Gamehost Inc.

Management Discussion and Analysis

for the twelve and three month periods ended December 31, 2018

To Our Shareholders

Management and Directors of Gamehost Inc. (the "Company") present results for the twelve and three months ended December 31, 2018 (the "Year" and "Quarter" respectively).

Operating revenue for the Quarter was flat to the prior year at $17.7 million while profit to shareholders was $0.8 million lower. Higher wage expenses from increases to Alberta's minimum wage had the most significant impact on costs, while a select number of other expense areas recorded either planned or unexpected short term increases to prior year levels. Earnings per common share for the Quarter were $0.15 versus $0.18 in Q4 2017.

Earnings before interest, taxes, depreciation, and amortization ("EBITDA") that is attributable to shareholders of the Company ("EBITDA to Shareholders") was down $0.7 million or 9.9% to $6.4 million compared to $7.1 million in the same quarter of 2017. EBITDA to Shareholders margin for the Quarter was 1.9 percentage points lower than the same quarter in 2017 at 38.1% compared to 42.0%.

Operating results during the Quarter were mixed by property and revenue streams. The local economy in Fort McMurray has faced some contraction. No clear trends are evident in either Grande Prairie or Calgary. Except for an improvement in the discount on Western Canadian Select crude prices, impediments to economic growth persist, from pipeline capacity constraints and provincial and federal regulatory burden to global geo-political tensions.

The Company purchased 83,400 shares on normal course issuer bid during the Quarter at prices averaging $9.55 per common share plus commissions. The Company will continue to purchase shares at opportunistic price levels.

On December 14, 2018, the Company completed the purchase of the hotel Encore Suites by Service Plus Inns located in Grande Prairie, Alberta from Peace Country Hospitality Inc ("Peace Country") for a price of $12.5 million. The purchase was completed using available capacity on the Company's revolving credit facility. Peace Country is a company controlled by David Will, Darcy Will and Elston Noren, each of whom are officers and significant shareholders of the Company. The transaction was exempt from the formal valuation and minority shareholder approval requirements under applicable securities law for related party transactions as both the fair market value of the property, the business being acquired, and the fair valuation for the consideration paid were substantially less than 25% of Gamehost's market capitalization. The property was independently appraised in May 2018 for $13.3 million. Cash flow from the new property is expected to offset the impact of cost inflation on the Company.

We will continue to work hard and strive for efficiencies that maintain the value of our assets.

12-Mar-19

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 twelve and three month periods ended December 31, 2018

This Management's Discussion and Analysis ("MD&A") of the business, operating results, liquidity, capital resources, and other financial information of Gamehost Inc. (the "Company") is prepared as at March 12, 2019. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company, and the accompanying notes for the twelve and three month periods ended December 31, 2018 (respectively the "Year" and "Quarter"), and with the audited consolidated financial statements of the Company and accompanying notes for the year ended December 31, 2017.

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 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"), EBITDA attributable to shareholders of the Company ("EBITDA to Shareholders"), and EBITDA to Shareholders Margin, which are all non-IFRS financial measures. EBITDA related calculations exclude any gains or losses on retirement of assets, foreign exchange gains or losses, and any fair market value adjustments recorded. EBITDA to Shareholders is reconciled to Profit and comprehensive profit on page 13. Dividend pay-out ratio, and normalized dividend pay-out ratio are both non-IFRS financial measures. Dividend pay-out ratio excludes gains or losses on the sale of assets and any capital expenditures funded by debt. Normalized pay-out ratio excludes additional items such as the cost of share repurchases and capital expenditures funded from operating cash flow.

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.

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 publicly 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, 2018, 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 2013 as its framework for establishing internal control over financial reporting.

Organizational structure

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 24.3 million common shares issued and outstanding as at December 31, 2018 (24.7 million - December 31, 2017) and 24.3 million common shares issued and outstanding as at March 12, 2019, 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

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"), Service Plus Inns & Suites ("Service Plus"), and Encore Suites by Service Plus Inns ("Encore Suites"), both limited service hotels, 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, Liquor and Cannabis ("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

Operating revenue for the Quarter was flat to the year earlier at $17.7 million. The Quarter includes 18 days of operating results from the newly acquired Encore Suites hotel which did not result in a material contribution to reported profit. Overall results were soft for the Quarter and mixed by property and revenue streams.

EBITDA to Shareholders was down $0.7 million, or 9.9% in year-over-year comparison for the Quarter. EBITDA to Shareholders margin was lower by 390 basis points to 38.1% from 42.0% the previous year.

At the end of the Quarter, the Company had $174.3 million in total assets, up $10.2 million from the start of 2018. Cash balances of $15.8 million were up $1.2 million from the start of 2018. The Company's debt to EBITDA ratio at the end of the Year is 1.4 to 1 on total debt of $41.0 million. During the Quarter, the Company acquired the business and property known as Encore Suites by Service Plus Inns for $12.5 million and repurchased $0.8 million of its common shares.

Quarterly performance summary

Quarterly performance	**2018**				**2017**			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Operating revenue	**17.7**	17.3	17.8	17.7	17.7	17.2	16.5	16.7
Cost of sales	**(10.9)**	(9.9)	(10.0)	(9.8)	(10.0)	(9.5)	(9.6)	(9.7)
Gross profit	**6.8**	7.4	7.8	7.9	7.7	7.7	6.9	7.0
Other income	**-**	-	-	-	-	-	-	-
Administrative expenses	**(1.0)**	(1.1)	(1.1)	(1.1)	(1.0)	(1.0)	(1.0)	(1.2)
Profit from operating activities	**5.8**	6.3	6.7	6.8	6.7	6.7	5.9	5.8
Finance costs net of finance income	**(0.4)**	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.3)
Profit before income tax	**5.4**	6.0	6.4	6.5	6.5	6.5	5.7	5.5
Income tax expense	**(1.4)**	(1.5)	(1.6)	(1.7)	(1.7)	(1.7)	(1.5)	(1.4)
Profit	**4.0**	4.5	4.8	4.8	4.8	4.8	4.2	4.1
Less non-controlling interest	**(0.3)**	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)
Profit attributable to shareholders	**3.7**	4.2	4.5	4.5	4.5	4.5	4.0	3.9
Earnings per share								
Basic and diluted	**$ 0.15**	$ 0.17	$ 0.18	$ 0.18	$ 0.18	$ 0.18	$ 0.16	$ 0.16
EBITDA to Shareholders	**6.4**	6.7	7.1	7.2	7.1	7.2	6.4	6.3
EBITDA to Shareholders %	**38.1%**	42.9%	42.0%	42.6%	42.0%	43.9%	40.5%	39.4%

(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. The Gaming segment includes three casinos offering slot machines, video lottery terminals ("VLT"), lottery ticket kiosks and table games. The Hotel segment includes three 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, 2018	Gaming	Hotel	Food & Beverage	Corporate and Other [1]	Total
Operating revenue and other income as % of total	62%	16%	22%	0%	100.0%
Operating revenue and other income	43.4	11.5	15.5	0.2	70.6
Other gains (losses)	-	-	-	-	-
Finance income	-	-	-	0.1	0.1
Finance costs	(0.3)	(0.8)	(0.1)	-	(1.2)
Depreciation	(1.0)	(1.5)	(0.5)	-	(3.0)
Other cost of sales and administrative expenses	(20.0)	(6.0)	(11.6)	(4.4)	(42.0)
Profit (loss) before income taxes	22.1	3.2	3.3	(4.1)	24.5
Segment assets	74.8	71.9	24.1	3.5	174.3
Segment liabilities	15.5	20.5	8.4	10.3	54.7
Capital expenditures	0.3	12.7	0.1	-	13.1

Hotel segment figures include the business acquisition of Encore Suites in segment assets and capital expenditures and related financing in segment liabilities. Profit includes immaterial operating results for 18 days in December 2018.

twelve months ended December 31, 2017	Gaming	Hotel	Food & Beverage	Corporate and Other [1]	Total
Operating revenue and other income as % of total	62%	16%	22%	0%	100%
Operating revenue and other income	42.0	11.2	14.9	0.3	68.4
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)
Profit (loss) before income taxes	21.4	3.5	3.0	(3.9)	24.0
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

[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)

Operating revenue

Operating revenue consists of revenues generated by the Company's operating assets: Boomtown, Great Northern, Service Plus, Encore Suites, and Deerfoot. 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)		
	2018	2017	+(-)	**2018**	2017	+(-)
Operating revenue	**70.4**	68.2	3.2%	**17.7**	17.7	0.0%

(in millions of dollars unless stated otherwise)

The Quarter was soft with mixed results by property and revenue stream. Mild weather delayed freeze up resulting in road bans and a generally slow ramp up of energy-related field work. Consequently, hotel revenues were depressed and casino traffic was lower in northern regions.

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)		
	2018	2017	+(-)	**2018**	2017	+(-)
Room revenue	**11.1**	10.9	1.8%	**2.6**	2.6	0.0%
Occupancy	**66.9%**	68.2%	(1.3%)	**58.5%**	64.9%	(6.4%)
ADR	**$144.28**	$142.27	$2.01	**$145.88**	$141.77	$4.11
% of operating revenue	**15.8%**	16.0%	(0.2%)	**14.7%**	14.7%	0.0%

(in millions of dollars unless stated otherwise)

Results include a partial month of operations from the newly acquired Encore Suites property from December 14, 2018. The later weeks of December are seasonally slow due to Christmas. Contributions from the new property were immaterial.

At Service Plus, in year-over-year comparisons for the Quarter, rooming revenues were down 21.8%. Occupancy was down 19.3 percentage points to 65.5% from 84.8%. ADR, however, was higher by $3.00. Reported figures are before intercompany eliminations included in the above table. The Company continued a major refurbishment of the hotel rooms in the Quarter including paint, lighting and new case goods. Work will be stretched into the new year to minimize the daily number of out-of-service rooms. Warmer than expected weather slowed freeze up making it difficult for energy related winter field work to begin and fewer room sales.

Deerfoot rooming revenue was up 9.1% for the Quarter in year-over-year comparison. Occupancy was up 3.0 percentage points to 57.9% from 54.8% from the year ago quarter. Strength in conference bookings drove sales in the Quarter. Corporate travel is still challenged. ADR was up $2.03 compared to the prior year quarter.

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)		
	2018	2017	+(-)	**2018**	2017	+(-)
General, progressive and high limit	**11.5**	11.0	4.5%	**2.8**	2.8	0.0%
Poker	**2.6**	2.5	4.0%	**0.7**	0.6	16.7%
Total	**14.1**	13.5	4.4%	**3.5**	3.4	2.9%
% of operating revenue	**20.0%**	19.8%	0.2%	**19.8%**	19.2%	0.6%

(in millions of dollars unless stated otherwise)

# of tables	End of Quarter		
	2018	2017	+(-)
All Others	**43**	42	1
Poker	**17**	16	1
Progressive Table Games	**6**	8	(2)
Total	**66**	66	-

Drop and Hold	Q4 (twelve months)			Q4 (three months)		
	2018	2017	+(-)	**2018**	2017	+(-)
Drop	**90.4**	96.2	(6.0%)	**21.3**	24.1	(11.6%)
Hold %	**23.1%**	20.7%	2.4%	**23.2%**	20.3%	2.9%

(in millions of dollars unless stated otherwise)

Table Drop during the Quarter was down 11.6% from the same quarter in the prior year. Overall Hold % climbed 2.9 percentage points over the prior year quarter which offset the lower Drop. Poker was up 16.7% in quarterly comparison.

Boomtown table Drop was down 17.2% for the Quarter and Hold percentage was down 1.4 percentage points for a combined year-over-year decrease in net table revenue of 21.6%. Poker revenues were lower by 21.0% in year-over-year comparison for the Quarter. Weather and a number of utility related interruptions to operations during the Quarter impacted results. By mid-December, non-essential, non-resident oilsands workers were gone for the holiday season resulting in slow volume at year end.

For the Quarter, Great Northern tables reported a 3.5% reduction in Drop, but a 7.1% percentage point increase in Hold % for a combined 27.2% increase in net table revenue. Poker revenues were down in the Quarter by 6.0% over the prior year Quarter.

At Deerfoot, Drop was down 12.7% while Hold % was higher for the Quarter by 2.7 percentage points. The two factors combined for a flat net table revenue. Poker revenues were up by 27.0% 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 slot machines. Revenue to the operator, or 'Net,' is determined by all of the above factors.

Slot statistics	Q4 (twelve months)			Q4 (three months)		
	2018	2017	+(-)	**2018**	2017	+(-)
Cash Play	**2,022.4**	1,997.5	1.2%	**483.6**	499.6	(3.2%)
Machines [1]	**1,640**	1,641	(1.0)	**1,636**	1,641	(5.0)

(in millions of dollars unless stated otherwise)

[1] At the end of the Quarter

Slot revenue	Q4 (twelve months)			Q4 (three months)		
	2018	2017	+(-)	**2018**	2017	+(-)
Net	**22.8**	21.9	4.1%	**5.5**	5.6	(1.8%)
% of operating revenue	**32.4%**	32.1%	0.3%	**31.1%**	31.6%	(0.5%)

(in millions of dollars unless stated otherwise)

At Boomtown, in year-over-year comparison for the Quarter, Cash Play was down 13.1% while Hold percentage was higher by 40 basis points, resulting in a decrease in Net revenue of 9.1%. There were no changes to the number of slot machines at Boomtown during the Quarter.

At Great Northern, in year-over-year comparison for the Quarter, Cash Play was down by 1.3% while Hold percentage rose by 50 basis points, resulting in an increase in Net revenue of 4.7%. There was one slot machine removed at Great Northern during the Quarter.

At Deerfoot, in year-over-year comparison for the Quarter, Cash Play was higher by 2.4% while Hold percentage was flat, resulting in an increase in Net revenue of 1.3%. There were four slot machines removed 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 third party operating agreements. Only beverage service is consistently delivered directly by the Company. Where food operations are run by a third party, the Company records only the commission on those sales.

F&B Revenue	Q4 (twelve months)			Q4 (three months)		
	2018	2017	+(-)	**2018**	2017	+(-)
Food & mix	**5.8**	5.5	5.5%	**1.7**	1.7	(0.0%)
Liquor	**9.4**	9.1	3.3%	**2.6**	2.7	(3.7%)
Total	**15.2**	14.6	4.1%	**4.3**	4.4	(2.3%)
% of operating revenue	**21.6%**	21.4%	0.2%	**24.3%**	24.9%	(0.6%)

(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 down 15.4% in year-over-year comparison for the Quarter tracking similar results in other revenue streams.

Great Northern Casino F&B net revenues were down marginally by 2.4% in year-over-year comparison for the Quarter. Commissioned food sales were flat while liquor sales were lower by 3.3%.

Deerfoot F&B revenues were up modestly by 1.9% in year-over-year comparison for the Quarter. Food sales were marginally down while liquor sales were higher by 7.0%.

Ancillary revenue

Ancillary revenue includes the more significant items of automated teller (ATM) fees including cash call kiosks, VLT, 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)		
	2018	2017	+(-)	**2018**	2017	+(-)
Total	**7.2**	7.3	(1.4%)	**1.8**	1.7	5.9%
% of operating revenue	**10.2%**	10.7%	(0.5%)	**10.2%**	9.6%	0.6%

(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)		
	2018	2017	+(-)	**2018**	2017	+(-)
Total	**40.5**	39.0	3.8%	**10.9**	10.0	9.0%
% of operating revenue	**57.5%**	57.2%	0.3%	**61.6%**	56.5%	5.1%

(in millions of dollars unless stated otherwise)

Higher utility costs, repair and maintenance spending, and an additional increase in minimum wages effective October 1, 2018 boosted cost of sales expenditures in comparison to the prior year.

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)		
	2018	2017	+(-)	**2018**	2017	+(-)
Food & Mix	**2.0**	1.8	11.1%	**0.6**	0.6	0.0%
Liquor	**2.1**	2.1	0.0%	**0.5**	0.6	(16.7%)
Other	**0.2**	0.3	(33.3%)	**0.1**	-	-
Total	**4.3**	4.2	2.4%	**1.2**	1.2	0.0%
% of operating revenue	**6.1%**	6.2%	(0.1%)	**6.8%**	6.8%	0.0%

(in millions of dollars unless stated otherwise)

Cost of product %	Q4 (twelve months)			Q4 (three months)		
	2018	2017	+(-)	**2018**	2017	+(-)
Food & Mix	**34.5%**	32.7%	1.8%	**35.3%**	35.3%	0.0%
Liquor	**22.3%**	23.1%	(0.8%)	**19.2%**	22.2%	(3.0%)
Other	**48.3%**	52.7%	(4.4%)	**38.8%**	49.4%	(10.6%)

Both Boomtown and Great Northern have commission-based third party arrangements for food services and so they do not factor significantly into cost of sales analysis for food.

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)		
	2018	2017	+(-)	**2018**	2017	+(-)
Operating labour	**19.9**	18.9	5.3%	**5.3**	4.9	8.2%
% of operating revenue	**28.3%**	27.7%	0.6%	**29.9%**	27.7%	2.2%

(in millions of dollars unless stated otherwise)

During the Quarter, the Company absorbed an additional $1.40/hour increase in the minimum wage effective October 1, 2018. The Company has optimized labour inputs, to the greatest extent possible, in an effort to minimize the impact of higher minimum wage rates over the last three years.

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)		
	2018	2017	+(-)	**2018**	2017	+(-)
Total	**3.2**	3.2	0.0%	**0.8**	0.8	0.0%
% of operating revenue	**4.5%**	4.7%	(0.2%)	**4.5%**	4.5%	0.0%

(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)		
	2018	2017	+(-)	**2018**	2017	+(-)
Total	**13.1**	12.7	3.1%	**3.6**	3.1	16.1%
% of operating revenue	**18.6%**	18.6%	0.0%	**20.3%**	17.5%	2.8%

(in millions of dollars unless stated otherwise)

Repairs and maintenance, electricity, entertainers expenses and professional fees contributed to higher operating costs during the Quarter. The higher costs were anticipated or planned for and not necessarily indicative of expected forward costs.

Other income

Other income	Q4 (twelve months)			Q4 (three months)		
	2018	2017	+(-)	**2018**	2017	+(-)
Net profits from investment property	**0.2**	0.2	0.0%	**-**	-	-
Total	**0.2**	0.2	0.0%	**-**	-	-

(in millions of dollars unless stated otherwise)

Other income is comprised of net profits from investment property leasing activities. As lessor, the Company is responsible for all exterior or building shell maintenance of a capital nature. The Company manages the operational costs including property tax, building insurance, repairs and maintenance and security of the property which costs are shared pro-rata by property tenants as common area costs. Annual operational costs are typically less than $0.1 million.

Tenants are responsible for their own tenant improvements unless inducements are negotiated at the outset of the lease. The Company provided a loan to the existing tenant for the purpose of performing tenant improvements. Amounts remaining on the loan are not material.

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)		
	2018	2017	+(-)	**2018**	2017	+(-)
Total	**4.5**	4.3	4.7%	**1.0**	1.0	0.0%
% of operating revenue	**6.4%**	6.3%	0.1%	**5.6%**	5.6%	0.0%

(in millions of dollars unless stated otherwise)

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)		
	2018	2017	+(-)	**2018**	2017	+(-)
Total	**1.1**	1.1	0.0%	**0.4**	0.2	100.0%

(in millions of dollars unless stated otherwise)

All of the Company's debt is subject to changes in our lender's prime lending rate. Net finance costs for the Year and Quarter reflect a year-over-year increase in our lender's prime rate of 0.75% as well as an increase the amounts drawn on our revolving credit facility for the $12.5 million acquisition of the Encore Suites hotel in December 2018 and the repurchase of $2.2 million in common shares of the Company during the Year.

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)**		
	2018	2017	+(-)	**2018**	2017	+(-)
Provision for current income tax	**6.3**	5.2	21.2%	**1.4**	1.6	(12.5%)
Taxes arising from changes in timing differences	**-**	1.0	(100.0%)	**-**	0.1	(100.0%)
Income tax expense	**6.3**	6.2	1.6%	**1.4**	1.7	(17.6%)

(in millions of dollars unless stated otherwise)

The combined federal and provincial tax rate in Alberta is 27% (27% - 2017).

Reconciliation of EBITDA to Shareholders to Profit

EBITDA to Shareholders to Profit	**Q4 (twelve months)**			**Q4 (three months)**		
	2018	2017	+(-)	**2018**	2017	+(-)
EBITDA to Shareholders	**27.4**	27.0	1.5%	**6.4**	7.1	(9.9%)
EBITDA to Shareholders Margin	**40.8%**	41.5%	(0.7%)	**38.1%**	42.0%	(3.9%)
Adjustments:						
Amortization on property, plant and equipment	**(3.0)**	(3.1)	(3.2%)	**(0.9)**	(0.7)	28.6%
Finance costs	**(1.2)**	(1.2)	0.0%	**(0.4)**	(0.2)	100.0%
Income tax expense	**(6.3)**	(6.2)	1.6%	**(1.4)**	(1.7)	(17.6%)
EBITDA attributable to non-controlling interest	**1.3**	1.3	0.0%	**0.3**	0.3	(0.0%)
Profit	**18.2**	17.8	2.2%	**4.0**	4.8	(16.7%)

(in millions of dollars unless stated otherwise)

Facility enhancement

Capital expenditures	**Q4 (twelve months)**			**Q4 (three months)**		
	2018	2017	+(-)	**2018**	2017	+(-)
Capital maintenance	**0.6**	0.2	200.0%	**0.2**	-	n/a
Capital expansion	**12.5**	0.2	6150.0%	**12.5**	0.2	6150.0%
	13.1	0.4	3175.0%	**12.7**	0.2	6250.0%

(in millions of dollars unless stated otherwise)

A major refurbishment continues at Service Plus with new carpet, paint, lighting and furniture. The Company is balancing the number of out-of-service rooms with demand to minimize the impact on sales revenue. During the Quarter, the Company completed the purchase of the Encore Suites hotel business and assets in Grande Prairie, Alberta for $12.5 million.

Financial condition

Liquidity

Net cash provided by operating activities totalled $5.5 million for the Quarter, down $0.8 million from the year ago quarter. At the end of the Quarter cash balances totalled $15.8 million compared to $14.6 million at the start of 2018. 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 $25.0 million revolving credit facility which was used to facilitate the acquisition of the Encore Suites hotel during the Quarter. $0.5 million was available to be drawn at the end of the Year.

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 result in additional financing.

Working capital

Internal working capital requirements for the Company consists of cash floats for the operation of gaming tables, slot machines, VLT, 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 a food and beverage inventory turnover ratio of 8.0 times. 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	**2019**	**2020**	**2021**	**2022**	**2023**	**Thereafter**
Total	1.6	1.0	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 deducts debt servicing expenditures and interest expenses from EBITDA earned during the same period, regardless of the timing of settlement for those expenditures. The dividend pay-out ratio is normalized for reporting purposes by removing non-routine or volatile items such as capital maintenance paid for from operating cash flow, gains or losses on disposal of assets, share repurchases from working capital, etc.

Dividend pay-out ratio	**Q4 (twelve months)**			**Q4 (three months)**		
	2018	2017	+(-)	**2018**	2017	+(-)
EBITDA to Shareholders	**27.4**	27.0	1.5%	**6.4**	7.1	(9.9%)
Adjustments (excl. Non-controlling interest portions)						
Scheduled principal payments on demand debt	**(1.5)**	(1.9)	(21.1%)	**(0.2)**	(0.5)	(60.0%)
Interest expense	**(1.2)**	(1.1)	9.1%	**(0.3)**	(0.3)	(0.0%)
Income tax expense	**(6.3)**	(6.2)	1.6%	**(1.4)**	(1.6)	(12.5%)
Cash available for distribution	**18.4**	17.8	3.4%	**4.5**	4.7	(4.3%)
Dividends delared	**16.9**	17.0	(0.6%)	**4.2**	4.2	(0.0%)
Surplus (deficit) to dividends declared	**1.5**	0.8	87.5%	**0.3**	0.5	(40.0%)
Normalized dividend pay-out ratio [1]	**91.8%**	**95.5%**	(3.7%)	**93.3%**	**89.4%**	3.9%

(in millions of dollars unless stated otherwise)

[1] 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, 94 guest rooms at Encore Suites, 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 1,690 electronic gaming devices, 66 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 Company	31,864		123	165	420	32	10,530
2003	Great Northern Casino Expansion	9,800	1,200		45	59		
2003 - 2004	AGLC adds slot machines					103		
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					19		
	Stampede Joint Venture	19,200	480		60	120	8	
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)	
2016 - 2017	AGLC adds VLTs at Deerfoot					15		
2017	Land purchase, GNC future expansion							
2018	AGLC removes slot machines					(5)		
	Acquisition - Encore Suites			94				
at December 31, 2018		**109,356**	**21,400**	**404**	**578**	**1,690**	**66**	**10,530**

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 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 1.4 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 15 years to the year 2033. 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 3.7 to 1 at the end of the Year (3.3 to 1 - December 31, 2017), and a debt to tangible net worth ratio of not greater than 3.0 to 1, the actual ratio being 1.0 to 1 at the end of the Quarter (0.5 to 1 - December 31, 2017).

Income taxes

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

Cash dividends declared

2019 dividend summary

Month	$'s per Share	Date: Declared	Date: Record	Date: Payment	Net Shares o/s [1]	Dividends
January	0.0575	16-Jan-19	31-Jan-19	15-Feb-19	24,307,908	1.4
February	0.0575	19-Feb-19	28-Feb-19	15-Mar-19	24,307,908	1.4
Total	0.1150					2.8

2018 dividend summary

Month	$'s per Share	Date: Declared	Date: Record	Date: Payment	Net Shares o/s [1]	Dividends
January	0.0575	16-Jan-18	31-Jan-18	15-Feb-18	24,671,853	1.5
February	0.0575	15-Feb-18	28-Feb-18	15-Mar-18	24,606,753	1.4
March	0.0575	13-Mar-17	31-Mar-18	13-Apr-18	24,512,853	1.4
April	0.0575	16-Apr-18	30-Apr-18	15-May-18	24,506,953	1.4
May	0.0575	8-May-18	31-May-18	15-Jun-18	24,506,953	1.4
June	0.0575	18-Jun-18	30-Jun-18	13-Jul-18	24,506,953	1.4
July	0.0575	18-Jul-18	31-Jul-18	15-Aug-18	24,488,553	1.4
August	0.0575	14-Aug-18	31-Aug-18	14-Sep-18	24,398,408	1.4
September	0.0575	17-Sep-18	30-Sep-18	15-Oct-18	24,392,108	1.4
October	0.0575	18-Oct-18	31-Oct-18	15-Nov-18	24,392,108	1.4
November	0.0575	13-Nov-18	30-Nov-18	14-Dec-18	24,375,308	1.4
December	0.0575	17-Dec-18	31-Dec-18	15-Jan-19	24,312,908	1.4
Total	0.6900					16.9

2017 dividend summary

Month	$'s per Share	Date Declared	Date Record	Date Payment	Net Shares o/s [1]	Dividends
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

(in millions of dollars unless stated otherwise)

[1] 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	2018	2017
Current tax expense	6.3	5.2
Deferred tax expense		
Origination and reversal of temporary differences	-	1.0
	6.3	6.2

(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	2018	2017
Profit attributable to shareholders	17.0	16.7
Income tax expense	6.3	6.2
Profit excluding income tax	23.3	22.9
Income tax using Company's domestic tax rate	27.00%	27.00%
Expected income tax expense	6.3	6.2
Income tax expense	6.3	6.2

(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 4.95%, being 1.0% above the lender's prime lending rate. Term loans are scheduled for repayment over 15 years to 2033. The Company will make blended monthly principal and interest payments on the loans. A revolving loan has an available limit of $25.0 million and is secured by the same assets as the demand term loans. The revolving loan requires interest-only payments, also at the lender's rate of prime plus 1.0%. During the Quarter, the lender's prime rate increased by 0.25%.

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 4.95%, being 1.0% above the lender's prime lending rate. The term loan is scheduled for repayment over 15 years to 2033. Deerfoot will make blended monthly principal and interest payments on the loan. The revolving loan requires interest-only payments, also at the lender's rate of prime plus 1.0%. During the Quarter, the lender's prime rate increased by 0.25%.

	Maturity	December 31, 2018	December 31, 2017
Credit facilities available at face value			
Revolving credit line	2033	25.0	18.0
Term loans	2033	10.9	11.9
Deerfoot - term loan	2033	5.6	6.1
		41.5	36.0
Carrying value of borrowed amounts			
Current liabilities			
Revolving credit line		24.5	7.8
Term loans		0.5	1.3
Deerfoot - term loan		0.3	0.7
		25.3	9.8
Non-current liabilities			
Term loans		10.4	10.6
Deerfoot - term loan		5.3	5.4
		15.7	16.0
		41.0	25.8
Interest rate			
Revolving credit Lines [1]		4.95% (P +1.00%)	4.20% (P +1.00%)
Term loan [1]		4.95% (P +1.00%)	4.20% (P +1.00%)
Deerfoot - term loan [1]		4.95% (P +1.00%)	4.20% (P +1.00%)

(in millions of dollars unless stated otherwise)

[1] Prime rate (P) at the end of the Quarter was 3.95%.

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

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 $41.0 million. The Company was paying interest at 4.95% on traditional bank term debt and revolving debt at the end of the Year. A 1.0% increase in interest rates would have an unfavourable impact on earnings of $0.4 million or $0.02/common share on an annualized basis.

Credit risk

Credit risk arises from cash held with banks and credit exposure to customers and lessees. 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, lessees and other receivables. The Company does not have significant exposure to any individual customer or counterparty. Stated credit terms are typically 30 days, but in practice extend 90 to 120 days for select customers operating in the energy sector which is common industry practise. Individual accounts are monitored at minimum monthly and any unexpected changes escalated to senior management on a case by case basis. Individual accounts are considered fully collectable until a notice of receivership is received or communication from the customer ceases.

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 Year, 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, and Deerfoot, have term loans scheduled for monthly blended payments that will fully amortize term loan balances by August 2033.

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, 2018	Carrying amount	Contractual cash flows	1 year or less	2 to 5 years	More than 5 years
Trade and other payables	3.8	3.8	3.8	-	-
Term loans	16.5	23.2	1.6	6.4	15.2
Revolving credit facility	24.5	24.5	24.5	-	-
	44.8	51.5	29.9	6.4	15.2
As at December 31, 2017					
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

(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 United States dollars. While not significant, fluctuations in the exchange rate between the Canadian and United States dollar result in exchange gains or losses. The Company mitigates foreign currency risk by purchasing United States dollars when deterioration in exchange rates is expected. United States currency is held in United States 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. In light of the current economic climate in Alberta, the company has taken steps to increase diligence on new hotel customers applying for credit. Management has also increased the frequency of routine credit calls and is monitoring all customers for any perceived change in financial health.

Non-controlling interest

An investor in Deerfoot is entitled to a 9% non-controlling participating interest in the assets, liabilities, equity, income, and any distributions of Deerfoot.

Shareholder equity

The Company is authorized to issue an unlimited number of shares of any class. Common shares are 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 shares, plus shares purchased by the Company for cancellation under normal course issuer bids, plus convertible debentures that were converted to common shares, and amortization of a conversion privilege on the Company's matured debentures.

On April 25, 2017 the Company commenced a normal course issuer bid (the "2017 Bid"). Pursuant to the 2017 Bid, Gamehost was authorized to purchase for cancellation up to a maximum of 0.8 million 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 could 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. 222,150 common shares were purchased during the Year under the 2017 Bid for $2.3 million at prices averaging $10.32/common share plus commissions. The 2017 Bid terminated April 24, 2018.

On May 29, 2018 the Company commenced a normal course issuer bid (the "2018 Bid"). Pursuant to the 2018 Bid, Gamehost is authorized to purchase for cancellation up to a maximum of 1.5 million common shares, being equal to 10% of Gamehost's “public float” outstanding on May 22, 2018. Notwithstanding the foregoing, pursuant to the rules of the TSX, Gamehost may not purchase more than 2,179 common shares in any one day, such amount being equal to 25% of the average daily trading volume for the six months ended April 30, 2018. Common shares purchased under the 2018 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 2018 Bid will terminate on May 28, 2019 or such earlier time as the 2018 Bid is completed or terminated at the option of the Company. There were 24,506,953 common shares issued and outstanding as at May 22, 2018. Of this amount, 14,544,652 common shares constitute the “public float,” calculated in accordance with the rules of the TSX. 198,245 common shares were purchased during the Year under the 2018 Bid for $2.2 million at prices averaging $10.94/common share plus commissions.

Related party transactions

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 30.0% (35.6% - 2017) of the outstanding common shares of the Company.

- The Company incurred $1.5 million ($1.3 million - 2017) 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 – 2017) of charter aircraft rental expenses for the Year with Will Air Inc., a company controlled by the Wills, for the Period, 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 – 2017) 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 – 2017) 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 – 2017) in directors fees for the Year paid to other directors of the Company which is included in administrative expenses.

The Company incurred $0.2 million ($0.2 million – 2017) 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 ($0.5 million – 2017) 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.

On December 14, 2018, the Company completed the purchase of the business and property known as Encore Suites by Service Plus Inns located in Grande Prairie, Alberta from Peace Country Hospitality Inc ("Peace Country") for a price of $12.5 million. Peace Country is a company controlled by David Will, Darcy Will and Elston Noren, each of whom are officers and significant shareholders of the Company. The purchase was approved by a special committee of independent board members. The transaction was exempt from the formal valuation and minority shareholder approval requirements under applicable securities law for related party transactions as both the fair market value of the property, the business being acquired, and the fair valuation for the consideration paid were substantially less than 25% of Gamehost's market capitalization. The property was independently appraised at a value moderately higher than the purchase price. The purchase price closely approximates the vendor's cost to develop and equip the property including a reasonable profit and the fair value of acquired land. A breakdown of the assets purchased include:

Land	0.5
Land improvements	0.7
Building	10.2
Furniture, fixtures and equipment	1.1
Inventory (immaterial amount)	-
	12.5

(in millions of dollars unless stated otherwise)

Business risks, opportunities and outlook

General economic outlook

The International Monetary Fund (IMF) suggests the rate of global growth has peaked and will gradually move lower over the next few years. Additional concern is attached to the global debt burden which, after a period of ultra low interest rates, has resulted in global debt to GDP ratio higher than just prior to the 2008 global financial crisis. Geopolitical and geo-economic tensions are adding to the risk of a global economic slowdown. Canada and Alberta depend on resource exports making our economies additionally dependant on strong international trade.

Local economic outlook

Operations at our Boomtown Casino in Fort McMurray remain soft. The economic potential of the region cannot be fully realized while constraints exist in the transportation of extracted energy resources. A number of long term solutions to this problem look to be one or more years out, provided they can navigate the political, regulatory and environmental obstacles.

Coastal Gas Link and LNG Canada continue approved and permitted construction of their $40.0 billion development of a pipeline and liquified natural gas export terminal in Kitimat, BC. A $2.0 billion dollar proposed methanol plant to be constructed immediately south of Grande Prairie is proceeding through the regulatory stages with a planned construction start sometime in 2019. Grande Prairie is well positioned to benefit from these investments being in close proximity to the project headwaters. The future looks bright for Grande Prairie with many economic indicators in positive territory.

Calgary's economy is sluggish, but recovering. Net migration turned decidedly positive in the latest city census numbers and is one of the bright spots in the city's outlook. Calgary remains one of the most livable cities in the world according to the Economist Intelligence Unit and moved to the top spot in North America in 2018 rankings. There is more to Calgary than the heart of our country's oil and gas sector. Great opportunities exist for companies looking to relocate and individual migrants for exceptional lifestyle.

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 maintained a moratorium on new casino 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 nearby competition to the Deerfoot's rooming business. The closest being a property operated by a related party to Deerfoot. This property operates at a different price point to the Deerfoot and has been beneficial in boosting room capacity for banquets and conferences held at Deerfoot Inn & Casino. Otherwise, the next closest comparable competition is an older property located 4.2 kilometres to the north, which also offers banquet and convention services.

A 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 Agribition 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 and Encore Suites hotel properties operate in a highly competitive market. Both properties succeed on superior location and service. The properties are located adjacent to and across the street, respectively, from the Great Northern Casino and help to drive foot traffic to the casino. The locations are in advantageous proximity to the area's community college, Gateway Power Centre big box shopping outlet, and the new under construction Grande Prairie Regional Hospital. Each of the two properties serve the mid-scale market at different price points catering to a wide clientele of business and leisure travellers.

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 which is nearing 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 neighboring province online gaming platforms and other 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 breeched. Failure of, or malicious security breach to, any 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 breeches 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 breeches during the Quarter. Over the past year the Company has been preparing for the adoption of new IT security standards included in the AGLC's Terms and Conditions for facility operators that are effective December 31, 2018.

International Financial Reporting Standards (IFRS)

Standards, amendments and interpretations effective and applied

The Company has applied the following amended standards, effective January 1, 2018. Changes were made in accordance with applicable transitional provisions. Application of the standards and amendments have had no financial impact on the Company's consolidated financial statements.

- *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.

- *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.

- *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.

- *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. In applying the new standard the Company did not rely on any of the available practical expedients.

Standards, amendments and interpretations not yet effective or applied

Standards and amendments to standards and interpretations that are not yet effective for the year ended December 31, 2018 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.

- *IFRS 16 - Leases* (replaces IAS 17) - specifies how to recognise, measure, present, and disclose leases. 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 profit and comprehensive profit 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." Financial covenants on the Company's debt are based on measures that will change under IFRS 16. The standard is effective for annual periods beginning on or after January 1, 2019. The Company will use the modified retrospective approach in determining the quantitative impact of the new standard where relief is not available. The Company's premises lease for Boomtown will have the most significant impact on reported financial results. On adoption of the standard, this lease and a number of significantly smaller leases, are expected to increase property, plant and equipment assets by approximately $2.0 million and increase current and long-term lease liability amounts by approximately $1.0 million each. There will not be a material impact to interim or annual presentations on the consolidated statements of profit and comprehensive profit or consolidated statements of cash flows.

- *IFRIC 23 - Uncertainty over Income Tax Treatments* - addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over tax treatments under IAS 12. The standard is applicable to annual reporting periods beginning on or after January 1, 2019. Application of the standard is not expected to have a material impact on Company financial statements.

- *IFRS 3 - Business Combinations* - amended to provide clarity to the definition of a business in Appendix A. Specifically the amendment substantiates that to be considered a business, an acquired set of activities must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendment also narrows the current definition by removing the reference to an ability to reduce costs. The amendment is effective for annual periods beginning on or after January 1, 2020.

- *IAS 1 and IAS 8 - Definition of Material* - amendments to clarify the definition of material and align the definition used in the conceptual framework and the standards. The amendment is effective for annual periods beginning on or after January 1, 2020.

Management continues to assess 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. Additional information about the Company can be found at www.gamehost.ca.