



**Management Discussion and Analysis**  
**for the three month and twelve month periods ended December 31, 2017**

## To Our Shareholders

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Management and Directors of Gamehost Inc. (the "Company") present results for the three and twelve months ended December 31, 2017 (the "Quarter" and "Year" respectively).

### Highlights

This Quarter is the first since Q2 2016 without the distortion of comparative results caused by the 2016 Fort McMurray area wildfire. The fire resulted in our Boomtown Casino closing for ten weeks beginning in May 2016, followed by the recording of intermittent insurance settlements from our insurer. This Quarter is also the first quarter since Q4 2014 that we can celebrate normal year-over-year improvements in top line revenue generation and EBITDA. This has been a protracted recession which we hope has come to an end for the Company.

Profit attributable to shareholders for the Quarter was up \$0.1 million or 2.3% to \$4.5 million compared to \$4.4 million in the same quarter of 2016. Earnings per share was flat to the prior year quarter at \$0.18 per common share.

Total operating revenues for the Quarter were up \$0.3 million or 1.7% to \$17.7 million compared to \$17.4 million in the same quarter of 2016. Earnings before interest, taxes, depreciation, and amortization ("EBITDA") that is attributable to shareholders of the Company ("EBITDA to Shareholders") was up \$0.4 million or 6.0% to \$7.1 million compared to \$6.7 million in the same quarter of 2016. EBITDA to Shareholders margin for the Quarter improved to 42.0% from 40.4% in year-over-year comparison.

### Around the Province

Though top line and EBITDA consolidated results were both positive for the Quarter, operating results geographically were mixed.

Fort McMurray continues to feel the lingering fallout from the effects of the 2016 wild fire. Significant populations in the city remain displaced with less than one third of destroyed residences reconstructed for occupancy. It is still unclear what portion of the former permanent population will ultimately return to the community following completion of rebuilding efforts, which are expected to take an additional three to four years. Top line and EBITDA results in Fort McMurray were lower for the Quarter compared to one year earlier by 4.8% and 10.5% respectively.

Grande Prairie continues to be the beacon of light for the Company. Great Northern Casino and Service Plus combined results for top line and EBITDA produced year-over-year growth for the Quarter of 15.1% and 16.9% respectively. The community continues to benefit from the Montney and Duvernay geological formations that remain attractive for energy sector investment.

At the Company's Deerfoot property, management has made impressive strides at finding operating efficiencies that were implemented in the previous quarter. While top line results for the Quarter were flat in year-over-year comparison, an impressive 12.7% improvement in EBITDA over the same period mirrored similar results in the previous quarter.

## Notables

The Company's dividend pay out ratio has fallen steadily from the start of the year to 89.4% for the Quarter. Total debt was reduced by 1.3 million during the Quarter and 4.0 million during the Year. Debt as a percentage of EBITDA is now 0.9 to 1. The Company is well positioned to capitalize on opportunities as they may arise and to easily withstand a rising interest rate environment should it emerge. Since the start of the new year, the Company has purchased for cancellation 122,350 common shares at prices averaging \$10.10 per common share. Up to this point, the Company had not been active on our current normal course issuer bid given the lack of any real forward clarity in the economy. The Company acquired a parcel of land separating our Great Northern Casino and Service Plus hotel in Grande Prairie. The parcel will provide for additional parking and expansion potential for the two properties.

## Fog is Lifting

Three years into what has been one of the most severe recessions experienced in the province, we are now beginning to see some positive signs that, if sustained, could mean we are at the end of this dark tunnel. Oil prices have seen a positive trend upward since the beginning of August of this year and broke through \$60 per barrel at the beginning of December of this year. The Company's fortunes are closely tied to the strength of this commodity and the jobs and economic spin offs it provides.

Cautious optimism is the general sentiment in the province from which we expect will materialize a slow but meaningful recovery in activity at all of the Company's properties. It might just be a Happy New Year after all.

13-Mar-18

On behalf of all Management and Directors, sincerely,



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



Darcy J. Will  
Vice President and Secretary  
Gamehost Inc.

## Management's discussion and analysis

for the three month and twelve month periods ended December 31, 2017

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This Management's Discussion and Analysis ("MD&A") of the business, operating results, liquidity, and capital resources, and other financial information of Gamehost Inc. (the "Company") is prepared as at March 13, 2018. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company, the accompanying notes for the three month and twelve month periods ended December 31, 2017 (respectively the "Quarter" and the "Year"), and with the audited consolidated financial statements of the Company and accompanying notes for the year ended December 31, 2016.

This MD&A focuses on year-over-year comparative results for 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](http://www.gamehost.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).

### Caution to the reader

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#### 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"), EBITDA attributable to shareholders of the Company ("EBITDA to Shareholders"), EBITDA to Shareholders Margin, dividend pay-out ratio, and normalized dividend pay-out ratio, which are all non-IFRS financial measures. EBITDA calculations also exclude any gains or losses on retirement of assets, and any fair market value adjustments recorded.

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

#### 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 our 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, and included in the "Risk Factors" section of the Company's most recent Annual Information Form. Continuous disclosure documents are on public record through SEDAR at [www.sedar.com](http://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.

### **Disclosure Controls and Procedures and 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 and disclosure controls and procedures include 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 consolidated financial statements in accordance with IFRS and that receipts and expenditures are made with appropriate authorization of the Company's management and directors; (3) and 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 or disclosure controls and procedures that occurred during the Year that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting. The effectiveness of internal control over financial reporting has been evaluated at December 31, 2017, and management has concluded that the Company's internal control over financial reporting is designed and operating effectively. There is no "material weakness" relating to the design of the Company's internal control over financial reporting. A "material weakness" is defined as a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the reporting issuer's annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

The Company used COSO 1992 as its framework for establishing internal control over financial reporting.

The effectiveness of disclosure controls and procedures has been evaluated at December 31, 2017. Management has concluded that the Company's disclosure controls and procedures are designed and operating effectively.

## Organizational structure

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

### Shares

The Company had 24.7 million common shares issued and outstanding as at December 31, 2017 (24.7 million - December 31, 2016) and 24.6 million common shares issued and outstanding as at March 13, 2018, which trade on the Toronto Stock Exchange ("TSX") under the symbol GH. The Company is authorized to issue any number, and any class, of shares.

### Address

The head office of the Company is located at #104, 548 Laura Avenue, Red Deer County, Alberta, T4E 0A5. The registered office of the Company is located at 1400, 350 – 7th Avenue SW, Calgary, Alberta, T2P 3N9.

## Overview of Gamehost

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The Company's activities are currently confined to the province of Alberta, Canada. Operations include Boomtown Casino ("Boomtown") in Fort McMurray, 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, the Company owns a retail complex ("Strip Mall") that leases space to a pub/eatery. The Company has a 91% ownership interest in Deerfoot Inn & Casino Inc. ("Deerfoot"), in Calgary.

Gaming operations of the Company 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 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.

The Company 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.

The Company's current policy is to provide consistent and regular monthly 'eligible' dividends to shareholders to the extent that cash flows, operating metrics, and future needs for cash support continuation of the policy. Dividends are declared to be 'eligible' because the Company has not benefited from any preferential tax rates requiring it to pay ordinary or non-eligible dividends. Eligible dividends are taxed at lower marginal rates to the recipient. The Company's board of directors retain the right to modify the dividend policy from time to time at their discretion.

## Overall financial results and condition of the Company

Comparative operating results for the Year were impacted due to a ten week closure of Boomtown Casino from May 4, 2016 through July 14, 2016 caused by Fort McMurray area wildfires. The loss in prior year operating revenue is offset by proceeds from business interruption insurance, recorded as other income.

Operating revenue was up \$0.3 million to \$17.7 million from \$17.4 million in year-over-year comparison for the Quarter.

EBITDA to Shareholders was up \$0.4 million, a 6.0% increase year-over-year for the Quarter. EBITDA to Shareholders margins for the Quarter increased 1.6 percentage points to 42.0% from 40.4% the previous year.

At the end of the Quarter, the Company had \$164.1 million in total assets, down \$2.6 million from the start of 2017. Cash balances of \$14.6 million were down \$0.1 million from the start of 2017. Total debt stands at \$25.8 million, a decrease of \$4.0 million since the start of 2017. The Company's current debt to EBITDA ratio is 0.9 to 1.

## Quarterly performance summary

Quarterly performance	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Operating revenue	17.7	17.2	16.5	16.7	17.4	17.0	14.8	18.1
Cost of sales	(10.0)	(9.5)	(9.6)	(9.7)	(10.2)	(9.8)	(8.8)	(10.5)
Gross profit	7.7	7.7	6.9	7.0	7.2	7.2	6.0	7.6
Other income	-	-	-	-	-	0.6	1.1	-
Administrative expenses	(1.0)	(1.0)	(1.0)	(1.2)	(1.1)	(1.0)	(1.1)	(1.1)
Profit from operating activities	6.7	6.7	5.9	5.8	6.1	6.8	6.0	6.5
Finance costs net of finance income	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Profit before income tax	6.5	6.5	5.7	5.5	5.8	6.5	5.7	6.2
Income tax expense	(1.7)	(1.7)	(1.5)	(1.4)	(1.2)	(2.0)	(2.1)	(1.6)
Profit	4.8	4.8	4.2	4.1	4.6	4.5	3.6	4.6
Less non-controlling interest	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
Profit attributable to shareholders	4.5	4.5	4.0	3.9	4.4	4.2	3.3	4.3
Earnings per share								
Basic and diluted	\$ 0.18	\$ 0.18	\$ 0.16	\$ 0.16	\$ 0.18	\$ 0.17	\$ 0.13	\$ 0.17
EBITDA to Shareholders	7.1	7.2	6.4	6.3	6.7	7.4	6.5	7.1
EBITDA to Shareholders %	42.0%	43.9%	40.5%	39.4%	40.4%	43.5%	41.1%	41.3%

(in millions of dollars unless stated otherwise)

## Operating segments

The Company's reportable segments are strategic business units that offer different services. They are managed separately because of their unique operational and marketing requirements. Each segment complements the other segments, but is managed separately. The Gaming segment includes three casinos offering slot, VLT, lottery and table games. The Hotel segment includes two hotels catering to mid-range clients. The Food and Beverage segment has operations that are located within the casinos and hotels as a complement to those segments.

twelve months ended December 31, 2017	Gaming	Hotel	Food & Beverage	Corporate and Other <sup>1</sup>	Total
Operating revenue and other income as % of total	62%	16%	22%	0%	100.0%
Operating revenue and other income	42.0	11.2	14.9	0.3	68.4
Net finance costs	(0.4)	(0.5)	(0.2)	-	(1.1)
Depreciation	(1.1)	(1.4)	(0.6)	-	(3.1)
Other cost of sales and administrative expenses	(19.1)	(5.8)	(11.1)	(4.2)	(40.2)
<b>Profit (loss) before income taxes</b>	<b>21.4</b>	<b>3.5</b>	<b>3.0</b>	<b>(3.9)</b>	<b>24.0</b>
Segment assets	75.1	61.2	24.6	3.2	164.1
Segment liabilities	11.0	13.4	5.7	10.0	40.1
Capital expenditures	0.2	0.1	0.1	-	0.4
twelve months ended December 31, 2016	Gaming	Hotel	Food & Beverage	Corporate and Other <sup>1</sup>	Total
Operating revenue and other income as % of total	63%	15%	22%	0%	100%
Operating revenue and other income	42.8	10.5	15.5	0.3	69.1
Net finance (costs) income	(0.4)	(0.5)	(0.2)	0.1	(1.0)
Depreciation	(1.3)	(1.5)	(0.6)	-	(3.4)
Other cost of sales and administrative expenses	(18.9)	(5.7)	(11.3)	(4.5)	(40.4)
<b>Profit (loss) before income taxes</b>	<b>22.2</b>	<b>2.8</b>	<b>3.4</b>	<b>(4.1)</b>	<b>24.3</b>
Segment assets	76.4	61.6	24.8	3.9	166.7
Segment liabilities	12.0	15.2	6.3	8.9	42.4
Capital expenditures	0.2	0.1	0.1	-	0.4

<sup>1</sup> 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)



## 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	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Operating revenue	68.2	67.3	1.3%	17.7	17.4	1.7%

(in millions of dollars unless stated otherwise)

We will celebrate results for the Quarter as being our first positive quarter since the commodity price collapse at the end of 2014. This is also the first Quarter since Q2 2016 where year-over-year results are not distorted by the ten week closure of Boomtown Casino in 2016 due to area wild fires. Comparative results for the Year include the full closure period for Boomtown Casino. Results for the Quarter are mixed, with the Grande Prairie region continuing a strong recovery run, while Fort McMurray remained below year ago levels, and Calgary being flat to the prior year.

## Room revenue

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

Room revenue	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Room revenue	10.9	10.2	6.9%	2.6	2.5	4.0%
Occupancy	68.2%	62.0%	6.2%	64.9%	61.4%	3.5%
ADR	\$142.27	\$145.63	(\$3.36)	\$141.77	\$142.44	(\$0.67)
% of operating revenue	16.0%	15.2%	0.8%	14.7%	14.4%	0.3%

(in millions of dollars unless stated otherwise)

Hotel rooming results vary by region in the province for the Quarter.

At Service Plus, in year-over-year comparisons for the Quarter, rooming revenues were up 23.2%. Occupancy was up 14.0 percentage points to 84.8% from 70.8%, and ADR was higher by \$1.68 in year-over-year comparison for the Quarter. Reported figures are before intercompany eliminations included in the above table.

Deerfoot rooming revenue was down 5.2% for the Quarter in year-over-year comparison. Occupancy was down 1.5 percentage points to 54.8% from 56.3% from the year ago quarter, and ADR was lower by \$0.85.

## 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. Table Hold % should average in the 17% range where practised players are involved. Greater participation by inexperienced players can result in higher Hold percentages. 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, and 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, and 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 %. These statistics can be misleading. At the end of the day, the only measure that really counts is Hold.

Hold is shared in varying percentages between charities and the casino operator depending 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 charities and the casino operator depending on agreements with the AGLC. The operator's percentage of the Rake is the 'Net.' Consolidated financial statements of the Company report only the Net of the Hold or Rake.

Net table revenue	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
General, progressive and high limit	11.0	11.3	(2.7%)	2.8	2.7	3.7%
Poker	2.5	2.7	(7.4%)	0.6	0.6	0.0%
Total	13.5	14.0	(3.6%)	3.4	3.3	3.0%
% of operating revenue	19.8%	20.8%	(1.0%)	19.2%	19.0%	0.2%

(in millions of dollars unless stated otherwise)

# of tables	End of Year		
	2017	2016	+(-)
All Others	42	42	-
Poker	16	16	-
Progressive Table Games	8	8	-
Total	66	66	-

Drop and Hold	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Drop	96.2	102.8	(6.4%)	24.1	25.2	(4.4%)
Hold %	20.7%	19.8%	0.9%	20.3%	19.0%	1.3%

(in millions of dollars unless stated otherwise)

Tables report a year-over-year decrease in Drop of 4.4%, offset by a 1.3 percentage point increase in Hold percentage, resulting in an overall 3.7% increase in Net Hold year-over-year for the Quarter.

Boomtown table Drop fell 10.6% for the Quarter, but a 4.4% increase in Hold percentage resulted in an increase in Net Hold of 7.1%. Poker revenues had a strong showing and climbed by 15.4% in year-over-year comparison for the Quarter.

At Great Northern, table Drop increased 5.3% while the Hold percentage fell 2.5 percentage points resulting in a 5.5% drop in Net Hold year-over-year for the Quarter. Poker revenues continued strong and climbed by 10.1% in year-over-year comparison for the Quarter.

At Deerfoot, table Drop was down 5.0% while the Hold percentage climbed by 1.4 percentage points for a combined 3.1% increase in Net revenue year-over-year for the Quarter. Poker revenues declined 1.7% 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 ("Win") is also set by the AGLC. Under the current arrangement, casino operators, charities and the provincial government share the Win on a 15/15/70 split respectively. Average machine Win/day is determined by the number of hours each machine operates, how much money is played on each machine ('Cash Play') during hours of operation and amount of Win for each machine. Cash Play will be the sum of all cash and TITO Tickets fed into the machine. Revenue to the operator, or 'Net,' is determined by all of the above factors.

Slot statistics	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Cash Play	1,997.5	1,964.1	1.7%	499.6	510.5	(2.1%)
Machines <sup>1</sup>	1,641	1,641	nil	1,641	1,641	nil

(in millions of dollars unless stated otherwise)

<sup>1</sup> At the end of the Quarter

Slot revenue	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Net	21.9	21.5	1.9%	5.6	5.7	(1.8%)
% of operating revenue	32.1%	31.9%	0.2%	31.6%	32.8%	(1.2%)

(in millions of dollars unless stated otherwise)

Boomtown Cash Play fell 14.7% and Hold percentage rose by 0.1%, resulting in a decrease in Net revenue of 13.7% in year-over-year comparison for the Quarter. There were no changes to the number of slot machines at Boomtown during the Quarter.

Great Northern Cash Play climbed 11.9% and Hold percentage was flat, resulting in a Net revenue increase of 13.3% in year-over-year comparison for the Quarter. There were no changes to the number of slot machines at Great Northern during the Quarter.

Deerfoot Cash Play increased 0.4% and Hold percentage was flat, resulting in a Net revenue increase of 0.2% in year-over-year comparison for the Quarter. 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 the Company. Where food operations are run by a 3rd party, the Company records only the commission on those sales.

F&B Revenue	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Food & mix	5.5	5.9	(6.8%)	1.7	1.6	6.3%
Liquor	9.1	8.9	2.2%	2.7	2.6	3.8%
<b>Total</b>	<b>14.6</b>	<b>14.8</b>	<b>(1.4%)</b>	<b>4.4</b>	<b>4.2</b>	<b>4.8%</b>
% of operating revenue	<b>21.4%</b>	<b>22.0%</b>	<b>(0.6%)</b>	<b>24.9%</b>	<b>24.1%</b>	<b>0.8%</b>

(in millions of dollars unless stated otherwise)

F&B revenues were higher at all properties during the Quarter. We are encouraged by this statistic as F&B sales are often a lead indicator of a follow-on trend for gaming.

Boomtown F&B revenues were up 2.1% in year-over-year comparison for the Quarter.

Great Northern Casino F&B revenues were up 23.3% in year-over-year comparison for the Quarter.

Deerfoot F&B revenues were up 4.8% in year-over-year comparison for the Quarter.

## Ancillary revenue

Ancillary revenue includes the more significant items of automated teller (ATM) fees including cash call kiosks, video lottery terminals (VLTs), lottery ticket sales, live entertainment sales, cigarette sales, equipment rentals, movie rentals and other room charges to hotel guests.

Ancillary revenue	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Total	7.3	6.8	7.4%	1.7	1.7	0.0%
% of operating revenue	<b>10.7%</b>	<b>10.1%</b>	<b>0.6%</b>	<b>9.6%</b>	<b>9.8%</b>	<b>(0.2%)</b>

(in millions of dollars unless stated otherwise)

## 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 costs 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	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Total	39.0	39.3	(0.8%)	10.0	10.2	(2.0%)
% of operating revenue	<b>57.2%</b>	<b>58.4%</b>	<b>(1.2%)</b>	<b>56.5%</b>	<b>58.6%</b>	<b>(2.1%)</b>

(in millions of dollars unless stated otherwise)

Deerfoot has continued to find ways to reduce a wide range of expenditures without compromising service levels. On flat revenues for the Quarter, Deerfoot improved EBITDA Margins by 4.2 percentage points in year-over-year comparison.

### 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 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	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Food & Mix	1.8	2.0	(10.0%)	0.6	0.5	20.0%
Liquor	2.1	2.0	5.0%	0.6	0.6	0.0%
Other	0.3	0.3	0.0%	-	-	-
Total	4.2	4.3	(2.3%)	1.2	1.1	9.1%
% of operating revenue	6.2%	6.4%	(0.2%)	6.8%	6.3%	0.5%

(in millions of dollars unless stated otherwise)

Cost of product %	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Food & Mix	32.7%	33.9%	(1.2%)	35.3%	31.3%	4.0%
Liquor	23.1%	22.5%	0.6%	22.2%	23.1%	(0.9%)
Other	52.7%	54.3%	(1.6%)	49.4%	52.8%	(3.4%)

Both Boomtown and Great Northern have commission-based third party arrangements for food services.

### 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	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Operating labour	18.9	18.9	0.0%	4.9	5.0	(2.0%)
% of operating revenue	27.7%	28.1%	(0.4%)	27.7%	28.7%	(1.0%)

(in millions of dollars unless stated otherwise)

Management across the Company have done an excellent job of optimizing labour to reduce the impact of higher minimum wage rates by reducing headcounts or hours where possible. Alberta increased the provincial minimum wage by \$1.00/hour effective October 1, 2017. Challenges on this front will continue in 2018 with changes to the labour standards affecting overtime and statutory holiday pay.

## Cost of sales - marketing and promotions

Marketing and promotions include all donations, sponsorships, and complementary 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	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Total	3.2	3.2	0.0%	0.8	0.8	0.0%
% of operating revenue	4.7%	4.8%	(0.1%)	4.5%	4.6%	(0.1%)

(in millions of dollars unless stated otherwise)

## 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	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Total	12.7	12.9	(1.6%)	3.1	3.3	(6.1%)
% of operating revenue	18.6%	19.2%	(0.6%)	17.5%	19.0%	(1.5%)

(in millions of dollars unless stated otherwise)

Less frequent live entertainment offerings and fewer bands from the US, paid in US dollars, were the main contributors to lower year-over-year cost comparatives for the Quarter.

## Other income

Other income consists of the net leasing profits from an investment property being the Strip Mall in Grande Prairie located next to the Service Plus hotel. Other income also includes net settlements from insurance claims.

Other income	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Net profits from investment property	0.2	0.2	0.0%	-	-	-
Insurance proceeds	-	2.6	(100.0%)	-	-	-
Continuing and extra expenses	-	(1.0)	(100.0%)	-	-	-
Total	0.2	1.8	(88.9%)	-	-	-

(in millions of dollars unless stated otherwise)

The business profits indemnity period related to the 2016 Fort McMurray area wild fire ended November 3, 2017. No additional business profits claims were made during the Year.

## 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	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Total	4.3	4.5	(4.4%)	1.0	1.1	(9.1%)
% of operating revenue	6.3%	6.7%	(0.4%)	5.6%	6.3%	(0.7%)

(in millions of dollars unless stated otherwise)

Administrative fees are lower in Quarterly comparison on reduced depreciation.

## Net finance costs

Interest expense is recorded on the Company's demand term debt and revolver. Interest income is earned on cash balances held in the Company's bank accounts. Amounts are netted for presentation purposes.

Net finance costs	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Total	1.1	1.0	10.0%	0.2	0.3	(33.3%)

(in millions of dollars unless stated otherwise)

All of the Company's debt is exposed to changes in the prime lending rate. The Company reduced variable rate debt by \$1.3 million during the Quarter more than offsetting prime lending rate increases in both July and September of this Year of 0.25% each. An additional 0.25% increase to the lenders prime rate was announced in January 2018.

## Income tax

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	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Provision for current income tax	5.2	7.3	(28.8%)	1.6	1.9	(15.8%)
Taxes arising from changes in timing differences	1.0	(0.3)	(433.3%)	0.1	(0.7)	(114.3%)
Income tax expense	6.2	7.0	(11.4%)	1.7	1.2	41.7%

(in millions of dollars unless stated otherwise)

The combined federal and provincial tax rate in Alberta is 27% (27% - 2016).

## Reconciliation of EBITDA to Shareholders to Profit

EBITDA to Shareholders to Profit	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
EBITDA to Shareholders	27.0	27.6	(2.2%)	7.1	6.7	6.0%
EBITDA to Shareholders Margin	41.5%	41.4%	0.1%	42.0%	40.4%	1.6%
Adjustments:						
Amortization on property, plant and equipment	(3.1)	(3.4)	(8.8%)	(0.7)	(0.9)	(22.2%)
Finance costs	(1.2)	(1.1)	9.1%	(0.2)	(0.3)	(33.3%)
Income tax expense	(6.2)	(7.0)	(11.4%)	(1.7)	(1.2)	41.7%
EBITDA attributable to non-controlling interest	1.3	1.2	8.3%	0.3	0.3	0.0%
Profit	17.8	17.3	2.9%	4.8	4.6	4.3%

(in millions of dollars unless stated otherwise)

## Facility enhancement

Capital expenditures	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
Capital maintenance	0.2	0.4	(50.0%)	-	0.1	(100.0%)
Capital expansion	0.2	-	-	0.2	-	n/a
	0.4	0.4	0.0%	0.2	0.1	100.0%

(in millions of dollars unless stated otherwise)

The Company acquired land during the Quarter that separated our Great Northern Casino and Service Plus hotel properties. The land was formerly a road allowance held by the City of Grande Prairie pending final development planning for a new hospital being constructed on adjacent land. The land will provide additional parking and expansion potential for the properties.

## Financial condition

### Liquidity

Net cash provided by operating activities totalled \$6.3 million for the Quarter up \$0.8 million from the year ago quarter. At the end of the Quarter cash balances totalled \$14.6 million compared to \$14.7 million at the start of 2017. Factors affecting the Company's ability to generate cash in the near and longer terms are listed in the section 'Forward looking statements.' These factors are discussed in more specific terms in the section 'Business risks, opportunities and outlook.'

The Company has a revolving credit line of \$18.0 million of which \$10.2 was available to be drawn at the end of the Quarter.

The Company's cash balances are made up of cash floats and traditional bank balances only.

The Company has a 91% Participating Interest in the operating activities of the Deerfoot and an 87.75% Contributing Interest Responsibility for any capital requirements of the Deerfoot that are provided by financing or can not be provided from operating cash flow.



## Working capital

Internal working capital requirements for the Company 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 any float balances on premises to a maximum 150% of combined slot Cash Play and table Drop activity levels with cash surplus held in bank accounts or used to reduce revolving debt.

In addition to cash floats on premises, the Company maintains cash sufficient to fund one month's operating expenses, one month's interest cost on traditional debt facilities 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 the Company'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 day's-sales-outstanding (DSO) not greater than 45 days. The Company'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. The Company is compliant with MCNWCP requirements.

The Company's term debt, held by Gamehost Limited Partnership and Deerfoot, includes demand clauses in the event certain performance covenants are not met. The Company is in compliance with all covenants.

## Commitments

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

The Company has certain other commitments for equipment, services, and premises rent under operating leases for which the future minimum payments are as follows:

Commitments						
	2018	2019	2020	2021	2022	Thereafter
Total	1.6	1.4	1.2	0.2	0.1	-

(in millions of dollars unless stated otherwise)

## Dividend policy and practice

The board of directors of the Company is responsible for determining the dividend policy of the Company. 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 companies (i.e. an ABCA company shall not declare or pay a dividend if there are reasonable grounds for believing that (a) a company is, or would after the payment be, unable to pay its liabilities as they become due, or (b) the realizable value of the company's assets would thereby be less than the aggregate of its liabilities and stated capital of all classes).

The monthly dividend policy of the Company is designed to provide for regular monthly dividend payments to holders of common shares to the extent that cash flows, operating metrics and future needs for cash support continuation of same. The Company's Board of Directors retain the right to modify such dividend policy from time to time at its discretion.

## Dividend pay-out ratio

There is no standardized method for calculating dividend pay-out ratio under IFRS. The Company's method for determining its dividend pay-out ratio aims to match all cash expenses incurred in operations of the Company with EBITDA earned during the same period, regardless of the timing for payment of expenses.

Dividend pay-out ratio	Q4 (twelve months)			Q4 (three months)		
	2017	2016	+(-)	2017	2016	+(-)
EBITDA to Shareholders	27.0	27.6	(2.2%)	7.1	6.7	6.0%
Adjustments (excl. Non-controlling interest portions)						
Scheduled principal payments on demand debt	(1.9)	(1.9)	0.0%	(0.5)	(0.5)	0.0%
Interest expensed	(1.1)	(1.1)	0.0%	(0.3)	(0.3)	0.0%
Income tax expense	(6.2)	(7.0)	(11.4%)	(1.6)	(1.2)	33.3%
	17.8	17.6	1.1%	4.7	4.7	(0.0%)
Dividends declared	17.0	19.0	(10.5%)	4.2	4.3	(2.3%)
Surplus (deficit) to dividends declared	0.8	(1.4)	(157.1%)	0.5	0.4	25.0%
Normalized dividend pay-out ratio <sup>1</sup>	95.5%	108.0%	(12.5%)	89.4%	91.5%	(2.1%)

(in millions of dollars unless stated otherwise)

<sup>1</sup> Share repurchases and capital expenditures funded by operating earnings are removed for the purposes of normalizing dividend pay-out ratios.

## Productive capacity

The Company's assets include land, land improvements, buildings, leasehold improvements, and furniture, fixtures and equipment. At the end of the Quarter, productive capacity of the Company consisted of 122 guest rooms and 1 meeting room at Service Plus, 188 guest rooms, 10 meeting/banquet rooms, 1 showroom, 3 restaurants, and a lounge at Deerfoot, and ancillary amenities for both facilities. Great Northern has a cafe and a segregated showroom, while Boomtown has a cafe and an integrated stage/live entertainment area. Also included in productive capacity are the Company's interests in three gaming licenses, one each for Boomtown Casino, Great Northern Casino, and Deerfoot Casino. Together these licenses provide a revenue stream for the Company from an equivalent 1,695 electronic gaming devices, 66 table/poker games, and other ancillary equipment. The table below summarizes changes in productive capacity since the beginning of operations.

<b>Productive capacity</b>								
<b>Year</b>	<b>Event</b>	<b>Gaming sq. ft</b>	<b>Banquet sq. ft.</b>	<b>Guest rooms</b>	<b>F &amp; B seating</b>	<b>Electronic gaming devices</b>	<b>Tables</b>	<b>Lease/ retail sq. ft.</b>
2003	Inception of Company	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 VLTs					3		
	Acquisition of an additional 51% interest in Deerfoot	31,212	10,200	113	153	448	20	
	Deerfoot table addition						2	
2011	AGLC adds VLTs					3		
2012	AGLC adds slot machines					1		
	AGLC adds VLTs					3		
2013	AGLC adds slot machines	400				30		
	AGLC adds bingo at Great Northern	870	(870)			80		
	AGLC adds VLTs at Great Northern					6		
	Great Northern Casino lounge/showroom expansion		2,600		55			
2014	AGLC adds slot machines					5		
	AGLC adds VLTs at Great Northern					20		
	Bingo closed at Great Northern	(270)	270			(80)		
	Service Plus guestroom decommissioned for use as breakfast room commissary			(1)				
2015	AGLC adds VLTs at Deerfoot					4		
2016	Deerfoot removes table						(1)	
	AGLC adds VLTs at Deerfoot					3		
2017	AGLC adds VLTs at Deerfoot					12		
<b>at December 31, 2017</b>		<b>109,356</b>	<b>21,400</b>	<b>310</b>	<b>578</b>	<b>1,695</b>	<b>66</b>	<b>10,530</b>

### Productive capacity maintenance

Productive capacity maintenance costs for facilities of the Company are minimal. Maintaining the shine on our properties so that they continue to attract guests is largely a program 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 consolidated financial statements. Management may, however, undertake smaller capital projects to be paid from cash generated from operating activities. These capital costs, when funded from operating cash flow, would fall into the category of productive capacity maintenance.

Liquor sales require the Company 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 the Company to pay for liquor orders electronically prior to delivery from AGLC wholesale.

Slot, VLT, and Lottery equipment is owned and maintained by the AGLC. Tables are owned or leased and maintained by the Company. Productive capacity maintenance of both tables and electronic gaming devices are more significantly measured in terms of maintenance of the Company's charitable gaming Facility Operator Licenses issued by the AGLC. Holders of these licenses must adhere to a strict set of terms and conditions. The Company's three licenses were renewed in June 2017 for six year terms expiring June 30, 2023. The Company considers the licenses to have indefinite life.

Average annual capitalized costs for productive capacity maintenance are not expected to exceed \$0.8 million in any given year.

#### 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

The Company has no long-term unfunded contractual obligations. The Company does not have a pension plan or stock based compensation plan. The benign nature of the Company'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 the Company's traditional bank debt instruments allow for additional payments without penalty. Debt maintenance includes regular amortized monthly principal payments, and intermittent payments on outstanding revolving debt instruments when surplus cash is available. Management's objective is to limit Total Debt to EBITDA to a ratio of 2.0 to 1 or less until such time as opportunities encourage a different strategy. The Company's Total Debt to EBITDA ratio at the end of the Year is 0.9 to 1.

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

The Company 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 loan agreements and interest rates allow for scheduled amortization periods of 10 years in meeting dividend objectives.

#### Financing restrictions on dividends caused by debt covenants

The Company has three term loans secured by assets owned or leased by the Company. The loans require blended principal and interest payments, which are scheduled to term out over 10 years. The Company also has a revolving loan secured by the same assets requiring interest only payments.

The Company's revolving loans and term loans require the maintenance of certain financial covenants and conditions. Specifically, the Company must maintain a cash flow coverage ratio of not less than 1.25 to 1, the actual ratio being 3.3 to 1 at the end of the Year (2.7 to 1 - December 31, 2016), and a debt to tangible net worth ratio of not greater than 3.0 to 1, the actual ratio being 0.5 to 1 at the end of the Year (0.6 to 1 - December 31, 2016).

## Income taxes

The Company is subject to income taxes and made monthly installment payments on estimated taxable income throughout the Year.

## Cash dividends declared

## 2018 dividend summary

Month	per Share	Date			Net Shares o/s <sup>1</sup>	Dividends
		Declared	Record	Payment		
January	0.0575	16-Jan-18	31-Jan-18	15-Feb-18	24,671,853	1.4
February	0.0575	15-Feb-18	28-Feb-18	15-Mar-18	24,606,753	1.4
Total	0.1150					2.8

## 2017 dividend summary

Month	per Share	Date			Net Shares o/s <sup>1</sup>	Dividends
		Declared	Record	Payment		
January	0.0575	16-Jan-17	31-Jan-17	15-Feb-17	24,729,103	1.4
February	0.0575	15-Feb-17	28-Feb-17	15-Mar-17	24,729,103	1.4
March	0.0575	14-Mar-17	31-Mar-17	13-Apr-17	24,729,103	1.4
April	0.0575	18-Apr-17	30-Apr-17	15-May-17	24,729,103	1.4
May	0.0575	12-May-17	31-May-17	15-Jun-17	24,729,103	1.4
June	0.0575	19-Jun-17	30-Jun-17	14-Jul-17	24,729,103	1.5
July	0.0575	18-Jul-17	31-Jul-17	15-Aug-17	24,729,103	1.4
August	0.0575	8-Aug-17	31-Aug-17	15-Sep-17	24,729,103	1.4
September	0.0575	12-Sep-17	30-Sep-17	13-Oct-17	24,729,103	1.5
October	0.0575	16-Oct-17	31-Oct-17	15-Nov-17	24,729,103	1.4
November	0.0575	14-Nov-17	30-Nov-17	15-Dec-17	24,729,103	1.4
December	0.0575	14-Dec-17	31-Dec-17	15-Jan-18	24,729,103	1.4
Total	0.6900					17.0

## 2016 dividend summary

Month	per Share	Date			Net Shares o/s <sup>1</sup>	Dividends
		Declared	Record	Payment		
January	0.0733	19-Jan-16	31-Jan-16	12-Feb-16	24,729,103	1.8
February	0.0733	18-Feb-16	29-Feb-16	15-Mar-16	24,729,103	1.8
March	0.0733	8-Mar-16	31-Mar-16	15-Apr-16	24,729,103	1.8
April	0.0733	18-Apr-16	30-Apr-16	13-May-16	24,729,103	1.8
May	0.0733	10-May-16	31-May-16	15-Jun-16	24,729,103	1.8
June	0.0575	10-May-16	30-Jun-16	15-Jul-16	24,729,103	1.5
July	0.0575	18-Jul-16	31-Jul-16	15-Aug-16	24,729,103	1.4
August	0.0575	14-Aug-16	31-Aug-16	15-Sep-16	24,729,103	1.4
September	0.0575	19-Sep-16	30-Sep-16	14-Oct-16	24,729,103	1.5
October	0.0575	18-Oct-16	31-Oct-16	15-Nov-16	24,729,103	1.4
November	0.0575	8-Nov-16	30-Nov-16	15-Dec-17	24,729,103	1.4
December	0.0575	19-Dec-16	31-Dec-16	13-Jan-17	24,729,103	1.4
Total	0.7690					19.0

(in millions of dollars unless stated otherwise)

<sup>1</sup> Total outstanding shares less shares to be cancelled from purchases made by the Company under normal course issuer bid (NCIB) where dividends were paid to the Company.

## 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).

## Income 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.

### Current income tax

twelve months ended December 31	2017	2016
Current tax expense	5.2	7.3
Deferred tax expense		
Origination and reversal of temporary differences	1.0	(0.3)
	6.2	7.0

(in millions of dollars unless stated otherwise)

Deferred taxes have been calculated using the combined federal and provincial substantially enacted for the periods reported.

### Reconciliation of effective tax rate

Actual income tax expense differs from the expected income tax expense that would have been computed by applying the statutory income tax rate to earnings before income taxes for the following reasons:

twelve months ended December 31	2017	2016
Profit attributable to shareholders	16.7	16.2
Income tax expense	6.2	7.0
Profit excluding income tax	22.9	23.2
Income tax using Company's domestic tax rate	27.00%	27.00%
Expected income tax expense	6.2	6.3
Changes in income tax expense resulting from:		
Effect of changes in temporary differences	-	0.7
Income tax expense	6.2	7.0

(in millions of dollars unless stated otherwise)

Substantially enacted tax laws, as they relate to the Company's liability for current and deferred taxes, have been factored into the determination of reported taxes. Income tax instalments made during the year approximate taxes payable.

## Capital resources

The Company has demand term loans secured by its land and buildings. At the end of the Year the Company was paying interest at a rate of 4.2%, being 1.0% above the lender's prime lending rate. The Company will make blended monthly principal and interest payments on the loans amortized over 10 years to 2025. A revolving loan has an available limit of \$18.0 million and is secured by the same assets as the demand term loans. The revolving loan requires interest-only payments, also at the lenders rate of prime plus 1.0%.

Deerfoot has a term loan secured by its land and buildings. At the end of the Year Deerfoot was paying interest at a rate of 4.2%, being 1.0% above the lender's prime lending rate. The term loan is amortized to the year 2025 and Deerfoot will make blended monthly principal and interest payments on the loan amortized over 10 years.

	Maturity	December 31, 2017	December 31, 2016
Credit facilities available at face value			
Revolving credit line	2025	18.0	18.0
Term loan	2025	11.9	13.2
Deerfoot - term loan	2025	6.1	6.8
		<b>36.0</b>	<b>38.0</b>
Carrying value of borrowed amounts			
Current liabilities			
Revolving credit line		7.8	9.8
Term loan		1.3	1.3
Deerfoot - term loan		0.7	0.7
		<b>9.8</b>	<b>11.8</b>
Non-current liabilities			
Term loan		10.6	11.9
Deerfoot - term loan		5.4	6.1
		<b>16.0</b>	<b>18.0</b>
		<b>25.8</b>	<b>29.8</b>
Interest rate			
Revolving credit Lines <sup>1</sup>		4.20% (P +1.00%)	3.70% (P +1.00%)
Term loan <sup>1</sup>		4.20% (P +1.00%)	3.70% (P +1.00%)
Deerfoot - term loan <sup>1</sup>		4.20% (P +1.00%)	3.70% (P +1.00%)

(in millions of dollars unless stated otherwise)

<sup>1</sup> Prime rate (P) at the end of the Year was 3.20% following rate increases of 0.25% in each of July 2017 and August 2017.

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

## Financial instruments

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### Fair value

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

### Interest rate risk

The Company's interest rate risk arises primarily from its variable rate debt in the aggregate amount of \$25.8 million. The Company is paying interest at 4.2% on traditional bank term debt and revolving debt. A 1.0% increase in interest rates would have an unfavourable impact on earnings of \$0.3 million or \$0.01/common share on an annualized basis.

### Credit risk

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

The Company, in the normal course of operations, monitors the financial condition of its customers and other receivables. The Company 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 Quarter, past due accounts and accounts written off are insignificant.

### Liquidity risk

Liquidity risk arises from excess financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient, readily available reserves in order to meet on-going liquidity requirements.

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

The Company's lender has scheduled monthly blended payments that will amortize the demand term loan balance by August 2025, and Deerfoot term loan balance by August 2025.

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. The Company is in compliance with this requirement.



Following are the undiscounted contractual maturities of financial liabilities, including estimated interest payments:

As at December 31, 2017	Carrying amount	Contractual cash flows	1 year or less	2 to 5 years	More than 5 years
Trade and other payables	4.5	4.5	4.5	-	-
Term loans	18.0	21.1	2.8	11.2	7.1
Revolving credit facility	7.8	7.8	7.8	-	-
	30.3	33.4	15.1	11.2	7.1
<hr/>					
As at December 31, 2016					
Trade and other payables	3.8	3.8	3.8	-	-
Term loans	20.0	23.4	2.7	10.8	9.9
Revolving credit facility	9.8	9.8	9.8	-	-
	33.6	37.0	16.3	10.8	9.9

(in millions of dollars unless stated otherwise)

### Foreign currency risk

The Company's foreign currency risk arises primarily from the purchases of specialized goods and services in US dollars. While not significant, fluctuations in the exchange rate between the Canadian and US dollars result in exchange gains or losses. The Company mitigates foreign currency risk by purchasing US dollars when deterioration in exchange rates is expected. US currency is held in US dollar denominated bank accounts for this purpose.

### Industry risk

The Company's operations are all located in Alberta, and to varying extents derive portions of their business income from corporate clients in the energy sector. As a result, the Company is exposed to some industry risk.

### 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 Company is authorized to issue an unlimited number of Shares of any class. Common stock is valued at the original contributed capital amount, as at the 2003 plan of arrangement forming the former Gamehost Income Fund, plus fair value adjustments on former Class B limited partnership units that were converted to common stock, plus Shares purchased by the Company for cancellation under normal course issuer bids, plus convertible debentures that converted to common stock, and amortization of a conversion privilege on the Company's matured debentures.

On April 24, 2015 the Company commenced a normal course issuer bid (the "2015 Bid"). Pursuant to the 2015 Bid, Gamehost was authorized to purchase for cancellation up to a maximum of 1.3 million common shares, being equal to 10% of Gamehost's 'public float' outstanding on April 15, 2015. Notwithstanding the foregoing, pursuant to the rules of the TSX, Gamehost could not purchase more than 3,143 common shares in any one day, such amount being equal to 25% of the average daily trading volume for the six months ended March 31, 2015. No common shares were purchased under the 2015 Bid. The 2015 Bid terminated on April 23, 2016.

On April 25, 2016 the Company commenced a normal course issuer bid (the "2016 Bid"). Pursuant to the 2016 Bid, Gamehost was authorized to purchase for cancellation up to a maximum of 1.4 million common shares, being equal to 10% of Gamehost's "public float" outstanding on April 8, 2016. Notwithstanding the foregoing, pursuant to the rules of the TSX, Gamehost could not purchase more than 4,138 common shares in any one day, such amount being equal to 25% of the average daily trading volume for the six months ended March 31, 2016. No common shares were purchased under the 2016 Bid. The 2016 Bid terminated on April 24, 2017.

On April 25, 2017 the Company commenced a normal course issuer bid (the "2017 Bid"). Pursuant to the 2017 Bid, Gamehost is authorized to purchase for cancellation up to a maximum of 750,000 common shares, being equal to 5.1% of Gamehost's "public float" outstanding on April 7, 2017. Notwithstanding the foregoing, pursuant to the rules of the TSX, Gamehost may not purchase more than 3,176 common shares in any one day, such amount being equal to 25% of the average daily trading volume for the six months ended March 31, 2017. Common shares purchased under the 2017 Bid will be transacted in the open market only through the facilities of the TSX and any other Canadian marketplaces, at market prices in effect on the date of trade. The 2017 Bid will terminate on April 24, 2018 or such earlier time as the 2017 Bid is completed or terminated at the option of the Company. There were 24,729,103 common shares issued and outstanding as at April 8, 2017. Of this amount, 14,675,000 common shares constitute the "public float," calculated in accordance with the rules of the TSX. No common shares were purchased under the 2017 Bid during the Year. However, during 2018, to February 28, 2018, the Company purchased 122,350 common shares for cancellation at prices averaging \$10.10/common share plus commissions.

## Related party transactions

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

The Company had related party transactions with David Will and Darcy Will and/or companies owned or controlled by David Will and/or Darcy Will collectively (the "Wills"). The Wills are key management personnel, directors of the Company, and significant shareholders. Together, the Wills control 35.6% of the outstanding common shares of the Company.

- The Company incurred \$1.3 million (\$1.4 million - 2016) in key management personnel compensation with the Wills for the Year which is included in administrative expenses. Compensation is in the form of short term employee benefits, director fees, management agreements, and a general partnership agreement. Management fees stipulated in management services agreements are based on a percentage of revenues and/or earnings before interest, taxes, depreciation and amortization.

A management services agreement between the Company and the Wills stipulates that the Wills are entitled to 1.5% of gross operating profit before interest, taxes, depreciation, amortization, and extraordinary items of the Company. These amounts are included in figures for key management personnel compensation.

The management services company engaged to perform the services referred to above is also the general partner of Gamehost Limited Partnership. The partnership agreement stipulates that the general partner is entitled to 0.01% of all cash distributions of the partnership. These amounts are included in figures for key management personnel compensation.

A management services agreement between Deerfoot and the Wills stipulates that the Wills are entitled to 1.5% of the gross revenues plus 2.0% of operational earnings before interest, taxes, depreciation, amortization, and extraordinary items of Deerfoot. These amounts are included in figures for key management personnel compensation.

- The Company incurred \$0.1 million (\$0.1 million – 2016) of charter aircraft rental expenses with Will Air Inc., a company controlled by the Wills, for the Year, which is included in administrative expenses. Travel to the Company's operational centres of Grande Prairie and Fort McMurray is made more efficient via charter air services than can be accomplished through commercial carriers.
- The Company incurred \$0.1 million (\$0.1 million – 2016) of office rent expenses for the Year which is included in administrative expenses. The Company has corporate office space leased from Darcy Co Holdings Ltd., a company wholly owned by Darcy Will. Deerfoot rents its head office space from DJ Will Holdings Limited, a company wholly owned by David Will.

The Company incurred \$0.1 million (\$0.1 million – 2016) of rental expenses for the Year which is included in cost of sales. The Company rents tractor trailer parking and storage space from Peace Country Hospitality Inc., a company controlled by the Wills together with the Company's Chief Operating Officer ("COO").

The Company incurred \$0.1 million (\$0.1 million – 2016) in directors fees during the Year paid to other directors of the Company which is included in administrative expenses.

The Company incurred \$0.2 million (\$0.1 million – 2016) of charter aircraft rental expenses during the Year with Noren Air Inc., a company controlled by the Company's COO, which is included in administrative expenses.

The Company incurred \$0.5 million (\$0.6 million – 2016) for the Year in key management personnel compensation paid to other officers or companies controlled by other officers of the Company, which is included in administrative expenses. Included in these figures are fees paid under an operational services agreement between the Company and the Company's COO for overseeing site operations of the Company.

## **Business risks, opportunities and outlook**

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### **General economic outlook**

The Alberta Government's economic dashboard is reporting the province has firmly entered into a moderate growth cycle, with 24 of 34 key performance indicators recording year-over-year growth. In Q3 of this Year, Alberta recorded net positive migration for the first time since Q2 2015, with jobs returning to the energy sector. The recovery is not spread uniformly across the province, evidenced by our own results which represent three distinct economic regions.

### **Local economic outlook**

Canada Mortgage and Housing Corporation reports that rebuilding efforts following the 2016 area wild fires in Fort McMurray are progressing ahead of schedule with approximately one third of the destroyed homes completed or in progress. The Conference Board of Canada's latest report states the rebuilding effort, along with a recovery in oil prices, is expected to contribute to GDP growth rates in excess of 10% in 2018, which will out pace other major urban areas in the province. Local indigenous groups recently announced their support for a proposed \$20.6 billion mine north of Fort McMurray, which is now proceeding through regulatory processes. Oil prices have been on a steady growth trajectory since the beginning of August 2017, with sustained prices above \$60 since the beginning of December 2017. Continued stability at or above these price levels should encourage additional energy sector investment and further improve consumer confidence.

Oil and gas activity in the Grande Prairie region continues to be robust. Consumers are spending more broadly including in many high discretionary areas such as our business. Construction on the new Grande Prairie Regional Hospital continues to support the local economy. The hospital will further boost the local economy when it opens in 2019.

Calgary returned to a small net migration figure in its last census completed in April 2017. Unemployment statistics for the city continue to improve. We expect to see steady, but slow improvement in economic conditions over time.

### Government regulation

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.

Since 2008 the Board of the AGLC has been deferring consideration of new casino and REC licences.

### Competition

Management is not aware of any gaming expansions that could have a material effect on the Company's operations.

There are eight slot gaming licences issued in the Calgary region including a racing entertainment centre (REC) located in an adjacent county to the north. The Company's Deerfoot Inn & Casino is located deep in the south east quadrant of the city with the nearest casino competition some 13 kilometres to the north west. There is sparse competition to the Deerfoot's rooming business. The closest competition is operated by a related party. This property operates at a different price point to the Deerfoot and has been beneficial in boosting banquet and conference capacity for Deerfoot. Otherwise, the next closest comparable competition is an older property located 4.2 kilometres to the north, also offering banquet and convention services.

The First Nations casino on Calgary's western edge also provides hotel accommodations, meeting/conference space and event space. Their showroom allows for larger single night live performances than can be accommodated at Deerfoot, but otherwise, the Deerfoot maintains a superior overall location and conference packaging.

The Great Northern Casino in Grande Prairie is the only full service casino in the city. Evergreen Park is the area's agriribition and trade grounds located 8.5 kilometres from the city centre. The park operates a small REC with off-track betting, 99 slot machines and VLTs. Great Northern Casino has the city's premier intimate live entertainment space. The F&B market is competitive and ever-changing, but the casino's unique offering and location give it a competitive niche.

The Company'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 is convenient for those travelling to Grande Prairie as their nearest major market city. A new extended stay hotel opened in June 2016 on a site directly across the street from Service Plus. The property was developed by a related party and is intended to provide services to a different segment of the rooming market. The new hotel has had no material impact on occupancy at Service Plus.

The Company's Boomtown Casino in Fort McMurray operates without any gaming related competition in the trading area. At present, gaming demand is well served by the Company's current capacity. More immediate and significant competition exists to the food and beverage segment of our business as new franchise and independent operators get established. The Company is currently evaluating options for the casino at the end of the current property lease. Key considerations are expanded space allowing for improved amenities and additional parking.

Under a predecessor government, AGLC invited submissions to a request for proposal for a turnkey online gaming solution. The province's current elected government has not followed suit with some provincial counterparts into the online gaming space, and in fact announced that any plans by the former government were being shelved. Albertans continue to have access to grey market online gaming sites.

## Information Security

Gamehost relies on information technology systems for the efficient management and operation of its business. Reliability and security of these systems is essential to effective uninterrupted operations and information privacy. The Company relies significantly on AGLC systems and security protocols related to AGLC owned and controlled electronic games. Additional Company owned and implemented technology systems are deployed and continually monitored. Although AGLC and Company information technology systems contain safeguards against unauthorized access, there is risk that safeguards could fail or be breached. Failure of, or malicious security breach to, any of AGLC or Company systems could result in adverse consequences, including but not limited to; unavailability, disrupted functionality, loss, corruption, ransom, or unauthorized disclosure of sensitive Company, customer, vendor or employee information. The Company attempts to prevent any such failures or breaches through the implementation of effective internal controls, processes, procedures, and technology security measures. The Company contracts third party providers, skilled in the area of information systems to advise, implement, and manage network and information security, but there can be no assurance that these measures will be fully effective. There were no known or detected breaches during the Year.

## International Financial Reporting Standards (IFRS)

### Standards, amendments and interpretations effective and applied

The Company has applied the following amended standards, effective January 1, 2017. Changes were made in accordance with applicable transitional provisions. Application of the amendments have had no impact on the Company's consolidated financial statements.

- *IAS 7 - Statement of Cash Flows* - amended to improve clarity for statement readers about an entity's financing activities.
- *IAS 12 - Income Taxes* - amended to clarify when a deferred tax asset should be recognised for unrealized losses.

Standards and amendments to standards and interpretations that are not yet effective for the year ended December 31, 2017 have not been applied in preparing these consolidated financial statements but are described below. For those standards where earlier application is permitted, the Company expects to apply the changes at the effective date.

- *IAS 40 - Investment Property* - amended to clarify that a property should be transferred to, or from, investment property, only when there is a change in use, and further clarifies the circumstances when a change in use has occurred. It is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.
- *IFRIC 22 - Foreign Currency Transactions and Advance Consideration* - issued to clarify the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense, or income, and further clarifies that multiple payments or receipts give rise to separate transaction dates. It is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

- *IFRS 9 - Financial Instruments* (replaces IAS 39) - addresses the classification and measurement requirements of financial assets and liabilities. It is intended to improve transparency in the disclosure of expected credit losses. It is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. The standard will not have a material impact on the Company's consolidated financial statements.
- *IFRS 15 - Revenue from Contracts with Customers* (replaces IAS 11 and IAS 18) - provides a single and comprehensive framework for recognizing revenue from contracts with customers. It does not apply to leases, financial instruments or insurance contracts. It is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Earlier application is permitted. The standard will not have a material impact on the Company's consolidated financial statements.
- *IFRS 16 - Leases* (replaces IAS 17) - specifies how to recognise, measure, present, and disclose leases. The standard is substantially unchanged from IAS 17. Lessor accounting is largely un-impacted. The new standard, however, requires lessees to recognize assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The Company has operating lease commitments for which the presentation will change. Property, plant and equipment will increase as will current and long-term lease liability amounts on the Consolidated Statements of Financial Position. The presentation of lease expenses on the Consolidated Statements of Comprehensive Income currently reported in "Cost of sales - other" and "Administrative expenses - other" will change to "Cost of sales - depreciation" and "Net financing costs." Reductions in the lessee's principal obligations will result in higher "Net cash provided by operating activities," offset by equally higher amounts of "Net cash used in financing activities." The standard is effective for annual periods beginning on or after January 1, 2019. The Company has not yet estimated the quantitative impact of the new standard.

Management is currently assessing the impact of the above future accounting changes on the Company's consolidated financial statements.

#### **Additional information**

All required public disclosures including material documents, press releases, annual information form, and consolidated financial statements of the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information about the Company can be found at [www.gamehost.ca](http://www.gamehost.ca).