid for cancellation. The bid commenced March 10, 2011 and will expire March 9, 2012 or such earlier time as the bid is completed or terminated at the option of the Company.

Convertible debentures

Gamehost issued $55 million in 6.25% Convertible Unsecured Subordinated Debentures (“Debentures”) which trade on the Toronto Stock Exchange (“TSX”) under the symbol GH.DB which were obligations of the Fund. The Debentures have a maturity date of July 31, 2015 (the “Maturity Date”). Each Debenture is convertible into Shares at the option of the holder of a Debenture (a “Debentureholder”) any time prior to the close of business on the Maturity Date of the Debentures. Gamehost may also call for redemption of the Debentures on the business day immediately preceding the date specified by Gamehost for redemption of the Debentures, at a conversion price of $10.65 per Gamehost Inc. common share, being a conversion rate of approximately 93.8967 Gamehost Inc. Shares per $1,000 principal amount of Debentures, subject to adjustment in certain events. Conversion of the debentures will result in the issue of an additional 5,164,319 Shares. Gamehost’s option to call for redemption is restricted to on or after August 1, 2013 provided proper notice is given and the common share price is at least 125% of the $10.65 per common share strike price. On or after August 1, 2014 there are no restrictions on Gamehost’s option to call for redemption provided proper notice is given.

The Corporation has convertible instruments that would be dilutive if conversion privileges were exercised. During the period $2,605,000 in face value debentures were converted to common shares. Otherwise, the Corporation did not have any options, warrants, or rights that would be potentially dilutive during the period.

Corporate conversion

Class B limited partnership units and Fund units were exchanged for Shares on December 31, 2010.

Common shares

The Corporation is authorized to issue an unlimited number of common shares without nominal or par value to which shares shall be attached the right to vote at any meeting of shareholders of the Corporation; receive any dividend declared by the Corporation; and receive the remaining property of the Corporation upon dissolution.

13. Capital and other components of equity (cont.)

Dividends

The following dividends were declared by the Company:

For the nine months ended September 30, 2011	September 30, 2011	December 31, 2010
January	1,547,184	-
February	1,549,861	-
March	1,548,439	-
April	1,548,439	-
May	1,548,439	-
June	1,548,439	-
July	1,549,677	-
August	1,556,808	-
September	1,561,132	-
	13,958,416	-

Dividend is based on 0.0733 cents per qualifying share. Dividends are considered "eligible" dividends for tax purposes of the holder.

14. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at September 30, 2011 was based on the profit attributable to common shareholders of $12,241,649 ($21,475,132 - 2010), and a weighed average number of common shares outstanding of 21,140,421 (21,107,553 - 2010), calculated as follows:

	Nine months ended September 30		Three months ended September 30	
Profit attributable to common shareholders	2011	2010 *	2011	2010 *
Profit (loss) for the period	13,076,612	21,964,476	3,877,355	(3,885,884)
Less attributable to non-controlling interests	(834,963)	(489,344)	(270,787)	(304,919)
Profit (loss) attributable to common shareholders	12,241,649	21,475,132	3,606,568	(4,190,803)

	Nine months ended September 30		Three months ended September 30	
Weighted average number of common shares	2011	2010 *	2011	2010 *
Opening balance January 1	21,107,553	21,107,553	21,124,674	21,107,553
Effect of debenture conversions	49,724	-	53,380	-
Effect of shares purchased for cancellation	(16,855)	-	(9,371)	-
Ending balance	21,140,421	21,107,553	21,168,683	21,107,553
Basic earnings per share	0.579	1.017	0.170	(0.199)

Diluted earnings per share

The calculation of diluted earnings per share at September 30, 2011 was based on profit attributable to common shareholders adjusted for the effects of all potential dilutive common shares of $15,179,910 ($23,173,662 - 2010), and a weighed average number of diluted common shares outstanding of 26,255,017 (24,266,679 - 2010), calculated as follows:

	Nine months ended September 30		Three months ended September 30	
Profit attributable to common shareholders	2011	2010 *	2011	2010 *
Profit attributable to common shares (basic)	12,241,649	21,475,132	3,606,568	(4,190,803)
Interest expense on debentures	2,555,389	1,571,167	851,756	633,380
Amortization of debenture issue costs	1,021,719	520,156	420,351	520,156
Tax effect of above adjustments	(638,847)	(392,792)	(212,939)	(158,345)
Profit attributable to common shareholders (diluted)	15,179,910	23,173,662	4,665,736	(3,195,612)

	Nine months ended September 30		Three months ended September 30	
Weighted average number of common shares	2011	2010 *	2011 ^	2010 *
Weighted average number of common shares (basic)	21,140,421	21,107,553	21,168,683	21,107,553
Dilutive effect of convertible debentures	5,114,595	3,159,126	5,074,418	5,164,319
Weighted average number of common shares (diluted)	26,255,017	24,266,679	26,243,101	26,271,872
Diluted earnings per share	0.578	0.955	0.178	(0.122)

* In 2010, earnings are attributed to unit holders and units.

^ Antidilutive result is caused by cummulative adjustment to the amortization of the debenture conversion priviledge recorded in the Quarter.

15. Loans and debentures

Limited Partnership

The Limited Partnership has a $19.2 million demand loan secured by its land and buildings with the Canadian Western Bank (“CWB”). Gamehost is paying interest at a stipulated floor rate of 4.0%; otherwise the rate on this loan is 1.0% above the CWB Prime Lending Rate. Gamehost is making blended monthly principal and interest payments on a $13.2 segment of the loan amortized over 10 years. A $6.0 million segment of this loan is available on a revolving basis with interest only payments.

The Limited Partnership issued $55.0 million in Debentures on April 16, 2010. The Debentures have a coupon rate of 6.25% per annum with semi-annual interest payments in arrears due on July 31 and January 31 of each year. The Debentures have a conversion privilege to Shares any time prior to maturity date of July 31, 2015 at a price of $10.65 per Share approximating 93.8967 shares per $1,000 principal amount of Debentures.

Deerfoot

The Deerfoot has a $22.0 million demand loan secured by its land and buildings. The Deerfoot is paying interest at a stipulated floor rate of 4.0%; otherwise the rate on this loan is 1.0% above the CWB Prime Lending Rate. The Deerfoot is making blended monthly principal and interest payments on the loan amortized over 15 years.

Credit Facilities	Maturity	September 30, 2011	December 31, 2010	January 1, 2010
Authorized Maximum Loan amounts				
Demand loan		13,238,327	13,238,327	13,238,327
Revolving credit lines		6,000,000	6,000,000	6,000,000
Deerfoot Joint Venture - demand loan		22,000,000	22,000,000	22,000,000
Deerfoot Joint Venture - revolving credit line				2,000,000
Demand promissary note				4,100,000
Debentures face value		55,000,000	55,000,000	-
Continuing Operations		96,238,327	96,238,327	47,338,327
Outstanding balance				
Current liabilities				
Demand loan	2020	11,605,219	12,598,093	17,501,793
Deerfoot Joint Venture - demand loan	2025	11,933,835	12,706,428	5,748,283
		23,539,053	25,304,521	23,250,076
Non-current liabilities				
[1] Debentures payable	2015	46,904,677	48,256,207	-
		70,443,730	73,560,728	23,250,076
Interest rate				
[2] Demand Loan		4.00% (P +1.00%)	4.00% (P +1.00%)	4.00% (P +1.00%)
[2] Revolving Credit Lines		4.00% (P +1.00%)	4.00% (P +1.00%)	4.00% (P +1.00%)
[2] Deerfoot Joint Venture - demand loan		4.00% (P +1.00%)	4.00% (P +1.00%)	4.00% (P +1.00%)
Deerfoot Joint Venture - demand loan, revolving		n/a	4.00% (P +1.00%)	4.00% (P +1.00%)
Debentures face value		6.25%	6.25%	6.25%
Demand promissary note		n/a	n/a	3.25%

[1] The face value of Debentures has been reduced by an equity component representing the value attributed to the Debentures conversion privilege to Shares. The equity component was determined by discounting the cash flows of future interest payments on the Debentures and the final payout of the Debentures at maturity using a cost of capital of 8%. The face

[2] Prime rate (P) at the end of the Period was 3.00%. All Prime based financing has a floor rate of 4.00%.

Gamehost provided an $11.46 million unsecured limited liability guarantee to the lender of the Deerfoot to indemnify it in the event the Deerfoot does not perform its contractual obligations. The maximum potential liability under this guarantee is $11.46 million. Gamehost has not recorded a liability with respect to this guarantee, as Gamehost does not expect to make any payments in excess of what is recorded on the Financial Statements for the aforementioned items. Gamehost has not charged a fee to the Deerfoot in regards to this guarantee. No specific assets have been provided as security.

The Limited Partnership may cause to be issued unlimited numbers of units or other securities provided they do not rank ahead of the Shares of the Corporation as to dividends, voting rights and other rights protected by the Limited Partnership Agreement.

16. Subsequent events

Regular monthly dividends

The Corporation declared a regular monthly dividend of $0.0733 per common share for October 2011 payable on the 15th day of the subsequent month.

Debenture conversions

Debentures totalling a principal amount of $1,000,000 were received for conversion on October 27, 2011, resulting in the issue of 93,896 common shares.

17. Explanation of transition to IFRS

As stated in note 2(a), these condensed consolidated interim financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the interim financial statements for the nine months ended September 30, 2011, the comparative information presented in these interim financial statements for both the nine months ended September 30, 2010 and year ended December 31, 2010 and in the opening IFRS statement of financial position for January 1, 2010 which is the Company's date of transition.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with CGAAP. An explanation of how the transition from previous CGAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

17. Explanation of transition to IFRSs (continued)

	Note	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS	Previous GAAP	Effect of transition to IFRS	IFRS
			January 1, 2010			September 30, 2010			December 31, 2010	
Assets										
Current assets:										
Cash and cash equivalents		9,973,895	-	9,973,895	16,636,291	-	16,636,291	14,572,108	-	14,572,108
Restricted cash		67,700	-	67,700	22,420	-	22,420	37,984	-	37,984
Trade and other receivables		827,504	-	827,504	1,339,572	-	1,339,572	1,391,210	-	1,391,210
Inventories		305,488	-	305,488	472,743	-	472,743	499,347	-	499,347
Prepaid expenses		175,278	-	175,278	594,050	-	594,050	258,788	-	258,788
Total current assets		11,349,865	-	11,349,865	19,065,076	-	19,065,076	16,759,437	-	16,759,437
Property, plant and equipment	A	31,007,914	(735,704)	30,272,210	89,581,470	(708,860)	88,872,610	88,350,933	(699,912)	87,651,021
Intangibles		42,579,216	-	42,579,216	76,890,798	-	76,890,798	76,890,798	-	76,890,798
Investment property	A	-	2,820,000	2,820,000	-	2,820,000	2,820,000	-	2,820,000	2,820,000
Total non-current assets		73,587,130	2,084,296	75,671,426	166,472,268	2,111,140	168,583,408	165,241,731	2,120,088	167,361,819
							-			
Total assets		84,936,995	2,084,296	87,021,291	185,537,344	2,111,140	187,648,484	182,001,168	2,120,088	184,121,256
Liabilities										
Current liabilities										
Trade and other payables		2,198,254	684,212	2,882,466	4,029,187	684,212	4,713,399	4,430,182	684,212	5,114,394
Loans and borrowings		23,250,076	-	23,250,076	29,386,500	-	29,386,500	25,304,521	-	25,304,521
Distributions payable		1,547,184	(684,212)	862,972	1,547,184	(684,212)	862,972	1,547,184	(684,212)	862,972
Total current liabilities		26,995,514	-	26,995,514	34,962,871	-	34,962,871	31,281,887	-	31,281,887
Non-current liabilities										
Debentures payable		-	-	-	47,975,099	-	47,975,099	48,256,207	-	48,256,207
Deferred tax liabilities	C	1,523,866	260,537	1,784,403	5,352,273	263,893	5,616,166	5,422,937	265,011	5,687,948
Class B Limited partnership units	B	-	72,279,371	72,279,371	-	86,374,315	86,374,315	-	-	-
Total non-current liabilities		1,523,866	72,539,908	74,063,774	53,327,372	86,638,208	139,965,580	53,679,144	265,011	53,944,155
Total liabilities		28,519,380	72,539,908	101,059,288	88,290,243	86,638,208	174,928,451	84,961,031	265,011	85,226,042
Equity										
Share capital		-	-	-	-	-		72,926,011	64,500,704	137,426,715
Unitholders capital	B	68,033,017	(31,114,667)	36,918,350	68,033,017	(31,114,667)	36,918,350	-	-	-
Retained Earnings	D	(11,615,402)	(39,340,945)	(50,956,347)	21,057,441	(53,412,401)	(32,354,960)	16,055,045	(62,645,627)	(46,590,582)
Equity attributable to the company		56,417,615	(70,455,612)	(14,037,997)	89,090,458	(84,527,068)	4,563,390	88,981,056	1,855,077	90,836,133
Non-controlling interest		-	-	-	8,156,643	-	8,156,643	8,059,081	-	8,059,081
Total equity		56,417,615	(70,455,612)	(14,037,997)	97,247,101	(84,527,068)	12,720,033	97,040,137	1,855,077	98,895,214
Total liabilities and equity		84,936,995	2,084,296	87,021,291	185,537,344	2,111,140	187,648,484	182,001,168	2,120,088	184,121,256

17. Explanation of transition to IFRSs (continued)

Reconciliation of comprehensive income for the nine months ended September 30, 2010

	Note	Previous GAAP	Effect of transition to IFRSs	IFRSs	Previous GAAP	Effect of transition to IFRSs	IFRSs
Continuing operations			September 30, 2010			December 31, 2010	
Operating revenue		44,862,689	(233,724)	44,628,965	62,758,586	(308,977)	62,449,609
Cost of sales		(23,793,420)	79,169	(23,714,251)	(33,857,800)	104,386	(33,753,414)
Gross profit		21,069,269	(154,555)	20,914,714	28,900,786	(204,591)	28,696,195
Other income	A	-	181,398	181,398	-	240,383	240,383
Administrative expenses		(3,387,557)	-	(3,387,557)	(4,882,248)	-	(4,882,248)
Gain(loss) on revaluation of assets		27,083,014	-	27,083,014	27,083,015	-	27,083,015
Profit from operating activities		44,764,726	26,843	44,791,569	51,101,553	35,792	51,137,345
Finance income		36,063	-	36,063	56,540	-	56,540
Finance costs		(2,897,128)	(6,157,903)	(9,055,031)	(4,371,179)	(8,210,538)	(12,581,717)
Net change in fair value of Class B LP units	B	-	(14,094,944)	(14,094,944)	-	(23,336,000)	(23,336,000)
Net finance costs		(2,861,065)	(20,252,847)	(23,113,912)	(4,314,639)	(31,546,538)	(35,861,177)
Profit before income tax		41,903,661	(20,226,004)	21,677,657	46,786,914	(31,510,746)	15,276,168
Deferred tax (expense) recovery	C	290,175	(3,356)	286,819	219,511	(4,474)	215,037
Total comprehensive income (loss) for the period		42,193,836	(20,229,359)	21,964,476	47,006,425	(31,515,220)	15,491,205
Total comprehensive income attributable to:							
Owners of the Company		41,704,493	(20,229,359)	21,475,133	46,236,643	(31,515,220)	14,721,423
Non-controlling interests		489,344	-	489,344	769,782	-	769,782
Total comprehensive income for the period		42,193,837	(20,229,359)	21,964,476	47,006,425	(31,515,220)	15,491,205

Appendix to Note 12

A. Investment Property

Consistent with the Company's accounting policy, investment property has been recognised at fair value at the date of transition, under its previous GAAP, the investment property was included in property, plant and equipment at cost.

The impact arising from the change is summarized as follows:

	January 1, 2010	September 30, 2010	YTD change September 30, 2010	December 31, 2010	YTD change December 31, 2010
Condensed consolidated statement of comprehensive income					
Other income		181,398		240,383	
Adjustment before income tax		181,398		240,383	
Consolidated statement of financial position					
Investment property	2,820,000	2,820,000		2,820,000	
Reduction in net book value of property, plant and equipment	(735,704)	(708,860)	(26,844)	(699,912)	(35,792)
Related tax effect	(260,537)	(263,893)	3,356	(265,011)	4,474
Adjustment to retained earnings	1,823,759	1,847,248	(23,489)	1,855,077	(31,318)

17. Explanation of transition to IFRSs (continued)

B. Class B limited partnership units

Consistent with the financial instruments classification as FVTPL, Class B limited partnership units are recorded at fair value determined by the trading price of the common stock. On December 31, 2010, the Class B limited partnership units were converted to common shares. In compliance with IFRS, Class B limited partnership units are now considered to be long term liabilities and not equity, and distributions to these units are now considered to be interest expense. Distributions payable related to the Class B limited partnership units has been reclassified to trade and other payables.

The impact arising from the change is summarized as follows:

	January 1, 2010	September 30, 2010	December 31, 2010
Consolidated statement of comprehensive income			
Increase (decrease) in fair value of Class B limited partnership units		14,094,944	23,336,000
Interest payments		6,157,903	8,210,538
Adjustment before income tax	-	20,252,847	31,546,538
Consolidated statement of financial position			
Class B limited partnership units	72,279,371	86,374,315	-
Less: Increase (decrease) in fair value of Class B limited partnership units	-	14,094,944	23,336,000
Adjustment to retained earnings	72,279,371	72,279,371	(23,336,000)

C. Deferred income tax

The following changes decreased (increased) the deferred tax liabilities as follows based on a tax rate of 25 percent:

		January 1, 2010	September 30, 2011	December 31, 2010
Investment property	A	(260,537)	(263,893)	(265,011)
Less: Decrease (increase) in deferred tax liability		-	(3,356)	(4,474)
Adjustment to retained earnings		(260,537)	(260,537)	(260,537)

D. Retained earnings

The following changes decreased (increased) retained earnings as follows:

		January 1, 2010	September 30, 2011	December 31, 2010
Investment property	A	(1,823,759)	(1,823,759)	(1,823,759)
Class B partnership units reclassification	B	72,279,371	72,279,371	(23,336,000)
Class B partnership units interest expense	B	-	(6,157,903)	(8,210,538)
Income statement impact closed to retained earnings	B	-	20,229,359	31,515,220
Adjustment to retained earnings		70,455,612	84,527,068	(1,855,077)

E. Functional presentation

Certain items have in the condensed consolidated statement of comprehensive income such as interest, administration and amortization have been reclassified to conform with function presentation.