



Management Discussion and Analysis
for the three and nine months ended September 30, 2012

To Our Shareholders

Management and Directors of Gamehost Inc. ("Gamehost", the "Company", the "Corporation", "Our") are pleased to present results for the nine months ended September 30, 2012 (the "Period") and three months ended September 30, 2012 (the "Quarter").

Happy Dance

Total operating revenues for the Quarter grew by 6.6% to \$18.8 million from \$17.6 in the same quarter of 2011. Earnings before interest, taxes, depreciation and amortization ("EBITDA") that is attributable to owners of the Company ("EBITDA to Owners") grew by \$0.8 million or 10.6% to \$8.3 million for the Quarter compared to \$7.5 million for the same quarter in 2011. EBITDA to Owners margin percentage rose by 170 basis points to 46.5% from 44.8% in the Quarter compared to one year earlier. Encompassing the summer vacation season, Q3 is typically a softer quarter for Gamehost compared to the prior Q2 with revenues lower on average by 5%. For Q3 2012 this pattern resulted in a smaller decline of only 2%. Like the good folk enjoying a night of merriment in one of our clubs, we're doing our own version of dancing in the boardroom over these results.

Hello, Our Name Is Gamehost And We're A Hoarder

Yes it's true. We are hoarding cash for the purposes of paying taxes, reducing debt and repurchasing Company stock. While cash balances are \$0.5 million less than at the start of the year, we have used surplus cash to repurchase \$2.0 million in Company stock or 164,400 shares, reduce our operating line to \$nil from \$4.0 million and reduce our term debt by a further \$1.7 million. Cash flows continue to exceed our earlier projections and a \$3.0 million increase to our operating line has been secured for added cushion. We are on track to comfortably meet our estimated tax payment obligations next year which include a balloon payment of \$8.5 million for current year and deferred income taxes.

Risk And Reward

Holders of the Company's debentures continued to show appetite for higher returns offered by Gamehost stock dividends despite the added security offered by the debentures. During the Quarter, \$4.8 million face value of debentures were presented for conversion to 0.5 million common shares leaving \$33.5 million of the original \$55.0 million debenture issue outstanding at the end of the Period. Since the beginning of the year \$16.7 million in face value debentures have been converted to 1.6 million common shares of Gamehost.

Remembering Mr. Rogers

"Who are the people in your neighbourhood?". Our Calgary neighbours are the residents and employees who live and work around and in closest proximity to our southeast Deerfoot Inn & Casino. Southeast Calgary continues to boast the fastest most diversified growth in the city. The spin-offs of this growth pattern have resulted in above average year over year revenue growth at Deerfoot of 8.7% and a growing share of the total Calgary casino market. Continuing on this note, we were excited to learn of Imperial Oil's plans to relocate its Calgary headquarters to a campus-style office complex in the southeast suburban office park known as Quarry Park. While suburban office parks are not a new thing, this marks the first time an industry oil giant has ventured away from Calgary's downtown core. Imperial Oil's new offices will be located a skip and a jump from our Deerfoot Inn & Casino and will eventually house some 3,000 employees. This announcement is bound to accelerate the residential growth in nearby communities. Relocation for Imperial Oil employees will begin in mid 2014 and we look forward to welcoming our new neighbours and their out-of-town meeting guests to our hotel for years to come. Our northern casino properties in Fort McMurray and Grande Prairie get to cast a wider net over their neighbors. Operating with monopolistic or near monopolistic conditions everyone in these two municipalities is our neighbor when it comes to counting customers.

It was a great Quarter. Thank you for your unshaken faith in management and your investment in Gamehost Inc.

November 6, 2012

On behalf of all management and Directors, sincerely,

A handwritten signature in black ink, appearing to read "D. Will". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

David J. Will
President and Chief Executive Officer
Gamehost Inc.

A handwritten signature in black ink, appearing to read "D. Will". The signature is fluid and cursive, with a large initial "D" and a long, sweeping underline.

Darcy J. Will
Vice President and Secretary
Gamehost Inc.

Management's discussion and analysis

for the three and nine months ended September 30, 2012

This Management's Discussion and Analysis ("MD&A") of the business, operating results, liquidity and capital resources and other financial information of Gamehost Inc. ("Gamehost", the "Company", the "Corporation", "Our") is prepared as at October 31, 2012. This MD&A should be read in conjunction with the condensed consolidated interim financial statements of Gamehost Inc. and accompanying notes for the nine months ended September 30, 2012 (the "Period") and with the audited annual consolidated financial statements of Gamehost Inc. and accompanying notes for the year ended December 31, 2011.

This MD&A focuses on year over year comparative results for the three months ended September 30, 2012 (the "Quarter"). Readers are directed to prior MD&A for specific discussion of results of previous quarters. Previously issued financial statements and management discussion and other disclosures of the Company can be found on the Company website at www.gamehost.ca or SEDAR at www.sedar.com.

Caution to the reader

Use of Non-International Financial Reporting Standards ("IFRS") financial measures

This MD&A makes reference to financial measures that do not have any standardized meaning prescribed by IFRS. Specifically, the MD&A may reference earnings before interest, taxes, depreciation and amortization ("EBITDA") and EBITDA attributable to owners of the Company ("EBITDA to Owners") which are non-IFRS financial measures.

Other Industry specific terms and measures relating to the operations of the Company are used throughout this MD&A and defined when they first appear and capitalized throughout this MD&A.

Comparative results

Certain allocations to reportable segments were modified during the Quarter. Prior year figures have been reclassified to conform to the new presentation format.

Forward-looking statements

This MD&A may contain forward-looking information. All statements, other than statements of historical fact are forward-looking statements. Forward-looking statements contain wording such as "anticipates", "believes", "could", "expects", "indicates", "plans" or other similar expressions that suggest future outcomes or events. Forward looking information contains risks and uncertainties of varying significance. The Company attempts to minimize the use of forward-looking information. Any use of forward-looking information reflects reasonable assumptions made on the basis of management's current beliefs with information known by management at the time of writing. Factors that may affect results include, but are not limited to, governmental legislation and regulation at the national, provincial or municipal level, general or local business and economic conditions, financial market volatility, the good standing of business, gaming and liquor licenses, competition, consumer preferences and disposable incomes, demographic shifts and weather patterns. Any number of these factors, or others, could cause actual results to differ from forward-looking information. Additional discussion about the inherent risks in forward-looking information and any Company assumptions of risk can be found in the Business risks, opportunities and outlook section at the end of this MD&A.

These factors and other risks and uncertainties are discussed in the Company's continuous disclosure documents filed with the Canadian securities regulatory authorities from time to time, including in the "Risk Factors" section of the Company's most recent Annual Information Form. Continuous disclosure documents are on record through SEDAR at www.sedar.com.

Forward-looking information contained in this MD&A or documents incorporated by reference are relevant only at the date of the MD&A or document date. Readers should not place undue reliance on forward-looking information as there can be no assurances that the plans, intentions or expectations upon which they are based will occur. The Company undertakes no obligation to publically revise forward-looking information to reflect subsequent events or circumstances.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that reasonably, accurately and fairly represent transactions of the Company; (2) provide reasonable assurance that transactions are recorded as required to permit the preparation of Financial Statements in accordance with IFRS and that receipts and expenditures are made with appropriate authorization of the Company's management and directors and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Financial Statements.

There has been no change in the Company's internal control over financial reporting that occurred during the Quarter that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Organizational structure

Gamehost Inc. (the "Company" or "Gamehost" or "Corporation") is incorporated in Canada under the Business Corporations Act (Alberta). The condensed consolidated interim financial statements of the Company are comprised of the Company and its subsidiaries.

Shares

The Corporation had 22,469,478 Shares issued and outstanding at September 30, 2012 and 22,505,815 Shares issued and outstanding at October 31, 2012 which trade on the Toronto Stock Exchange ("TSX") under the symbol GH. The Corporation is authorized to issue any number of and any class of shares.

Debentures

The Corporation had \$33,471,000 face value debentures outstanding at September 30, 2012 and \$33,084,000 face value debentures outstanding at October 31, 2012 which trade on the TSX under the symbol GH.DB.

Address

The head office of the Corporation is located at #104 548, Laura Avenue, Red Deer County, Alberta, T4E 1B9. The registered office of the Corporation is located at 2800, 715 – 5th Avenue S.W., Calgary, Alberta T2P 2X6.

Overview of Gamehost

Gamehost's activities are currently confined to the province of Alberta, Canada. Operations include the Boomtown Casino ("Boomtown") in Ft. McMurray, the Great Northern Casino ("Great Northern") and Service Plus Inns & Suites ("Service Plus"), a limited service hotel, in Grande Prairie. As a complement to the Grande Prairie hotel, Gamehost owns a retail complex ("Strip Mall") that leases space to a pub, a full service restaurant operation and a liquor store. Gamehost has a 91% ownership interest in Deerfoot Inn & Casino Inc., ("Deerfoot"), in Calgary.

Gaming operations of Gamehost are controlled by the Alberta Gaming and Liquor Commission (the "AGLC"). Operations include Company owned table games and government owned slot machines, video lottery terminals and lottery ticket outlets. Hotel operations of Gamehost include full and limited service hotels and banquet and convention services. Food, beverages and entertainment are offered at each of the Gamehost's casino locations.

Gamehost believes in a combined entertainment and hospitality model. Our model targets the entertainment seeker and social occasional gamer. Clean, inviting venues that deliver live entertainment, lounging and dining, rest and relaxation together with gaming are situated in community based locales.

It is the Company's intent to continue a policy of consistent and regular monthly 'eligible' dividends to shareholders of \$0.0733 per common share. If and when economic conditions and the financial performance of the Company dictate that an increase to the dividend rate is prudent and would not jeopardize future sustainability of the regular dividend rate, an increase or special dividend may be considered by the Company's board of directors.

Overall financial results and condition of Gamehost

Financial results for the Quarter include a \$1.2 million or 6.6% increase in operating revenue compared to Q3 2011, a \$0.8 million or 10.6% increase in EBITDA to Owners compared to Q3 2011 and a 1.1 percentage point increase in EBITDA to Owners margin percentage to 46.5% compared to in 45.4% in Q3 2011.

At the end of the Period, Gamehost had \$179.7 million in total assets down \$4.6 million from the start of the year. Cash balances of \$17.2 million were down \$0.6 million from the start of 2012. Net drawings and repayments on the Company operating lines plus scheduled principal reductions during the Period resulted in a net repayment of \$5.8 million reducing the total credit facilities balance to \$21.2 million from the start of the year.

Quarterly performance summary

Quarterly performance	2012			2011				2010
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Operating Revenue	18.8	19.1	18.9	18.9	17.6	18.6	16.8	17.8
Cost of sales	(9.9)	(10.1)	(10.0)	(10.5)	(9.8)	(10.0)	(9.6)	(10.0)
Gross Profit	8.9	9.0	8.9	8.4	7.8	8.6	7.2	7.8
Other income	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Administrative expenses	(1.3)	(1.3)	(1.3)	(1.4)	(1.3)	(1.4)	(1.5)	(1.5)
Profit from operating activities	7.7	7.8	7.7	7.1	6.6	7.3	5.8	6.4
Finance costs	(1.4)	0.2	(2.0)	(1.2)	(1.5)	(1.4)	(1.4)	(1.5)
Net change in fair value of Class B limited partnership units	-	-	-	-	-	-	-	(9.2)
Distributions to Class B limited partnership units	-	-	-	-	-	-	-	(2.0)
Net finance costs	(1.4)	0.2	(2.0)	(1.2)	(1.5)	(1.4)	(1.4)	(12.7)
Profit (loss) before income tax	6.3	8.0	5.7	5.9	5.1	5.9	4.4	(6.3)
Income tax (expense) recovery	(2.1)	(0.9)	(1.5)	(3.0)	(1.2)	(1.4)	0.3	(0.9)
Profit (loss)	4.2	7.1	4.2	2.9	3.9	4.5	4.7	(7.2)
Less Non-controlling interests	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.3)
Profit (loss) attributable to owners of the Company	3.9	6.8	3.9	2.6	3.6	4.2	4.5	(7.5)
(in millions of dollars unless stated otherwise)								
Earnings per share								
Basic	0.174	0.313	0.183	0.123	0.170	0.198	0.211	(0.357)
EBITDA to Owners	8.3	8.6	8.3	8.1	7.5	8.2	6.8	7.4
EBITDA to Owners %	46.5%	46.9%	44.3%	36.9%	44.8%	46.2%	40.2%	42.6%

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 complements 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, 2012	Gaming	Hotel	Food & Beverage	Corporate, other ⁽¹⁾	Total
Operating revenue and other income	32.8	10.3	13.6	0.2	56.9
Finance costs, net of finance income	1.7	0.8	0.7	(0.1)	3.1
Depreciation	1.2	1.5	0.6	-	3.3
Other expenses	13.8	4.5	9.0	3.2	30.5
Profit before income tax	16.1	3.5	3.3	(2.9)	20.0
Segment assets	80.5	68.3	26.9	4.0	179.7
Segment liabilities	25.3	17.6	10.6	17.9	71.4
Capital expenditures	0.2	0.1	-	-	0.3
nine months ended September 30, 2011	Gaming	Hotel	Food & Beverage	Corporate, other (1)	Total
Operating revenue and other income	30.7	9.4	12.9	0.2	53.2
Finance costs, net of finance income	2.4	1.1	0.9	(0.1)	4.3
Depreciation	1.3	1.7	0.7	-	3.7
Other expenses	13.7	4.3	8.7	3.1	29.8
Profit before income tax	13.3	2.3	2.6	(2.8)	15.4
Segment assets	81.7	70.0	27.5	4.7	183.9
Segment liabilities	36.2	22.6	14.5	11.7	85.0
Capital expenditures	0.1	0.1	-	-	0.2

¹ Corporate and other consists of revenues and expenses which are not allocated to segments and do not meet the definition of an operating segment on their own.

(in millions of dollars unless stated otherwise)

Allocations to reportable segments was modified during the Period. Prior year figures have been adjusted to conform to the new method of presentation.

Operating revenue

Operating revenue consists of revenues generated by the Company's operating assets, Boomtown Casino, Great Northern Casino, Service Plus Inns and Suites in Grande Prairie and the Deerfoot Inn & Casino. Major revenue streams include rooming revenue, table gaming, slot machines, food and beverage sales and ancillary revenues.

Operating revenue	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Operating revenue	56.8	53.0	7.0%	18.8	17.6	6.6%

(in millions of dollars unless stated otherwise)

Growth in rooming revenues was a major contributor to year over year revenue improvements for the Quarter.

In year over year comparisons for the Quarter, Boomtown revenues increased 3.2%, Great Northern revenues fell 2.0% and Deerfoot saw a 10.0% increase. Service Plus posted a substantial quarterly increase of 16.0% versus the prior year.

Room revenue

Room revenue includes both guest and meeting room sales at hotels. Occupancy includes sold and complimentary rooms while Average Daily Rate ("ADR") is calculated as total room revenue divided by sold rooms only.

Rooming	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Rooming	9.9	9.1	8.9%	3.5	3.1	14.5%
Occupancy	74.1%	68.7%	5.4%	78.4%	69.5%	8.9%
ADR	\$153.83	\$152.39	\$1.44	\$155.83	\$153.68	\$2.16

(in millions of dollars unless stated otherwise)

At Service Plus, in year over year comparisons for the Quarter, revenues rose 16.0% from improved occupancy and ADR. Occupancy rose 9.9 percentage points to 77.2% from 67.4% while the ADR over the same comparative period climbed by \$0.81.

At Deerfoot, in year over year comparisons for the Quarter, revenues rose 13.8% from improved occupancy and ADR. Occupancy increased 8.4 percentage points to 79.9% from 71.5% while the ADR over the same comparative period climbed by \$3.51.

Table game revenue

Table play and table revenue sharing is regulated in Alberta by the AGLC. In general terms, 'Drop' is the total amount of money cashed to chips at most table games. 'Hold' is the amount kept by the table from the Drop. Hold % is the measure of the Hold to the Drop and can fluctuate significantly, but should average +/- 17%. Drop, Hold and Hold % are not always reliable indicators of table activity as demonstrated by the following examples:

Example 1 – A player buys \$20,000 in chips at a table. The player plays one hand, loses \$2,000, and cashes out. The Drop is high at \$20,000, the Hold is good at \$2,000 considering the amount and duration of play. The Hold Percentage is low at 10%. The table was not busy.

Example 2 – A player buys \$5,000 in chips at a table. The player plays all evening before losing \$1,000 and cashing out. The Drop is low at \$5,000, the Hold is low at \$1,000 considering the amount and duration of play. The Hold Percentage is high at 20%. The table was busy.

The preceding examples demonstrate how variables can provide fluctuating results for Drop, Hold and Hold Percentage. These statistics should be taken with a grain of salt, at the end of the day, the only measure that really counts is Hold.

The Hold is shared in varying percentages between charities and the casino operator dependent on the size and location of the casino. The operator's percentage of the Hold is the 'Net' or Net Table Revenue. The game of Poker has a 'Pot' rather than a Drop. The Pot is the total amount anted and bet by players at a poker table. 'Rake' is the total amount of the Pot that is retained by the table and is usually a flat fee for each hand played. Rake is shared in varying percentages between the charity and casino operator dependent on agreements with the AGLC. The operator's percentage of the Rake is the 'Net'. Financial statements of Gamehost report only the Net of the Hold or Rake.

Net revenue	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
General, progressive and high limit	6.8	6.2	9.7%	2.4	2.2	9.1%
Poker	1.6	1.5	6.7%	0.5	0.5	0.0%
Total	8.4	7.7	9.1%	2.9	2.7	7.4%

(in millions of dollars unless stated otherwise)

# of tables	End of Period		
	2012	2011	+(-)
All Others	49	49	0
Poker	16	16	0
Progressive Table Games	2	2	0
Total	67	67	0

Drop and Hold	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Drop	69.0	64.0	7.8%	23.5	21.6	8.8%
Hold %	18.0%	17.5%	0.5%	18.5%	19.3%	(0.8%)

(in millions of dollars unless stated otherwise)

At Boomtown, the current Quarter saw a 12.0% increase in Drop but a 6.0 percentage point decrease in Hold % resulting in a 15.8% decrease in Net revenue. Poker results which are much less significant in terms of overall table revenues were 11.6% higher in year over year comparisons for the Quarter.

At Great Northern, the current Quarter saw a 2.5% increase in Drop but a 2.7 percentage point decrease in Hold % resulting in a 11.0% decrease in Net revenue. Management is focused on turning around the low Hold %. Poker, though much less significant in terms of overall table revenues, were also 12.0% lower in year over year comparisons for the Quarter.

At Deerfoot, the current Quarter saw a 9.8% increase in Drop and a 1.3 percentage point increase in Hold % resulting in a 18.2% increase in Net revenue. Poker results which are much less significant in terms of overall table revenues were also up substantially by 15.4 % year over year for the Quarter.

Slot revenue

In Alberta, slot machine odds are regulated by the AGLC. The revenue sharing arrangement for amounts won by the machines is also set by the AGLC. Under the current arrangement, casino operators, charities and the provincial government share the machine win on a 15/15/70 split respectively. Machine Win/Day represents the average total revenue earned by slot machines in a day and is affected by the number of hours each machine operates and how much money is played on a machine ('Cash Play') during hours of operation. Revenue to the operator, or 'Net', is determined by all of the above factors and arrangements.

Slot statistics	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Cash Play	1,782.9	1,682.4	6.0%	581.9	576.6	0.9%
Machines ¹	1,606	1,605	1.0	1,606	1,605	1.0

(in millions of dollars unless stated otherwise)

¹ At the end of the Period / Quarter

Slot revenue	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Net	20.2	19.2	5.2%	6.7	6.5	3.1%

(in millions of dollars unless stated otherwise)

Slot activity continued a steady growth trend through the Quarter with the hold % on machines also higher.

Boomtown, for the Quarter versus the comparable quarter one year earlier, saw a 3.0% increase in Cash Play resulting in a 3.3% increase in Net revenue. There were no changes to the number of slot machines at Boomtown during the Quarter.

Great Northern, for the Quarter versus the comparable quarter one year earlier, saw a 1.8% decrease in Cash Play resulting in a 1.1% decrease in Net revenue. There were no changes to the number of slot machines at Great Northern during the Quarter. Excellent summer weather had local residents enjoying more time in their backyards rather than in the casino.

Deerfoot, for the Quarter versus the comparable quarter one year earlier, saw a 0.6% increase in Cash Play resulting in a 4.4% increase in Net revenue. There were no changes to the number of slot machines at Deerfoot during the Quarter.

Food & beverage ("F&B") revenue

Food service operating arrangements differ by property from 100% owner operations to combinations of owner and 3rd party operating agreements. Only beverage service is consistently delivered directly by Gamehost. Where food operations are run by a 3rd party, Gamehost records only the commission on those sales.

F&B Revenue	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Food & mix	5.4	5.1	5.9%	1.6	1.5	6.7%
Liquor	7.9	7.5	5.3%	2.5	2.4	4.2%
Total	13.3	12.6	5.6%	4.1	3.9	5.1%

(in millions of dollars unless stated otherwise)

Overall F&B sales posted healthy gains for the Quarter in year over year comparison.

Boomtown combined F&B revenues increased 7.5% during the Quarter from one year earlier. Liquor sales were up 7.9%. Gross commissioned and other food sales were 12.9% higher for the Quarter in year over year comparison.

Great Northern combined F&B revenues decreased 3.1% during the Quarter from one year earlier. Liquor sales were down 4.1%. Food sales were 5.0% higher for the Quarter in year over year comparison producing a net 19.2% increase in revenue after commissions are netted from gross sales. Stellar weather in the northern part of the province had local residents making better use of their own backyards for food and drink.

Deerfoot reported a F&B revenue increase of 6.8% during the Quarter from one year earlier. Liquor sales were up by 4.5% while food sales increased 8.4% over the same comparable period. Food sales are owned and operated by the Company at the Deerfoot and contribute substantially to revenue.

Ancillary revenue

Ancillary revenue includes the more significant items of automated teller (ATM) fees, Video Lottery Terminals (VLT's), lottery ticket sales, entertainment ticket sales, cigarette sales, equipment rentals, movie rentals and other room charges to hotel guests as well as and rental revenue.

Ancillary revenue	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Total	4.9	4.4	11.4%	1.5	1.4	7.1%

(in millions of dollars unless stated otherwise)

Ancillary revenues are highly correlated to gaming revenues most significantly from ATM fees.

Cost of sales

The Company's consolidated statement of comprehensive income uses the 'Function' rather than the 'Nature' method of reporting operating expenses. Costs are reported based on their function within the Company. For example, wage costs that are a function of generating revenue are considered a cost of sales rather than by nature a human resource expense. The Company includes in cost of sales all cost of product sold, direct marketing and promotion expenses, direct human resources costs and administrative personnel where they are integral to managing sales and all other direct operating costs at the facility level. Depreciation of the facility assets are also included in cost of sales.

Cost of sales	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Total	30.0	29.3	2.4%	9.9	9.8	1.0%
% of operating revenue	52.9%	55.3%	(2.4%)	52.7%	55.6%	(2.9%)

(in millions of dollars unless stated otherwise)

Management has been successful in maintaining tight cost control at all properties during the Quarter. Improved revenues and economies of scale are reducing overall cost of sales as a percentage of operating revenue.

Cost of sales - cost of product

Cost of product includes the costs of food, beverage and other incidental items purchased for resale. Cost of product will for the most part, follow the performance of F&B revenue. Other incidental items of cost of product are made up of mostly room service charges in the hotel for such items as long distance telephone, movie rentals, laundry etc. Cost of product as a percentage of corresponding revenues will fluctuate moderately for food & mix and liquor categories depending on the sales mix of individual products. More significant variations in the cost of product percentage can be experienced for sales of other incidental items due to the dissimilar nature of the products included.

Cost of product	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Food & Mix	1.8	1.8	0.0%	0.6	0.6	0.0%
Liquor	1.7	1.5	13.3%	0.5	0.5	0.0%
Other	0.1	0.2	(50.0%)	0.1	0.0	n/a
Total	3.6	3.5	2.9%	1.2	1.1	9.1%
% of operating revenue	6.3%	6.6%	(0.3%)	6.4%	6.2%	0.2%

(in millions of dollars unless stated otherwise)

Cost of product %	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Food & Mix	33.3%	35.3%	(2.0%)	37.5%	40.0%	(2.5%)
Liquor	21.5%	20.0%	1.5%	20.0%	20.8%	(0.8%)
Other	44.9%	43.5%	1.4%	54.3%	51.2%	3.1%

Both Boomtown and Great Northern have commission based third party arrangements for food services and therefore food sales at these locations do not factor significantly into costs of product results.

Cost of sales - operating labour

Operating labour includes wages, salaries, bonuses, benefit costs, payroll taxes and other miscellaneous human resource costs directly attributable to the smooth and safe operation of each facility. No corporate overhead costs are included.

Operating labour	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Operating labour	14.3	13.9	2.9%	4.7	4.6	2.2%
% of operating revenue	25.2%	26.2%	(1.0%)	25.0%	26.1%	(1.1%)

(in millions of dollars unless stated otherwise)

Operating labour costs as a percentage of operating revenue improved in the Quarter compared to Q3 2011. Improving revenue and economies of scale explain the improvement.

Cost of sales - marketing and promotions

Marketing and promotions include all donations, sponsorships and complimentary services offered at properties in addition to direct sales and advertising expenses. Staff promotions, including discounted meal vouchers, are also included under this heading.

Marketing	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Total	2.2	2.3	(4.3%)	0.8	0.8	0.0%
% of operating revenue	3.9%	4.3%	(0.4%)	4.3%	4.5%	(0.2%)

(in millions of dollars unless stated otherwise)

Continued efforts in reducing costs and more targeted marketing programs helped improve the ratio of marketing costs to overall revenues for the Quarter in year over year comparison.

Cost of sales - other operating costs

Some of the more significant expenditures in this classification include entertainment, premises leases, repairs & maintenance, utilities, property taxes, depreciation and operating supplies.

Other operating costs	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Total	9.8	9.6	2.1%	3.3	3.3	0.0%
% of operating revenue	17.3%	18.1%	(0.8%)	17.6%	18.7%	(1.1%)

(in millions of dollars unless stated otherwise)

Management continues to hold the line on all discretionary spending that is not directly related to maintaining or increasing revenues. Accordingly, improvements to these costs when expressed as a percentage of operating revenues are being achieved when fixed cost components are factored in.

Other income

Other income consists of the net income from an investment property being the Strip Mall in Grande Prairie located next to the Service Plus.

Other income	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Total	0.2	0.2	0.0%	0.1	0.1	0.0%

(in millions of dollars unless stated otherwise)

The Strip Mall is fully leased. A lease with a term expiring in December 2013 has been renewed. The second lease term expires in January 2015 and also has renewal options.

Administrative expenses

Administrative expenditures include all costs not directly attributable to the operation of the company's operating assets. Management fees, costs associated with being a public issuer, professional fees, corporate office costs, corporate travel expenses and depreciation of corporate assets are included in this category.

Administrative expenses	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Total	3.9	4.2	(7.1%)	1.3	1.3	0.0%

(in millions of dollars unless stated otherwise)

Net finance costs

Interest expense is recorded on the Company's demand debt, accrued interest on convertible debentures and amortization of the conversion privilege and issue costs of debentures.

Net finance costs	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Total	3.1	4.3	(27.9%)	1.3	1.5	(13.3%)

(in millions of dollars unless stated otherwise)

\$4.8 million in debentures were converted to common shares during the Quarter compared to \$2.2 in Q3 2011. Debenture conversions continue to drive down net finance costs. Outstanding debentures at the end of the Quarter totaled \$33.5 million compared to \$52.4 million one year earlier.

Income tax (recovery)

Income tax includes provision for current income taxes, timing differences between depreciation recorded by the Company on property, plant and equipment versus amounts allowed for tax purposes and timing differences on amortization of cumulative eligible capital and that allowed for tax purposes. Originations and changes in timing differences are also recorded to income tax expense in the period in which the originations or changes occur. Taxes are calculated using corporate tax rates substantively enacted for the period the taxes are expected to be payable.

Income tax (recovery)	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Provision for current income tax	3.9	2.3	69.6%	1.5	1.2	25.0%
Taxes arising from changes in timing differences	0.5	-	n/a	0.5	-	n/a
	4.4	2.3	91.3%	2.1	1.2	75.0%

(in millions of dollars unless stated otherwise)

The combined federal and provincial tax rate in Alberta for 2012 is 25.0%.

Changes to tax legislation in 2011 eliminated a one year perpetual tax deferral for Gamehost. These changes were aimed at limiting a deferral of tax on income earned by a corporation through a partnership in circumstances where the partnership has a fiscal period that differs from the corporation's tax year. Previously deferred taxes will be paid in February 2013 together with income taxes recorded for the current tax year. Tax installments for 2013 tax year will begin in January 2013.

Reconciliation of EBITDA to Owners to net earnings

EBITDA to Owners to net earnings	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
EBITDA to Owners	25.3	22.5	12.4%	8.3	7.5	10.7%
EBITDA to Owners %	46.7%	44.4%	2.3%	46.5%	44.8%	1.7%
Add back:						
Amortization on property, plant and equipment	(3.3)	(3.7)	(10.8%)	(1.1)	(1.2)	(8.3%)
Finance costs	(3.1)	(4.3)	(27.9%)	(1.4)	(1.5)	(6.7%)
Income tax expense	(4.4)	(2.3)	91.3%	(2.1)	(1.2)	75.0%
EBITDA attributable to non-controlling interest	1.1	0.9	22.2%	0.5	0.3	66.7%
Total profit	15.6	13.1	19.1%	4.2	3.9	7.7%

(in millions of dollars unless stated otherwise)

Facilities

Capital expenditures	Q3 (nine months)			Q3 (three months)		
	2012	2011	+(-)	2012	2011	+(-)
Capital maintenance	0.3	0.2	50.0%	0.2	0.1	100.0%

(in millions of dollars unless stated otherwise)

Financial condition

Liquidity

Net cash provided by operating activities for the Quarter totaled \$7.0 million compared to \$5.9 million for Q3 2011. At the end of the Quarter cash balances totaled \$17.2 million compared to \$17.7 million at the start of the year. Factors affecting Gamehost's ability to generate cash in the near and longer terms were listed in the section 'Forward looking statements'. These factors are discussed in more specific terms in the section 'Business risks, opportunities and outlook'. Management closely monitors Gamehost's ability to sustain current cash dividends with cash flow from operations and other sources or uses of cash.

Gamehost had revolving credit lines totaling \$6.0 million of which \$6.0 million was available to be drawn at the end of the Quarter. Available revolving credit is \$9.0 million at October 31, 2012 after securing a \$3.0 million increase to Our line.

Gamehost's cash and cash equivalent balances are made up of cash floats and traditional bank balances only.

Gamehost has a 91% Participating Interest in the operating activities of the Deerfoot.

Working capital

The Company's demand debt held by Gamehost Limited Partnership and Deerfoot include demand clauses in the event certain performance covenants are not met. Demand loans are presented as current liabilities for financial reporting purposes to recognize these demand clauses. The Company's lender does not consider the loans to be repayable within 12 months.

Internal working capital requirements for the Company consist of cash floats for the operation of gaming tables, slot machines, ATM machines, POS terminals, progressive jackpots and petty cash as well as one month's operating expenses, one month's interest costs on debt facilities and one month's regular dividend to the holders of Shares less amounts due to related parties. Float amounts are set by management and will fluctuate based on activity levels in the casinos. The AGLC requires all casinos to maintain a Minimum Continuing Net Working Capital Position ("MCNWCP").

Debentures

Debentures are redeemable at the holder's discretion. Converted Debentures increase total cash dividends under the annual dividend policy and require 32% more cash than unconverted Debentures.

Commitments

Gamehost has an 87.75% Contributing Interest Responsibility to the Deerfoot for any capital funding requirements. All current capital requirements of the Deerfoot have been satisfied. No capital was contributed during the Period.

On June 1, 2003 Gamehost entered into a management services agreement with Gamehost Management Inc. which was amended May 1, 2010. The management agreement stipulates that Gamehost Management Inc. is entitled to 1.5% of gross operating profit before interest, taxes, depreciation, amortization and extraordinary items of Gamehost.

On November 21, 2010, Deerfoot Inn & Casino Inc. entered into a management services agreement with a related party. This new agreement follows the termination of an earlier agreement with a related party and contains essentially the same terms and conditions as the earlier agreement including entitling the related party to 1.5% of the gross revenues plus 2.0% of operational earnings before interest, taxes, depreciation, amortization and extraordinary items of Deerfoot.

On January 1, 2007 Gamehost entered into a management services agreement with a company controlled by key management personnel. The management agreement stipulates that a key management person is entitled to a fixed monthly fee of \$17,700 for overseeing site operations of Gamehost.

Gamehost has certain other commitments for equipment, services and premises rent. At the end of the Period these commitments were:

Commitments						
	2012	2013	2014	2015	2016 Thereafter	
Total	311	1,201	1,179	1,125	1,063	2,947

(in millions of dollars unless stated otherwise)

Dividend policy and practice

The board of directors of Gamehost is responsible for determining the dividend policy of Gamehost. Being a company formed under the Alberta Business Corporations Act (the "ABCA"), the dividend policy must comply with the requirements of the ABCA, including satisfying the dividend test applicable to ABCA corporations (i.e. an ABCA corporation shall not declare or pay a dividend if there are reasonable grounds for believing that (a) the corporation is, or would after the payment be, unable to pay its liabilities as they become due or (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes).

The monthly dividend policy of the Corporation is designed to provide for regular monthly dividend payments to holders of Shares in the amount of \$0.0733 per Share (i.e. \$0.8796 per Share on an annualized basis). However, the board of directors of the Corporation retain the right to modify such dividend policy from time to time at its discretion.

Productive capacity

Gamehost's assets include land, land improvements, buildings, leasehold improvements, and furniture, fixtures and equipment. At the end of the Quarter, productive capacity of Gamehost consisted of 123 guest rooms and 1 meeting room at Service Plus, 188 guest rooms, 10 meeting/banquet rooms, 1 showroom, 3 restaurants and a lounge at the Deerfoot and ancillary amenities for both facilities. Also included in productive capacity are Gamehost's interests in three gaming licenses, one each for Boomtown Casino, Great Northern Casino and the Deerfoot Casino. Together these licenses provide a revenue stream for Gamehost from an equivalent 1,613 electronic gaming devices, 67 table/poker games and other ancillary equipment. The table below summarizes changes in productive capacity since the beginning of operations.

Productive capacity								
Year	Event	Gaming Sq. Ft	Banquet sq. ft.	Guest rooms	F & B seating	Electronic gaming devices	Tables	Lease/ retail sq. ft.
2003	Inception of Fund	31,864		123	165	420	32	10,530
2003	Great Northern Casino Expansion	9,800	1,200		45	59		
	AGLC adds slot machines					20		
2004	AGLC adds slot machines					83		
2005	Deerfoot opening	24,000	8,000	75	140	252	13	
2006	Boomtown Casino expansion	11,000			40	193		
	AGLC adds slot machines					20		
2007	Deerfoot renovation	480			(20)	23		
2008	AGLC adds slot machines					16		
	Stampede Joint Venture	19,200	480		60	120	8	
	AGLC adds slot machines					3		
2009	AGLC adds slot machines					8		
	Stampede Joint Venture now discontinued operations	(19,200)	(480)		(60)	(120)	(8)	
2010	AGLC adds slot machines					60		
	AGLC adds VLT's					3		
	Acquisition of an additional interest in Deerfoot	31,212	10,200	113	153	448	20	
	Deerfoot table addition						2	
2011	AGLC adds VLT's					3		
2012	AGLC adds slot machines					1		
	AGLC adds VLT's					1		
at September 30, 2012		108,356	19,400	311	523	1,613	67	10,530

Productive capacity maintenance

Productive capacity maintenance costs for rooming and food and beverage facilities of Gamehost are minimal. Maintaining the shine on our properties so that they continue to attract guests is largely one of regular refurbishment such as paint or new carpets. For the most part, maintenance costs are treated as operational expenses at the time they are incurred and as such are already included in the periodic cash provided by (used for) operating activities as reported in financial statements. Management may, however, undertake smaller capital projects to be paid from cash generated from operating activities. Examples of these costs include, but are not limited to such things as converting to keyless entry on guest room access doors or the installation of digital security. These capital costs, when funded from operating cash flow, would fall into the category of productive capacity maintenance for the purpose of determining cash available for dividend distribution.

Liquor sales require Gamehost to hold valid liquor licenses issued by the AGLC. Productive capacity maintenance of liquor sales is most significantly related to keeping these licenses in good standing, and requires Gamehost paying for liquor orders electronically prior to delivery from AGLC wholesale.

Gaming operations require minimal capital outlay by Gamehost. Slot, VLT and Lottery equipment is owned and maintained by the AGLC. Tables are owned or leased and maintained by Gamehost. Productive capacity maintenance of both tables and slot machines is more significantly measured in terms of maintenance of Gamehost's charitable gaming operator licenses issued by the AGLC. Holders of these licenses must adhere to a strict set of terms and conditions. Furthermore, the three year licenses are subject to annual due diligence audits by the AGLC. Maintaining these licenses requires a nominal fee to cover the cost of AGLC's due diligence investigation which is expensed. Gamehost's charitable gaming operator licenses have consistently received favourable results from these audits. Current licenses are valid to June 30, 2014, but the Company considers the licenses to have indefinite life.

Normal annual capitalized costs for productive capacity maintenance are not expected to exceed \$600,000.

Discretionary and other items

From time to time, at their discretion, management or directors may elect to use or reserve cash for other purposes. Discretionary uses of cash reduce the availability of cash for distribution to shareholders.

Long-term unfunded contractual obligations

Gamehost has no long-term unfunded contractual obligations. Gamehost does not have a pension plan or stock based compensation plan. The benign nature of Gamehost's operations does not require that reserves be set up for environmental clean up, asset retirement or other real or potential liabilities.

Capital Strategy

Current debt instruments will be maintained or eliminated to the extent they allow for repayment. All of Gamehost's traditional bank debt instruments allow for additional payments without penalty. Debt maintenance includes regular amortized monthly principal payments, extra principal payments and intermittent payments on outstanding revolving debt instruments when surplus cash is available. Management's objective is to maintain a debt to EBITDA ratio of 2 to 1 or less until such time as opportunities encourage a different strategy.

Debentures of Gamehost issued April 16, 2010, pay interest semi-annually in arrears allowing Gamehost to use excess cash, between interest payments, for revolving credit line reductions.

Larger scale expansions or acquisitions would be funded by debt or equity at the discretion of the directors of Gamehost.

Gamehost intends to repay existing non-revolving debt obligations over a period of time which will allow it to continue to pay dividends in the manner described under "Dividend policy and practice". Current interest rates allow for scheduled amortization periods of between 10 and 15 years in meeting dividend objectives.

Financing restrictions on dividends caused by debt covenants

The Company has a demand loan secured by assets owned and leased by Gamehost. The loan has two segments, the first requires blended principal and interest payments and is scheduled to term out over 10 years and the second is advanced on a revolving basis.

Debt facilities of the Company require the maintenance of certain financial covenants. The Company is in compliance with all covenants.

Income taxes

The Company is subject to income taxes, but as yet has not made payments for any income taxes. Certain tax deferrals available to the Company will be closed by the federal government effective at the end of 2012. Consequently, income taxes deferred from the 2011 fiscal year, income taxes for the 2012 fiscal year and income tax installments for the 2013 fiscal year will be payable in 2013. Payment of these income taxes, including a large balloon payment for the deferred 2011 and current 2012 income taxes will be made from working capital and available revolving credit facilities.

Working capital

Working capital, by definition, is current assets minus current liabilities. Gamehost's demand debt includes a demand clause in the event certain performance covenants are not met. Demand loans are presented as current liabilities for financial reporting purposes to recognize demand clauses in the loans. Gamehost's and the Deerfoot's lender does not consider the loans to be repayable within 12 months.

Internal working capital requirements for Gamehost consists of cash floats for the operation of gaming tables, slot machines, VLT's, ATM machines, TITO Kiosks, POS terminals, progressive jackpots and petty cash. Float amounts are set by management and will fluctuate based on activity levels in the casinos. Management works to minimize float balances on premises to a maximum 150% of combined slot cash play and table drop activity levels with cash surplus to this held in bank accounts.

In addition to cash floats on premises, Gamehost maintains one month's operating expenses, one month's interest cost on traditional debt facilities, one month's interest costs on Debentures and one month's dividends payable to the Common Shareholders less amounts due to related parties. Unused portions of revolving debt are considered working capital in Gamehost's determination of internal working capital.

Inventory levels and receivable targets vary by operation. Minimum targets include turning combined liquor and food inventories three times per month. Receivables are limited to hotel and banquet operations. Operations are expected to maintain a days sales outstanding (DSO) of not greater than 45 days. Gamehost's objective is to maintain the highest relationship with suppliers and remits all payables within stated terms, typically 30 days, but will take advantage of all early payment discounts offered.

The AGLC requires all casinos to maintain a Minimum Continuing Net Working Capital Position ("MCNWCP"). The MCNWCP is a requirement for casino operations only. Additional working capital from non-casino operations and available debt facilities can be used to satisfy the requirement. The calculation of MCNWCP includes cash floats, restricted cash, one month's operating expenses and one month's interest costs on debt facilities including debentures. Gamehost had a \$3.9 million surplus to the MCNWCP requirement at the end of the Period.

Cash dividends

2012 dividend summary

Month	per Share	Date			Shares o/s	Total paid
		Declared	Record	Payment		
January	0.0733	16-Jan-12	31-Jan-12	15-Feb-12	21,159,628	1,551,001
February	0.0733	13-Feb-12	29-Feb-12	15-Mar-12	21,257,469	1,558,173
March	0.0733	13-Mar-12	31-Mar-12	13-Apr-12	21,341,036	1,564,298
April	0.0733	16-Apr-12	30-Apr-12	15-May-12	21,742,535	1,593,728
May	0.0733	15-May-12	31-May-12	15-Jun-12	22,056,754	1,616,760
June	0.0733	18-Jun-12	30-Jun-12	13-Jul-12	22,015,965	1,613,770
July	0.0733	17-Jul-12	31-Jul-12	15-Aug-12	22,029,453	1,614,759
August	0.0733	14-Aug-12	31-Aug-12	14-Sep-12	22,205,070	1,627,632
September	0.0733	10-Sep-12	30-Sep-12	15-Oct-12	22,469,478	1,647,013
October	0.0733	15-Oct-12	31-Oct-12	15-Nov-12	22,505,815	-
Total	0.7330					14,387,133

2011 dividend summary

Month	per Share	Date			Shares o/s	Total paid
		Declared	Record	Payment		
January	0.0733	13-Jan-11	31-Jan-11	15-Feb-11	21,107,553	1,547,184
February	0.0733	14-Feb-11	28-Feb-11	15-Mar-11	21,144,074	1,549,861
March	0.0733	8-Mar-11	31-Mar-11	15-Apr-11	21,124,679	1,548,439
April	0.0733	13-Apr-11	30-Apr-11	16-May-11	21,124,674	1,548,439
May	0.0733	15-May-11	31-May-11	15-Jun-11	21,124,674	1,548,439
June	0.0733	13-Jun-11	30-Jun-11	15-Jul-11	21,124,674	1,548,439
July	0.0733	18-Jul-11	31-Jul-11	15-Aug-11	21,141,574	1,549,677
August	0.0733	10-Aug-11	31-Aug-11	15-Sep-11	21,238,849	1,556,808
September	0.0733	16-Sep-11	30-Sep-11	15-Oct-11	21,297,845	1,561,132
October	0.0733	17-Oct-11	31-Oct-11	15-Nov-11	21,342,483	1,564,404
November	0.0733	14-Nov-11	30-Nov-11	15-Dec-11	21,323,642	1,563,023
December	0.0733	5-Dec-11	31-Dec-11	13-Jan-12	21,105,192	1,547,011
Total	0.8796					18,632,856

¹ millions of dollars

Tax attributes of dividends to Shareholders

Dividends paid to Shareholders are considered 'eligible dividends'. Eligible dividends are subject to a schedule of gross-up rates and enhanced dividend tax credits providing the investor with a more favourable income stream for tax purposes. Generally, the Income Tax Act aims to provide a lower tax rate on all dividends ultimately sourced from income subject to the usual corporate level tax rates in Canada (i.e., Income that is not income of a Canadian-controlled private corporation (CCPC) subject to the small business rate).

Taxes

Income taxes include provisions for income taxes payable on current year taxable income and temporary differences and carry-forwards which give rise to future income tax assets and liabilities. Taxes are calculated using the applicable combined federal and Alberta tax rate substantively enacted. To the extent taxes can be deferred, they will be calculated at the rate of tax expected at the time the future tax asset or liability will be realized.

(a) Income tax expense	nine months ended		three months ended	
	September 30		September 30	
	2012	2011	2012	2011
Current income tax expense (recovery)				
income taxes for the reporting period	3.9	3.8	1.5	1.3
	3.9	3.8	1.5	1.3
Deferred tax expense (recovery)				
Arising from the origination and reversal of temporary differences	0.5	0.1	0.5	-
Non-capital losses arising from amalgamations	-	(1.4)	-	-
Revaluation of deferred income tax liability to future statutory tax rates	-	(0.2)	-	(0.1)
	0.5	(1.5)	0.5	(0.1)
	4.4	2.3	2.1	1.2

The Company's income tax expense differs from that calculated by applying statutory rates for the following reasons:

	2012		2011	
Income taxes at statutory income tax rates	4.4	25.0%	2.5	26.5%
Revaluation of deferred income tax liability to future statutory tax rates	-		(0.2)	
	4.4	25.0%	2.3	25.0%

	2012		2011	
Income taxes at statutory income tax rates	2.1	25.0%	1.3	26.5%
Revaluation of deferred income tax liability to future statutory tax rates	-		(0.1)	
	2.1	25.0%	1.2	25.0%

(in millions of dollars unless stated otherwise)

Changes to tax legislation in 2011 eliminated a one year perpetual tax deferral for Gamehost. These changes were aimed at limiting a deferral of tax on income earned by a corporation through a partnership in circumstances where the partnership has a fiscal period that differs from the corporation's tax year.

Capital resources

The Company has a demand loan secured by its land and buildings. Gamehost is paying interest at a stipulated floor rate of 4.0%; otherwise the rate on this loan is 1.0% above the lender's prime lending rate. Gamehost is making blended monthly principal and interest payments on a \$13.2 million segment of the loan amortized over 10 years. The remaining \$6.0 million segment of this loan is available on a revolving basis with interest only payments of which \$nil is drawn at September 30, 2012. In October of 2012 the Company negotiated a \$3.0 million increase to the revolving segment of the loan.

In 2010, the Company issued \$55 million in 6.25% Convertible Unsecured Subordinated Debentures (“Debentures”) which trade on the Toronto Stock Exchange (“TSX”) under the symbol GH.DB. 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 at \$10.65 per Gamehost Inc. common Share (the “Conversion Price”). 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 the Conversion Price, 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. A portion of the proceeds from the Debenture issue were allocated to the conversion feature which is reported as equity rather than a non-current liability. Proceeds of the debenture issue were used to acquire a further 51% interest in the Deerfoot in May of 2010. At October 31, 2012, \$33.1 million debentures at face value remain unconverted.

The Deerfoot has a 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 lender's 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, 2012	December 31, 2011
Face value			
Demand loan		10.3	11.3
Revolving credit lines		6.0	6.0
Deerfoot - demand loan		10.9	11.6
Debentures face value		33.5	49.8
		60.7	78.7
Carrying value			
Current liabilities			
Demand loan	2020	10.3	11.3
Revolving credit lines		-	4.0
Deerfoot - demand loan	2025	10.9	11.6
		21.2	26.9
Non-current liabilities			
¹ Debentures payable	2015	29.1	45.0
		50.3	71.9
Interest rate			
² Demand Loan		4.00% (P +1.00%)	4.00% (P +1.00%)
² Revolving Credit Line		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%)
Debentures face value		6.25%	6.25%

(in millions of dollars unless stated otherwise)

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 value of Debentures is further reduced by Debenture issuing costs which are the amounts incurred to secure the Debenture financing. Debenture issue costs and debenture conversion privileges are amortized to interest expense over the life of the Debentures. The effective interest rate for amortization of the debenture issue costs is 9.4%.

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 \$11.5 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 \$10.9 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 Company 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.

Financial instruments

Fair value

The fair value of cash, restricted cash, trade and other receivables, trade and other payables, deferred income, loans and borrowings and dividends payable approximate their carrying value due to the short-term maturities of these instruments.

Interest rate risk

Gamehost's interest rate risk arises primarily from its variable rate debt in the aggregate amount of \$21.2 million. Gamehost is paying interest at a stipulated floor rate of 4.0% on traditional bank demand debt and revolving debt; otherwise the rate on these debt instruments is 1.0% above the bank prime lending rate. A 1.0% increase in interest rates would have an unfavourable impact on earnings of \$211,512 or \$0.010/share on an annualized basis.

Credit risk

Credit risk arises from cash held with banks and credit exposure to customers. Gamehost's day to day commercial banking is with AAA rated Canadian financial institutions. Day to day commercial banking is not concentrated with a single financial institution.

Gamehost, in the normal course of operations, monitors the financial condition of its customers. Gamehost does not have significant exposure to any individual customer or counterparty.

Carrying amounts of accounts receivable are reduced on an account specific basis when appropriate. Carrying amounts of accounts receivable are reduced by direct write-off to earnings in the period of loss recognition. At the end of the Period, past due accounts are insignificant.

Liquidity risk

Liquidity risk arises from excess financial obligations over available financial assets due at any point in time. Gamehost's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet ongoing liquidity requirements.

Accounts payable, excluding accrued liabilities, are due in 90 days or less.

Gamehost's lender has scheduled monthly blended payments that will amortize the demand loan balance by June, 2020 and the Deerfoot demand loan balance by February, 2021.

The maturity date on Gamehost's debentures is the earlier of the holder's election to convert, Gamehost's call for redemption or the final maturity date of the debentures on July 31, 2015. The current dividend rate results in a 32% increase to cash payments over the interest liability on debentures.

The AGLC requires all casinos to maintain a Minimum Continuing Net Working Capital Position (“MCNWCP”). The MCNWCP is a requirement for casino operations only. Additional working capital from non-casino operations and available debt facilities can be used to satisfy the requirement. The calculation of MCNWCP includes cash floats, restricted cash, one month’s operating expenses and one month’s interest costs on debt facilities including debentures. Gamehost’s internal working capital requirements exceed that of MCNWCP.

Industry risk

Service Plus in Grande Prairie derives a significant portion of its business from corporate clients in the energy sector. As a result, Gamehost is exposed to some industry risk at this operation.

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.

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 key management personnel and directors of the Company as well as significant shareholders. Together, the Wills control 40.5% of the outstanding Shares of Gamehost.

- Gamehost recorded \$1,169,142 (\$1,063,265 - 2011) 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 \$46,550 (\$89,068 - 2011) remained in accounts payable.
- Gamehost recorded \$103,212 (\$113,752 – 2011) of charter aircraft rental expenses for the Period which is included in administrative expenses. At the end of the Period, \$8,769 (\$10,092 – 2011) 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 \$28,125 (\$nil – 2011) of office rent expenses for the Period which is included in administrative expenses. Gamehost moved to new offices owned by Darcy Co Holdings Ltd., a company wholly owned by Darcy Will, in December 2011 and began paying rent in May 2012 when the Company was released from further obligation under its former third party office lease.

Gamehost recorded \$47,655 (\$47,655 – 2011) of rental expenses for the Period which is included in cost of sales. Great Northern Casino rents tractor trailer parking and Service Plus rents storage space from Grande Gaming Inc., a company controlled by the Wills together with Gamehost’s Chief Operating Officer, Elston Noren.

Gamehost recorded \$81,500 (\$83,500 – 2011) in directors fees during the Period paid to other directors of Gamehost.

Gamehost recorded \$9,249 (\$9,331 – 2011) in professional and administrative fees during the Period paid to companies controlled by other directors of Gamehost.

Gamehost recorded \$159,300 (\$159,300 – 2011) in management services expenses paid to companies controlled by other officers of Gamehost. At the end of the Period \$nil (\$17,700 - 2011) remained in accounts payable.

Gamehost recorded \$108,000 (\$108,000 – 2011) in salaries and bonuses to other key management personnel.

Non-controlling interest

A joint venturer in Deerfoot is entitled to a 9% non-controlling participating interest in the assets, liabilities, equity and income of Deerfoot.

Shareholder equity

The Corporation is authorized to issue an unlimited number of Shares of any class. The Corporation has convertible instruments that may be dilutive when conversion privileges are exercised. Common stock is valued at the original contributed capital amount as at the 2003 plan of arrangement forming the Fund plus fair value adjustments on former Class B limited partnership units now converted to common stock plus Shares purchased by the Company for cancellation under normal course issuer bids.

Business risks, opportunities and outlook

Economic outlook

Results from the Quarter were excellent. Q3 which includes the summer vacation months is typically a softer quarter following Q2. While revenues were lower in the Quarter from the previous quarter the relative drop was far less than we normally experience. A sustained higher rate growth pattern seems to have negated the normal seasonal pattern. Looking not too far ahead continued growth at above average rates appears to be holding for the time being.

It is difficult and likely prudent not to get feeling too confident about our recent success. Certainly, there has not been an improvement in the world order on which we can take a deep breath. The better than budgeted cash flows we have produced over the course of this year have been used to eliminate all of our outstanding revolving debt. Our intentions are to remain on the current path of positioning the Company for our first tax payments set to come due in 2013 by stock piling surplus cash. In preparation, we have stepped away from repurchasing company stock on our existing normal course issuer bid. As further cushion we have secured an additional \$3.0 million line of credit in the event we see a change in the current growth pattern.

We were ecstatic to learn that Imperial Oil has chosen to vacate Calgary's downtown core and relocate to the new Quarry Park suburban office complex in Calgary's southeast. Quarry Park is a short 3 kilometres from our Deerfoot Inn & Casino. We are optimistic that the rapidly filling Quarry Park will translate into additional business for us specifically in the hotel and convention areas.

We expect growth in Grande Prairie to taper into the next period. The region experienced a significant burst in growth in 2011 and will now find it more difficult to match the same high levels of year over year growth. Work continues on the new Grande Prairie hospital adjacent to the Company's hotel and casino operations. The design was recently expanded by 86,000 square feet, 32 rooms and \$100 million. Opening of the new facility has also been pushed out to 2017. When completed the facility will attract added exposure to our properties and provide spin off benefits during construction and thereafter.

The Alberta economy will continue to be the most significant driver of growth for the Company. Simply put, if the province can continue to provide high income jobs attracting increased population, the Company will benefit from greater consumer spending on hospitality and gaming.

Government regulation

The Federal Government has jurisdiction regarding First Nations lands. The Federal Government defers governmental authority to either provincial governments or First Nations Bands at their discretion. The Federal Government, to date, has chosen not to become involved in the smoking-in-public-places debate on First Nations lands. Presently, all First Nations casinos in Alberta permit smoking and enjoy a competitive edge over traditional casino operators who are subject to provincial non-smoking legislation. We believe, however, that this competitive advantage has diminished over time as the public has become accustomed to, and in many cases prefers, smoke-free public places including casinos.

The Alberta and Canadian gaming industries are highly regulated by provincial governments resulting in high barriers of entry. Revenue sharing agreements between governments and operators are subject to change by unilateral government action. Revenue sharing and operator agreements are not the same from province to province. Neither are they the same for traditional casino operators and First Nations casino operators. Traditional casino operators in Alberta receive less favourable compensation when compared to competing Alberta First Nations operators and some of their provincial counterparts.

Special interest groups routinely lobby government on a host of matters. Gaming is a subject of high public interest both for and against. Lobbying efforts can be effective in influencing government action. Next to the Alberta Government Department of Treasury, provincial charitable groups are the main benefactor to the gaming industry. An uneven playing field between traditional casino operators and First Nations casino operators also creates compensation issues for charitable groups supported by traditional casino operators.

Competition

The Deerfoot is a unique facility in the Calgary market being the only casino to also offer full service hotel and convention facilities. Within a block of the Deerfoot is a limited service hotel owned and operated by a related party to the Deerfoot and Gamehost. This limited service hotel was built to compliment the Deerfoot. It does so by providing cost conscious clientele who would otherwise not stay at the higher cost Deerfoot an option closer to our casino than competitor properties. Furthermore, the Deerfoot is now able to attract larger convention events with the additional room capacity available down the block.

The closest competition to Deerfoot's casino operations in Calgary remains a First Nations casino 14 kilometres to the west. This casino recently announced a three phased expansion including added gaming floor space to open in spring of 2013, 2,000 seat entertainment centre opening in winter of 2013 and a 178 room hotel to be completed in fall of 2014. We do not see any of the proposed expansion plans as a significant change to the competitive landscape. We know our gaming and food and beverage customer based is proven to be those who live and work closest to our facilities and that this proposed new First Nations hotel will cater to a completely different geographical market. The planned size of their entertainment centre will require a significantly different entertainment offering than we currently have capacity for at Deerfoot.

The Great Northern Casino in Grande Prairie is the only full service casino in the city. Evergreen Park, the area's agriribition and trade grounds are located 8.5 kilometres from the city centre. The park operates a small racino with off-track betting and 99 slot machines.

Gamehost's Service Plus hotel property operates in a highly competitive market, but continues to succeed on superior location and service. The property is directly across from the area's community college and a favoured choice of sports teams. Service Plus is also adjacent to the Gateway Power Centre big box shopping outlet and convenient for those travelling to Grande Prairie as their nearest major market city.

Management is not aware of any further hotel developments or gaming applications that could have a material effect on Gamehost's operations.

International Financial Reporting Standards (IFRS)

New standards

i) IAS 12, Deferred Taxes - Recovery of Underlying Assets

The IASB issued an amendment to IAS 12, "Income Taxes" ("IAS 12 amendment"), which introduces an exception to the general measurement requirements of IAS 12 in respect of investment properties measured at fair value. The IAS 12 amendment is effective for annual periods beginning on or after January 1, 2012. The IAS 12 amendment did not have an impact on the Company's results of operations, financial position or disclosures.

New standards and interpretations not yet adopted

A number of new Standards, interpretations and amendments to existing Standards, are not yet effective for the financial year ended December 31, 2012, and have not been applied in preparing these consolidated financial statements. The following Standards, amendments to and interpretations of existing Standards have been published and are mandatory for the Company's accounting periods beginning on or after December 31, 2012:

i) IFRS 7, Financial Instruments - Disclosures

This amendment is effective for annual periods beginning on or after July 1, 2011 and requires incremental disclosures regarding transfers of financial assets. The Company will apply the amendment to its 2012 annual financial statement disclosures and does not expect the implementation to have a significant impact on the Company's disclosures.

ii) IFRS 9, Financial Instruments

This Standard is effective for periods beginning on or after January 1, 2015 and is part of a wider project to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 replaces the current multiple classification categories: amortized cost and fair value. The basis of classification depends on the Company's business model and the contractual cash flow characteristics of the financial asset or liability. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. Gamehost is assessing the impact of this new Standard on its consolidated financial statements.

iii) IFRS 10, Consolidated Financial Statements

This Standard is effective for periods beginning on or after January 1, 2013 and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the financial statements. Gamehost is assessing the impact of this new Standard on its consolidated financial statements.

iv) IFRS 11, Joint Arrangements

This Standard is effective for periods beginning on or after January 1, 2013 and establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 requires a party to assess the rights and obligations arising from an arrangement in determining whether an arrangement is either a joint venture or a joint operation. Joint ventures are to be accounted for using the equity method while joint operations will continue to be accounted for using proportionate consolidations. Gamehost is assessing the impact of this new Standard on its consolidated financial statements.

v) IFRS 12, Disclosure of Interests in Other Entities

This Standard is effective for periods beginning on or after January 1, 2013 and applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or and unconsolidated structures entity. IFRS 12 integrates and makes consistent the disclosure requirements for a reporting entities interest in other entities and presents those requirements in a single Standard. Gamehost is assessing the impact of this new Standard on its consolidated financial statements.

vi) IFRS 13, Fair Value Measurement

This Standard is effective for periods beginning on or after January 1, 2013 and provides additional guidance where IFRS requires fair value to be used. IFRS 13 defines fair value, sets out in a single standard a framework for measuring fair value and establishes the required disclosures about fair value measurement. Gamehost is assessing the impact of this new Standard on its consolidated financial statements.

vii) IAS 1, Presentation of Financial Statements

An amended version of IAS 1 becomes effective for periods beginning on or after January 1, 2012 and requires companies preparing consolidated financial statements in accordance with IFRS to group together items with other comprehensive income ("OCI") that may be reclassified to the profit or loss section of the statements of earnings. The amendment also reaffirms existing requirements that items in OCI and profit or loss should be presented as either a single statement or two consecutive statements. Gamehost is assessing the impact of the amendment on its consolidated financial statements.

viii) IAS 19, Employee Benefits

In June of 2011, amendments were made to IAS 19 Employee Benefits which becomes effective for periods beginning on or after January 1, 2013. The amendments are intended to improve the paicure of a company's current and future obligations resulting from the provision of defined benefit plans, and how these obligations will effect a company's financial position, financial performance and cash flow. Gamehost does not currently have, nor does Gamehost have plans to implement a defined benefit plan. The amendement therefore, should have no impact on Gamehost's financial statements. Nevertheless, Gamehost will continue to assess the impact of the amendment on its financial statements.

ix) Amendments to IAS 27, Separate Financial Statements

An amended version of IAS 27 becomes effective for periods beginning on or after January 1, 2013 and must be applied retrospectively. The amendment contains the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate (non-consolidated) financial statements. IAS 27 will not have an impact on the Company's consolidated results of operations, financial position and disclosures.

x) Amendments to IAS 28, Investments in Associates and Joint Ventures

On May 12, 2011 the IASB revised IAS 28 to correspond to the guidance provided in IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013. Gamehost is assessing the impact of the amendment on its consolidated financial statements.

xi) Amendments to IAS 32 and IFRS 7, Offsetting Financial Assets and Liabilities

On December 16, 2011 the IASB issued amendments to IAS 32 to clarify that an entity currently has a legally enforceable right to set-off if that right is: not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are: offset in the statement of financial position; or subject to master netting arrangements or similar arrangements. The effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014 and for the amendments to IFRS 7 is annual periods beginning on or after January 1, 2013. Gamehost is assessing the impact of the amendment on its consolidated financial statements.

Additional information

All required public disclosures including material documents, press releases, annual information form and financial statements of Gamehost can be found on SEDAR at www.sedar.com. Additional information about Gamehost can be found at www.gamehost.ca.