Annual Consolidated Financial Statements

for the twelve months ended December 31, 2012

* I.G. HILLS, CA
* D.G. OSZLI, B. Comm., FCA, CA*CIA, CMA
* R.M. MONEA, B. Comm., CA
* K.G. McPHEDRAN, B. Comm., CA

RED DEER
(403) 347-2226
FAX (403) 343-6140
TOLL FREE
1-877-347-2226

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Gamehost Inc.:

We have audited the accompanying consolidated financial statements of Gamehost Inc., which comprise the consolidated statements of financial position as at December 31, 2012 and December 31, 2011 and the consolidated statements of profit and comprehensive profit, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Gamehost Inc. as at December 31, 2012, and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Heywood Holmes & Partners LLP

Red Deer, Alberta
March 12, 2013

Chartered Accountants

Consolidated statements of profit and comprehensive income

In Canadian dollars	*Note*	*(audited)*		*(unaudited)*	
		twelve months ended December 31		**three months ended December 31**	
		2012	**2011**	**2012**	**2011**
Operating revenue	6	$ 76,557,136	$ 71,989,151	$ 19,795,024	$ 18,957,496
Cost of sales					
Other	5, 20	(38,584,088)	(37,432,038)	(10,245,325)	(9,863,356)
Depreciation	15	(2,234,657)	(2,355,818)	(617,059)	(591,336)
		(40,818,745)	(39,787,856)	(10,862,384)	(10,454,692)
Gross profit		35,738,391	32,201,295	8,932,640	8,502,804
Other income	7	247,621	240,386	67,475	68,257
Administrative expenses					
Other	8, 20	(2,927,729)	(2,959,443)	(681,321)	(750,388)
Depreciation	15	(2,270,928)	(2,663,731)	(567,732)	(682,823)
		(5,198,657)	(5,623,174)	(1,249,053)	(1,433,211)
Profit from operating activities		30,787,355	26,818,507	7,751,062	7,137,850
Other (losses) gains	9	(62,814)	1,677	(62,814)	1,677
Finance income	10	90,783	82,542	24,781	21,893
Finance costs	10	(4,141,730)	(5,586,935)	(1,020,092)	(1,238,534)
Profit before income taxes		26,673,594	21,315,791	6,692,937	5,922,886
Income tax expense	11	(5,184,063)	(5,301,001)	(762,242)	(2,984,706)
Profit and comprehensive income		$ 21,489,531	$ 16,014,790	$ 5,930,695	$ 2,938,180
Profit and comprehensive income attributable to:					
Owners of the Company		$ 20,123,155	$ 14,860,454	$ 5,578,043	$ 2,618,808
Non-controlling interest		1,366,376	1,154,336	352,652	319,372
		$ 21,489,531	$ 16,014,790	$ 5,930,695	$ 2,938,180
Earnings per share	12				
Basic and diluted earnings per share		$ 0.919	$ 0.702	$ 0.248	$ 0.123

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

Consolidated statements of financial position

In Canadian dollars	*Note*	*(audited)* December 31, 2012	*(audited)* December 31, 2011
Assets			
Current assets			
Cash		$ 19,727,457	$ 17,733,971
Restricted cash	13	90,160	24,490
Trade and other receivables		1,959,053	1,670,369
Inventories	14	574,095	548,426
Prepaid expenses		428,030	334,839
		22,778,795	20,312,095
Non-current assets			
Property, plant and equipment	15	79,128,665	82,943,421
Intangible assets	16	76,890,798	76,890,798
Investment property	17	2,820,000	2,820,000
Deferred tax assets	11	62,898	1,382,951
		158,902,361	164,037,170
		$ 181,681,156	$ 184,349,265
Liabilities			
Current liabilities			
Trade and other payables		$ 4,142,991	$ 4,300,483
Loans and borrowings	18	20,634,563	26,946,719
Income tax payable	11	4,596,447	-
Dividends payable	19	1,659,195	1,547,011
		31,033,196	32,794,213
Non-current liabilities			
Loans and borrowings	18	27,773,161	44,959,139
Deferred tax liabilities	11	11,988,542	12,720,979
		39,761,703	57,680,118
		70,794,899	90,474,331
Equity			
Share capital	19	149,772,417	132,061,681
Contributed surplus		2,820,238	4,427,899
Deficit		(49,937,641)	(50,712,063)
Equity attributable to the Company		102,655,014	85,777,517
Non-controlling interest		8,231,243	8,097,417
		110,886,257	93,874,934
		$ 181,681,156	$ 184,349,265

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

Guarantees	18
Commitments	21
Subsequent events	25

On behalf of the Board:

(signed, David J. Will)
David J. Will, Director

(signed, Darcy J. Will)
Darcy J. Will, Director

Consolidated statements of changes in equity

In Canadian dollars	*Note*	***(audited)***					
		Share capital	Contributed surplus	Deficit	Total	Non-controlling interest	Total equity
Equity as at January 1, 2011		$ 132,533,714	$ 4,893,001	$ (46,939,661)	$ 90,487,054	$ 8,059,081	$ 98,546,135
Profit and comprehensive income		-	-	14,860,454	14,860,454	1,154,336	16,014,790
Dividends to owners of the Company	19	-	-	(18,632,856)	(18,632,856)	-	(18,632,856)
Distributions to non-controlling interest		-	-	-	-	(1,116,000)	(1,116,000)
Shares repurchased for cancellation		(5,446,935)	-	-	(5,446,935)	-	(5,446,935)
Conversion of debentures into common shares		4,509,800	-	-	4,509,800	-	4,509,800
Debenture conversion privilege on debentures converted to common shares		465,102	(465,102)	-	-	-	-
Equity as at December 31, 2011		$ 132,061,681	$ 4,427,899	$ (50,712,063)	$ 85,777,517	$ 8,097,417	$ 93,874,934
Profit and comprehensive income		-	-	20,123,155	20,123,155	1,366,376	21,489,531
Dividends to owners of the Company	19	-	-	(19,348,733)	(19,348,733)	-	(19,348,733)
Distributions to non-controlling interest		-	-	-	-	(1,232,550)	(1,232,550)
Shares repurchased for cancellation	19	(1,967,600)	-	-	(1,967,600)	-	(1,967,600)
Conversion of debentures into common shares	19	18,070,675	-	-	18,070,675	-	18,070,675
Debenture conversion privilege on debentures converted to common shares	19	1,607,661	(1,607,661)	-	-	-	-
Equity as at December 31, 2012		$ 149,772,417	$ 2,820,238	$ (49,937,641)	$ 102,655,014	$ 8,231,243	$ 110,886,257

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

Consolidated statements of cash flows

In Canadian dollars	*Note*	***(audited)***		***(unaudited)***	
		twelve months ended December 31		**three months ended December 31**	
		2012	**2011**	**2012**	**2011**
Cash provided by (used in):					
Operating activities					
Profit and comprehensive income		$ 21,489,531	$ 16,014,790	$ 5,930,695	$ 2,938,180
Adjustments for non-cash items:					
Depreciation of property, plant and equipment	15	4,505,585	5,019,549	1,184,791	1,274,159
Finance costs	10	4,141,730	5,586,935	1,020,092	1,238,534
Other gains	9	62,814	(1,677)	62,814	(1,677)
Income tax expense	11	5,184,063	5,301,001	762,242	2,984,706
		35,383,723	31,920,598	8,960,634	8,433,902
Change in:					
Trade and other receivables		(288,684)	(279,159)	(224,569)	(359,581)
Inventories		(25,669)	(49,078)	(107,524)	(25,890)
Prepaid expenses		(93,191)	(76,051)	206,009	348,808
Trade and other payables		253,989	14,541	(77,460)	(41,496)
Finance costs paid		(3,924,198)	(5,188,394)	(254,940)	(292,390)
Net cash provided by operating activities		31,305,970	26,342,457	8,502,150	8,063,353
Investing activities					
Purchase of property, plant and equipment	15	(462,093)	(313,897)	(162,488)	(71,908)
Proceeds from sale of property, plant and equipment		-	2,857	-	2,857
Net cash (used in) investing activities		(462,093)	(311,040)	(162,488)	(69,051)
Financing activities					
Proceeds of loans and borrowings		4,050,000	4,000,000	1,600,000	4,000,000
Payments on loans and borrowings		(10,463,689)	(2,357,802)	(2,218,172)	(592,334)
Distributions to non-controlling interest		(1,232,550)	(1,116,000)	(198,000)	(288,000)
Distributions to fund unit holders		-	(862,972)	-	-
Dividends paid		(19,236,552)	(17,085,845)	(4,949,421)	(4,688,561)
Share repurchases		(1,967,600)	(5,446,935)	-	(4,746,940)
Net cash (used in) financing activities		(28,850,391)	(22,869,554)	(5,765,593)	(6,315,835)
Net increase in cash		1,993,486	3,161,863	2,574,069	1,678,467
Opening cash		17,733,971	14,572,108	17,153,388	16,055,504
Closing cash		$ 19,727,457	$ 17,733,971	$ 19,727,457	$ 17,733,971

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

1 Reporting entity

Gamehost Inc. (the “Company”) is incorporated in Canada under the Business Company's Act (Alberta). The address of the Company’s registered office is Suite 2800 – 715, 5th Avenue S.W. Calgary, Alberta T2P 2X6. The consolidated financial statements of the Company as at and for the twelve months ended December 31, 2012 (the "Period" or "Year") are comprised of the Company, its wholly owned subsidiaries and its 91% controlling interest in Deerfoot Inn & Casino Inc. ("Deerfoot"). The Company’s activities are currently confined to the Province of Alberta, Canada. Operations include the Deerfoot Inn & Casino in Calgary, Boomtown Casino in Ft. McMurray, the Great Northern Casino in Grande Prairie and Service Plus Inns & Suites (“Service Plus”), a limited service hotel, also located in Grande Prairie. As a complement to the hotel, the Company owns a retail complex (the “Strip Mall”) that leases space to a full service restaurant operation with pub and a liquor store. Gaming operations of the Company are controlled by the Alberta Gaming and Liquor Commission (the "AGLC") including Company owned table games and government owned slot machines, video lottery terminals and lottery ticket outlets. Hotel operations of the Company include full and limited service hotels and banquet and convention services. Food, beverages and entertainment are offered at each of the Company’s casino locations.

2 Basis of presentation

(a) Statement of compliance and authorization of financial statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS" or "Standards"), as issued by the International Accounting Standards Board ("IASB"). The policies applied in preparation of these consolidated financial statements are described in note 3 to the consolidated financial statements and have been applied consistently across all entities being consolidated.

These consolidated financial statements have been prepared by management. In management's opinion, they include all adjustments necessary to present fairly such information. These consolidated financial statements were authorized for issue by the Board of Directors on March 12, 2013.

(b) Basis of measurement

These consolidated financial statements have been prepared on historical cost basis except for investment property in the statement of financial position, which is measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

Significant estimates used in the preparation of these consolidated financial statements include estimates and assumptions used in the determination of the useful lives of property and equipment [note 3(e)], the fair value of investment property [note 3(g)] and the variables in determining the debenture conversion privilege reported as contributed surplus [note 18].

2 Basis of presentation (cont.)

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

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements unless otherwise indicated.

(a) Basis of consolidation

i) Business combinations

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

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

i.i) Subsidiaries

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

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

The accounting policies of subsidiaries have been changed when necessary to align them with policies adopted by the Company.

i.ii) Acquisition of non-controlling interest

Acquisition of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Therefore, no goodwill is recognized as a result of such transactions.

i.iii) Transactions eliminated on consolidation

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

3 Significant accounting policies (cont.)

(b) Financial instruments

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

		Measurement	
Financial asset/liability	Classification	Fair Value	Amortized Cost
Cash	Loans and receivables		✔
Trade and other receivables	Loans and receivables		✔
Trade and other payables	Other financial liabilities		✔
Loans and borrowings	Other financial liabilities		✔

i) Non-derivative financial assets

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

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

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

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

ii) Non-derivative financial liabilities

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

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

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

3 Significant accounting policies (cont.)

iii) Other financial liabilities

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

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

iv) Financial liabilities at fair value through profit or loss

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

v) Share capital

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

vi) Compound financial instruments

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

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

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

Interest and losses and gains, relating to the financial liability are recognized in profit or loss. On conversion, the financial liability is reclassified to equity along with a prorated portion of the original proceeds allocated to the equity component; no gain or loss is recognized on conversion.

(c) Cash

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

(d) Inventories

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

3 Significant accounting policies (cont.)

(e) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and borrowing costs on qualifying assets.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

Depreciation is recognized in profit or loss on a declining or straight-line basis, over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

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

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

3 Significant accounting policies (cont.)

(f) Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. See note 3(a)(i) for the policy on measurement of goodwill at initial recognition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, see note 3(i)(ii).

Licenses

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

(g) Investment property

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

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

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

(h) Leases

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and are not recognized in the Company's statement of financial position. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

3 Significant accounting policies (cont.)

(i) Impairment

i) Financial Assets (including loans and receivables)

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

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

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

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

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

ii) Non-financial assets

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

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

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

3 Significant accounting policies (cont.)

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

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

(j) Income taxes

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

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

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

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

(k) Employee benefits

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

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

3 Significant accounting policies (cont.)

(l) Provisions

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

(m) Revenue recognition

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

Gaming operations

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

Hotel operations

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

Food and beverage operations

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

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

Investment property

Revenues from investment property are recognized in profit or loss per terms and conditions stipulated in lease agreements with tenants and when lease payments are reasonably assured. Related operating costs are recorded in profit or loss in the period they are incurred.

(n) Finance income and finance costs

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

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

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

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

3 Significant accounting policies (cont.)

(o) Earnings per share

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

(p) Segment reporting

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

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

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

(q) New Standards

i) IFRS 7, *Financial Instruments - Disclosures*

In October 2010 the IASB amended IFRS 7, Financial Instruments: Disclosures ("IFRS 7"). This amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with, an entity's continuing involvement in derecognized financial assets. The amendment is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2012. The Company has assessed the impact of this amendment and there is no impact on the consolidated financial statements.

ii) IAS 12, *Deferred Taxes - Recovery of Underlying Assets*

In December 2010, the IASB amended IAS 12, Deferred Tax: Recovery of Underlying Assets ("IAS 12"). IAS 12 includes a rebuttal presumption which determines that the deferred tax on the depreciable component of an investment property measured using the fair value model from IAS 40, Investment Property should be based on its carrying amount being recovered through a sale. The standard has also been amended to include the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16, Property, Plant and Equipment ("IAS 16") should be measured on the sale basis. The Company has assessed the impact of this amendment and there is no impact on the consolidated financial statements.

iii) IAS 1, *Presentation of Financial Statements*

In June 2011, the IASB amended IAS 1, Presentation of Financial Statements ("IAS 1"). This amendment requires an entity to separately present the items of other comprehensive income ("OCI") as items that may or may not need to be reclassified to profit and loss. The Company has assessed the impact of this amendment and there is no impact on the consolidated financial statements.

3 Significant accounting policies (cont.)

(r) New Standards and interpretations not yet adopted

The following accounting pronouncements are effective for the Company's interim and annual consolidated financial statements commencing on or after January 1, 2013. The Company is assessing the impact of these pronouncements on its consolidated financial statements:

i) IFRS 10, *Consolidated Financial Statements*

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements ("IFRS 10"). IFRS 10, which replaces the consolidation requirements of SIC-12 Consolidation-Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

ii) IFRS 11, *Joint Arrangements*

In May 2011, the IASB issued IFRS 11, Joint Arrangements ("IFRS 11"). IFRS 11, which replaces the guidance in IAS 31, Interests in Joint Ventures, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring interests in jointly controlled entities to be accounted for using the equity method.

iii) IFRS 12, *Disclosure of Interests in Other Entities*

In May 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"). IFRS 12 establishes new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

iv) IFRS 13, *Fair Value Measurement*

In May 2011, the IASB issued IFRS 13, Fair Value Measurement ("IFRS 13"). IFRS 13 replaces the fair value guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures that enable users to assess the methods and inputs used to develop fair value measurements.

v) Amendment to IAS 19, *Employee Benefits*

In June 2011, the IASB amended IAS 19, Employee Benefits ("IAS 19"). This amendment eliminates the concept of return on plan assets and interest cost (income) and replaces them with a net interest cost that is calculated by multiplying the discount rate by the net liability (asset). The amendment also eliminates the use of the "corridor" approach and mandates all remeasurement impacts be recognized in OCI. It also enhances the disclosure requirements, providing better information about the characteristics of defined benefit plans and the risk that entities are exposed to through participation in those plans.

vi) Amendments to IAS 27, *Separate Financial Statements*

In May 2011, the IASB amended IAS 27, Separate Financial Statements ("IAS 27"). This amendment removes the requirements for consolidated statements from IAS 27, and moves it over to IFRS 10, Consolidated Financial Statements. The amendment mandates that when a company prepares separate financial statements, investment in subsidiaries, associates, and jointly controlled entities are to be accounted for using either the cost method or in accordance with IFRS 9, Financial Instruments. In addition, this amendment determines the treatment for recognizing dividends, the treatment of certain group reorganizations, and some disclosure requirements.

i) Significant accounting policies (cont.)

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

In May 2011, the IASB amended IAS 28, Investments in Associates and Joint Ventures ("IAS 28"). This amendment requires any retained portion of an investment in an associate or joint venture that has not been classified as held for sale to be measured using the equity method until disposal. After disposal, if the retained interest continues to be an associate or joint venture, the amendment requires it to continue to be accounted for under the equity method. The amendment also disallows the remeasurement of any retained interest in an investment upon the cessation of significant influence or joint control.

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

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

The following accounting pronouncements are effective for the Company's interim and annual consolidated financial statements commencing on or after January 1, 2015. The Company is assessing the impact of these pronouncements on its consolidated financial statements:

ix) IFRS 9, *Financial Instruments*

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

Notes to the consolidated financial statements
for the twelve months ended December 31, 2012 *(audited)*

4 Operating segments

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

twelve months ended December 31, 2012	Gaming	Hotel	Food & Beverage	Corporate and other [1]	Total
Operating revenue and other income	43,840,417	13,540,478	19,169,678	254,184	76,804,757
Other gains (losses)	-	-	-	(62,814)	(62,814)
Finance costs, net of finance (income)	2,246,654	1,028,067	866,527	(90,301)	4,050,947
Depreciation	1,620,432	2,035,321	847,561	2,271	4,505,585
Other expenses	18,886,625	6,122,747	12,307,590	4,194,855	41,511,817
Profit before income tax	21,086,706	4,354,343	5,148,000	(3,915,455)	26,673,594
Segment assets	83,305,097	68,074,674	26,912,256	3,389,129	181,681,156
Segment liabilities	24,485,553	17,007,179	10,147,458	19,154,709	70,794,899
Capital expenditures	273,055	79,557	102,897	6,584	462,093

twelve months ended December 31, 2011	Gaming	Hotel	Food & Beverage	Corporate and other [1]	Total
Operating revenue and other income	41,450,066	12,515,271	17,997,626	266,574	72,229,537
Other gains (losses)	-	-	-	1,677	1,677
Finance costs, net of finance (income)	3,071,875	1,355,521	1,159,017	(82,020)	5,504,393
Depreciation	1,777,942	2,298,378	940,566	2,663	5,019,549
Other expenses	18,582,976	5,874,445	11,893,968	4,040,092	40,391,481
Profit before income tax	18,017,273	2,986,927	4,004,075	(3,692,484)	21,315,791
Segment assets	82,516,075	69,689,793	27,427,658	4,715,739	184,349,265
Segment liabilities	36,180,565	23,779,935	14,750,482	15,763,349	90,474,331
Capital expenditures	126,311	80,986	32,600	74,000	313,897

[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.

5 Cost of sales by nature

Cost of sales - Other	twelve months ended December 31 2012	2011	three months ended December 31 2012	2011
Food and beverage inventory used	4,763,747	4,634,710	1,343,140	1,282,306
Human resources [note 5 (a)]	19,313,224	18,681,272	5,011,659	4,828,214
Marketing & Promotions	3,025,986	3,037,239	787,901	715,954
Operating	9,191,726	9,073,010	2,494,330	2,518,705
Direct overhead and other	2,289,405	2,005,807	608,295	518,177
	38,584,088	37,432,038	10,245,325	9,863,356

5(a) Human resources

Human resources	twelve months ended December 31 2012	2011	three months ended December 31 2012	2011
Wages and salaries	16,825,021	16,314,610	4,402,186	4,251,285
Canada pension plan remittances	726,814	714,704	163,742	148,650
Employment Insurance remittances	426,746	399,982	98,655	103,994
Other human resource related expenses	1,334,643	1,251,976	347,076	324,285
	19,313,224	18,681,272	5,011,659	4,828,214

The Company does not have a defined benefit plan obligation. Employee benefits are limited to those under the Canada Pension Plan ("CPP") for which the Company makes regular contributions with each payroll period. In addition to contributions to CPP, the Company also has an employee Health Spending Plan ("HSP"). Benefits under this plan are limited to fixed annual Company contributions, which if not used for allowable medical expenses as defined by the Canada Revenue Agency, are paid out as taxable income to the employee.

6 Operating revenue

Revenue	twelve months ended December 31 2012	2011	three months ended December 31 2012	2011
Sale of goods	19,169,678	17,997,626	5,592,748	5,092,255
Rendering of services	57,387,458	53,991,525	14,202,276	13,865,241
	76,557,136	71,989,151	19,795,024	18,957,496

The sale of goods primarily relates to food and beverage revenues while the rendering of services relates to the casino, hotel and ATM revenues.

7 Other income

Other income	twelve months ended December 31 2012	2011	three months ended December 31 2012	2011
Gross lease revenue	343,251	323,597	94,947	87,441
Direct costs	(95,630)	(83,211)	(27,472)	(19,184)
Lease revenue from investment property	247,621	240,386	67,475	68,257

Notes to the consolidated financial statements
for the twelve months ended December 31, 2012 *(audited)*

8 Administrative expenses - by nature

Administrative expenses - Other	twelve months ended December 31		three months ended December 31	
	2012	2011	2012	2011
Corporate salaries	391,001	473,098	105,069	120,519
Management fees	1,820,351	1,759,677	439,174	449,112
Legal and other professional fees	223,429	231,312	36,191	44,074
General and other	492,948	495,356	100,887	136,683
	2,927,729	2,959,443	681,321	750,388

9 Other (losses) gains

Other (losses) gains	twelve months ended December 31		three months ended December 31	
	2012	2011	2012	2011
(Loss) gain on sale of property, plant and equipment	(62,814)	1,677	(62,814)	1,677
	(62,814)	1,677	(62,814)	1,677

10 Finance income and finance costs recognized in profit or loss

Net finance costs recognized in profit or loss	twelve months ended December 31		three months ended December 31	
	2012	2011	2012	2011
Interest income on bank deposits	90,783	82,542	24,781	21,893
Finance income	90,783	82,542	24,781	21,893
Debenture interest	2,515,041	3,362,834	517,875	807,445
Debenture amortization	695,006	1,212,855	284,197	191,136
Interest on demand loans	931,683	1,011,246	218,020	239,953
Finance costs	4,141,730	5,586,935	1,020,092	1,238,534
Net finance costs recognized in profit or loss	4,050,947	5,504,393	995,311	1,216,641

11 Income tax expense

Current income tax

twelve months ended December 31	2012	2011
Current tax expense		
Current period	4,596,447	-
Deferred tax expense		
Origination and reversal of temporary differences	587,616	5,301,001
Income tax expense	5,184,063	5,301,001

11 Income tax expense (cont.)

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	2012	2011
Profit attributable to owners of the Company	20,123,155	14,860,454
Total income tax expense	5,184,063	5,301,001
Profit excluding income tax	25,307,218	20,161,455
Income tax using Company's domestic tax rate	25%	25%
Expected income tax expense	6,326,805	5,040,364
Changes in income tax expense resulting from:		
Expenses not deductible for tax purposes and non-taxable income	11,090	11,718
Non-capital losses carried forward from prior year	(106,448)	-
Other	(1,047,384)	248,919
Income tax expense	5,184,063	5,301,001

Deferred income tax

a) Recognized deferred tax assets and liabilities

The income tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

twelve months ended December 31	2012			2011		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Debenture issuance costs	-	(58,269)	(58,269)	-	(50,871)	(50,871)
Deferred partnership income	-	(3,749,258)	(3,749,258)	-	(4,665,291)	(4,665,291)
Finance lease obligation	62,898	-	62,898	-	-	-
Intangible assets	-	(5,671,506)	(5,671,506)	-	(4,653,788)	(4,653,788)
Non-capital loss carry forward	-	-	-	1,382,951	-	1,382,951
Property, plant and equipment	-	(2,509,509)	(2,509,509)	-	(3,351,029)	(3,351,029)
Deferred tax assets (liabilities)	62,898	(11,988,542)	(11,925,644)	1,382,951	(12,720,979)	(11,338,028)

b) Movement in deferred tax balances

twelve months ended December 31	2012			2011		
	Opening	Recognized in profit	Closing	Opening	Recognized in profit	Closing
Debenture issuance costs	(50,871)	(7,398)	(58,269)	69,574	(120,445)	(50,871)
Deferred partnership income	(4,665,291)	916,033	(3,749,258)	-	(4,665,291)	(4,665,291)
Finance lease obligation	-	62,898	62,898	-	-	-
Intangible assets	(4,653,788)	(1,017,718)	(5,671,506)	(3,624,296)	(1,029,492)	(4,653,788)
Non-capital loss carry forward	1,382,951	(1,382,951)	-	1,382,951	-	1,382,951
Property, plant and equipment	(3,351,029)	841,520	(2,509,509)	(3,865,256)	514,227	(3,351,029)
Deferred tax assets (liabilities)	(11,338,028)	(587,616)	(11,925,644)	(6,037,027)	(5,301,001)	(11,338,028)

12 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at December 31, 2012 was based on the profit attributable to common shareholders and weighted average number of common shares outstanding calculated as follows:

	twelve months ended December 31		three months ended December 31	
Profit attributable to common shareholders	2012	2011	2012	2011
Profit and comprehensive income	21,489,531	16,014,790	5,930,695	2,938,180
Less: attributable to non-controlling interest	1,366,376	1,154,336	352,652	319,372
Profit attributable to common shareholders	20,123,155	14,860,454	5,578,043	2,618,808

	twelve months ended December 31		three months ended December 31	
Weighted average number of common shares	2012	2011	2012	2011
Opening balance of common shares	21,103,292	21,107,553	22,469,478	21,288,685
Weighted average effect of debenture conversions	901,558	123,659	50,156	281,923
Weighted average effect of shares purchased for cancellation	(99,366)	(59,494)	-	(306,021)
Weighted average common shares outstanding	21,905,484	21,171,718	22,519,634	21,264,587
Basic earnings per share	$ 0.919	$ 0.702	$ 0.248	$ 0.123

Diluted earnings per share

Potentially dilutive shares from Debentures not yet converted have an anti-dilutive effect on earnings per share.

13 Restricted cash

Restricted cash consists of progressive jackpot funds. Progressive jackpots are divided into two pots. The first and larger of the two is reserved for the eventual winner of the jackpot. The second is used to seed the next pot after a jackpot is won. The progressive jackpot funds are not available for use in general operations. Included in accounts payable is $90,160 ($24,490 - 2011) relating to progressive jackpots.

14 Inventories

	December 31, 2012	December 31, 2011
Consumables	127,889	126,462
Merchandise	19,353	13,008
Product supplies	426,853	408,956
	574,095	548,426

Consumables consist of supplies that are used in daily operations including uniforms and cards. Merchandise inventory are promotional items. Product supplies include cigarettes, food and liquor used in the supply of food and beverages. In 2012, consumables, merchandise and product supplies recognized as a cost of sales amounted to $4,848,404 ($4,700,303 - 2011). During 2012 and 2011 no inventories were written down, and no reversals of previous write-downs occurred.

15 Property, plant and equipment

	Land and other	Land Improvement	Buildings	Leaseholds	Furniture and equipment (a)	Total
Cost						
At January 1, 2012	10,859,030	3,306,709	72,944,357	2,491,968	19,155,993	108,758,057
Additions	-	-	123,668	156,587	473,388	753,643
Disposals	-	-	(102,169)	-	(36,609)	(138,778)
At December 31, 2012	10,859,030	3,306,709	72,965,856	2,648,555	19,592,772	109,372,922
Accumulated depreciation						
At January 1, 2012	-	439,740	12,430,088	1,456,498	11,488,310	25,814,636
Depreciation	-	66,134	2,508,956	253,963	1,676,532	4,505,585
Disposals	-	-	(39,387)	-	(36,577)	(75,964)
At December 31, 2012	-	505,874	14,899,657	1,710,461	13,128,265	30,244,257
Carrying value at December 31, 2012	10,859,030	2,800,835	58,066,199	938,094	6,464,507	79,128,665

	Land and other	Land Improvement	Buildings	Leaseholds	Furniture and equipment	Total
Cost						
At January 1, 2011	10,859,030	3,306,709	72,895,496	2,491,968	18,908,738	108,461,941
Additions	-	-	48,861	-	265,036	313,897
Disposals	-	-	-	-	(17,781)	(17,781)
At December 31, 2011	10,859,030	3,306,709	72,944,357	2,491,968	19,155,993	108,758,057
Accumulated depreciation						
At January 1, 2011	-	373,607	9,822,944	1,238,648	9,375,721	20,810,920
Depreciation	-	66,133	2,607,144	217,850	2,128,422	5,019,549
Disposals	-	-	-	-	(15,833)	(15,833)
At December 31, 2011	-	439,740	12,430,088	1,456,498	11,488,310	25,814,636
Carrying value at December 31, 2011	10,859,030	2,866,969	60,514,269	1,035,470	7,667,683	82,943,421

Certain equipment and machines housed on premises of the Company are provided by and owned by AGLC and have not been included in these financial statements.

(a) Includes assets under finance lease acquired in 2012 at a cost of $291,550, accumulated depreciation of $29,155 and carrying value of $262,395.

16 Intangible assets

	December 31, 2012	December 31, 2011
Goodwill	57,890,798	57,890,798
Licences	19,000,000	19,000,000
	76,890,798	76,890,798

16 Intangible assets (cont.)

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

Goodwill and intangible assets with indefinite lives are tested annually for impairment. The impairment test is based on fair value less costs to sell determined using a discounted cash flow model based on marketplace participant assumptions. Cash flows were projected over a ten-year period using historical operating results, zero growth rate, 2% cost inflation in years 5 through 10 and salvage value of land only in year 10. The costs to sell are based on an estimated percentage of the fair value.

The aggregate carrying amounts and recoverable amounts of intangibles allocated to each CGU quantifying that no impairment exists are as follows:

	December 31, 2012			December 31, 2011		
	Carrying Value	Recoverable Amount	Excess (Impairment)	Carrying Value	Recoverable Amount	Excess (Impairment)
Great Northern Casino	29,379,659	29,450,626	70,967	29,379,659	29,411,092	31,433
Boomtown Casino	13,199,557	51,030,754	37,831,197	13,199,557	50,412,770	37,213,213
[1] Deerfoot Casino	26,655,791	45,177,101	18,521,310	26,655,791	50,169,827	23,514,036
Deerfoot Hotel	7,655,791	12,975,284	5,319,493	7,655,791	14,409,241	6,753,450
	76,890,798	138,633,765	61,742,967	76,890,798	144,402,930	67,512,132

17 Investment property

The Company classifies the Strip Mall as an investment property. This property is located in Grande Prairie and lease income is earned from two tenants. There were no changes to the fair value of the investment property during the Year.

18 Loans and borrowings

The Company has a demand loan secured by its land and buildings. The Company is currently paying interest at a stipulated floor rate of 4.0%; Otherwise the rate on this loan is 1.0% above the lender's prime lending rate. The Company is making blended monthly principal and interest payments on a $13.2 million segment of the loan amortized over 10 years. The remaining $9.0 million segment of this loan, which includes a $3.0 million increase secured in October 2012, is available on a revolving basis with interest only payments. $Nil is drawn on the revolving segment of the loan at December 31, 2012 ($4,000,000 - December 31, 2011).

In 2010 the Company issued $55 million in 6.25% Convertible Unsecured Subordinated Debentures (“Debentures”) which trade on the Toronto Stock Exchange (“TSX”) under the symbol GH.DB. The Debentures have a maturity date of July 31, 2015 (the “Maturity Date”). Each Debenture is convertible into common shares at the option of the holder of a Debenture (a “Debentureholder”) any time prior to the close of business on the Maturity Date of the Debentures at $10.65 per common Share (the "Conversion Price"). The Company may also call for redemption of the Debentures on the business day immediately preceding the date specified by the Company for redemption of the Debentures, at the Conversion Price, being a conversion rate of approximately 93.8967 common shares per $1,000 principal amount of Debentures, subject to adjustment in certain events. Full conversion of the debentures will result in the issue of an additional 5,164,319 Shares. The Company's option to call for redemption is restricted to on or after August 1, 2013 provided proper notice is given and the common share price is at least 125% of the $10.65 per common share strike price or $13.31 per common share. On or after August 1, 2014 there are no restrictions on the Company's option to call for redemption provided proper notice is given. A portion of the proceeds from the Debenture issue were allocated to the fair value of the conversion feature which is reported as a component of equity.

18 Loans and borrowings (cont.)

Deerfoot has a demand loan secured by its land and buildings. Deerfoot is currently paying interest at a stipulated floor rate of 4.0%; otherwise the rate on this loan is 1.0% above the lender's prime lending rate. Deerfoot is making blended monthly principal and interest payments on the loan amortized over 15 years.

	Maturity	December 31, 2012	December 31, 2011
Credit facilities available at face value			
Demand loan		9,950,428	11,274,260
Revolving credit lines		9,000,000	6,000,000
Deerfoot - demand loan		10,597,677	11,672,459
Finance lease		276,474	-
Debentures face value		31,701,000	49,772,000
		61,525,579	78,718,719
Carrying value of borrowed amounts			
Current liabilities			
Finance lease		86,458	-
Demand loan	2020	9,950,428	11,274,260
Revolving credit lines		-	4,000,000
Deerfoot - demand loan	2025	10,597,677	11,672,459
		20,634,563	26,946,719
Non-current liabilities			
Finance lease	2015	190,017	-
[1] Debentures	2015	27,583,144	44,959,139
		48,407,724	71,905,858
Interest rate			
[2] Demand Loan		4.00% (P +1.00%)	4.00% (P +1.00%)
[2] Revolving Credit Lines		4.00% (P +1.00%)	4.00% (P +1.00%)
[2] Deerfoot - demand loan		4.00% (P +1.00%)	4.00% (P +1.00%)
Finance lease		4.32%	n/a
Debentures face value		6.25%	6.25%

[1] The face value of Debentures has been reduced by an equity component representing the fair value attributed to the Debentures conversion privilege to common shares. The equity component was determined by discounting the cash flows of future interest payments on the Debentures and the final pay-out of the Debentures at maturity using a cost of capital of 8%. The face value of Debentures is further reduced by Debenture issuance costs which are the amounts incurred to secure the Debenture financing. Debenture issuance costs and debenture conversion privileges are amortized to interest expense over the life of the Debentures. The effective interest rate for amortization of the debenture issue costs is 9.4%.

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

The Company provided an $11.5 million unsecured limited liability guarantee to the lender of the Deerfoot to indemnify it in the event the Deerfoot does not perform its contractual obligations. At the end of the Year, the maximum potential liability under this guarantee is $10.6 million. The Company has not recorded a liability with respect to this guarantee, as the Company does not expect to make any payments in excess of what is recorded on the Financial Statements for the aforementioned items. The Company has not charged a fee to Deerfoot in regards to this guarantee. No specific assets have been provided as security.

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.

The Company is required to maintain certain financial covenants with its lender such as cash flow coverage ratios, debt to equity ratios and debt to tangible net worth ratios. All bank covenants have been met as at December 31, 2012. The Company is also required to maintain a minimum continuing net working capital position ("MCNWCP") for the AGLC. The Company's internal minimum working capital requirements are typically more substantial that the AGLC's MCNWP. The Company was well within the MCNWCP requirements of the AGLC as at December 31, 2012.

19 Equity

	December 31, 2012		December 31, 2011	
	Shares	$'s	Shares	$'s
Opening number of common shares	21,103,292	132,061,681	21,107,553	132,533,714
Shares issued on debenture conversions	1,696,777	19,678,336	490,879	4,974,902
Shares purchased for cancellation under normal course issuer bid	(164,400)	(1,967,600)	(495,140)	(5,446,935)
Ending number of common shares	22,635,669	149,772,417	21,103,292	132,061,681

Normal course issuer bid

During the Year, the Company repurchased 9,200 common shares for $106,750 under a normal course issuer bid that commenced March 10, 2011 and expired March 9, 2012. A new bid commenced April 12, 2012 and will expire April 11, 2013 or such earlier time as the bid is completed or terminated at the option of the Company. During the Year, the Company repurchased 155,200 common shares for $1,860,850 under the current bid. All shares have been cancelled. Neither the Company, nor its subsidiaries or associates hold treasury shares.

Convertible debentures

The Company's convertible debentures may be dilutive if conversion privileges were exercised. During the Year $18,071,000 ($5,228,000 - 2011) in face value debentures were converted to common shares leaving a total $31.7 million ($49.8 million - 2011) in debentures equating to potentially dilutive shares of 3.0 million (4.7 million - 2011). Fractional shares from conversions during the Year of $372 ($124 - 2011) were expensed. Otherwise, the Company did not have any options, warrants, or rights that would be potentially dilutive during the Year.

Common shares

Common shares of the Company have no par value. The Company is authorized to issue an unlimited number of common shares without nominal or par value to which shares shall be attached the right to vote at any meeting of shareholders of the Company; receive any dividend declared by the Company; and receive the remaining property of the Company upon dissolution.

Dividends

The following dividends were declared by the Company:

	December 31, 2012	December 31, 2011
January	1,550,997	1,547,184
February	1,558,708	1,549,861
March	1,563,763	1,548,439
April	1,593,728	1,548,439
May	1,616,760	1,548,439
June	1,613,770	1,548,439
July	1,614,759	1,549,677
August	1,627,632	1,556,808
September	1,647,013	1,561,132
October	1,649,676	1,564,404
November	1,652,732	1,563,023
December	1,659,195	1,547,011
	19,348,733	18,632,856

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

20 Related party transactions

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

The Company had related party transactions with the persons of David Will and Darcy Will and/or companies owned or controlled by David Will and/or Darcy Will collectively (the "Wills"). The Will's are also key management personnel and directors of the Company as well as significant shareholders. Together, the Wills control 40.2% of the outstanding common shares of the Company.

- The Company recorded $1,498,200 ($1,443,151 - 2011) in key management personnel compensation for the Year which are included in administrative expenses. Compensation is in the form of short term employee benefits, director fees and management agreements. Management fees stipulated in management services agreements are based on a percentage of revenues and/or earnings before interest, taxes depreciation and amortization. At the end of the Year $7,371 ($45,913 - 2011) remained in accounts payable.

  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 the above figures.

  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 the above figures.

- The Company recorded $162,738 ($149,370 – 2011) of charter aircraft rental expenses for the Year which is included in administrative expenses. At the end of the Year, $12,070 ($nil – 2011) remained in accounts payable accounts.

- The Company recorded $45,000 ($nil – 2011) of office rent expenses for the Year which is included in administrative expenses. The Company moved to new offices owned by Darcy Co Holdings Ltd., a company wholly owned by Darcy Will, in December 2011 and began paying rent in May 2012 when the Company was released from further obligation under its former third party office lease.

The Company recorded $67,290 ($63,540 – 2011) of rental expenses for the Year which is included in cost of sales. The Company rents tractor trailer parking and storage space from Grande Gaming Inc., a company controlled by the Wills together with the Company's Chief Operating Officer ("COO").

The Company recorded $110,000 ($111,000 – 2011) in directors fees during the Year paid to other directors of the Company. At the end of the Year, $nil ($1,500 – 2011) remained in accounts payable.

The Company recorded $14,542 ($10,780 – 2011) in professional and administrative fees during the Year paid to companies controlled by other directors of the Company.

The Company recorded $368,011 ($363,600 – 2011) in key management personnel compensation paid to other officers or companies controlled by other officers of the Company. At the end of the Year, $nil ($nil - 2011) remained in accounts payable. Included in these figures are fees paid under a management services agreement between the Company and the Company's COO that stipulates that the COO is entitled to a fixed monthly fee of $17,700 for overseeing site operations of the Company.

21 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 as follows:

Commitments	2013	2014	2015	2016	2017	Thereafter
Total	1,239,661	1,185,628	1,135,007	1,133,502	1,070,989	2,533,849

22 Determination of fair values

Some of the Company's accounting policies require the determination of fair value. Fair values have been determined for measurement and disclosure purposes as follows:

Non-financial assets

The Company's non-financial assets requiring impairment testing consist of property, plant and equipment [note 3(e)] and intangible assets [note 3(f)]. The Company's intangible assets consist of goodwill and licenses both of which have indefinite lives. Non-financial assets are reviewed at each reporting date for indications of impairment. If any indication of impairment exists, the recoverable amount of the asset(s) is estimated. Regardless of any indication of impairment, the recoverable amounts of intangible assets are determined annually at December 31.

Assets that cannot be tested individually for impairment are grouped into cash generating units ("CGUs"). A CGU is defined as the smallest group of assets that generate cash inflows that are largely independent of cash inflows of other CGU's. Intangible assets that were acquired in a business combination are allocated to the CGU's that are expected to benefit from the business combination. All of the Company's non-financial assets have been grouped or allocated to CGU's.

An impairment loss is recognized when the carrying amount of a CGU is greater than its estimated recoverable amount. Impairment losses are recognized in profit(loss) in the period in which they occur. An impairment loss at a CGU will be allocated first to any goodwill to the extent there is goodwill included in the CGU and then to licenses to the extent there is licenses included in the CGU and then to other assets in the CGU on a prorated basis.

Impairment losses that reduce the value of goodwill are never reversed. Impairment losses that reduce the value of other assets may be reversed if a change in estimates used to determine the recoverable amount warrants a reversal. The reversal of an impairment cannot exceed the carrying amount that would have been determined if the impairment loss had never been recognized.

There is no indication of impairment in any of the Company's non-financial assets and no impairment loss has been recorded or reversed during the year.

Estimates relating to the fair value of the debenture conversion privilege reported as contributed surplus include the determination of cost of capital. The Company's cost of capital was determined by evaluating the Company's current and future expected costs of debt including a risk premium for potential default. No events have occurred or are expected to occur that would result in a material risk to the established cost of capital based on cost of debt. Furthermore the Company, has evaluated the cost of equity by reviewing other similar investments with comparable risk profiles. No events have occurred and no events are expected to occur that would result in a material risk to the established cost of capital based on cost of equity. Yield rates for comparable investments have not changed significantly since our original assessment of cost of equity.

No events have occurred or are expected to occur that would change our assessment of the Company's determination of CGU's. Factors used in determination of the Company's CGU's, such as customer base and independent cash flows remain consistent with the date of determination of the Company's CGU's.

22 Determination of fair values (cont.)

Recent changes to tax laws as they relate to the Company's liability for current and deferred taxes have been factored into the determination of reported taxes. No foreseeable events have materialized or are expected to materialize that would result in a risk to tax rates used in the determination of the Company's liability for current or deferred tax.

Investment property

The Company's investment property was appraised by an external, independent valuation company in early 2010. The appraisal was completed by a representative of the valuation company with recognized professional qualifications and experience in the location and category of property being valued. The appraisal was based on market values, being the estimated amount for which the property could expect to be sold for on the date of the valuation to a willing buyer in an arm's length transaction after proper marketing where both the buyer and the seller had each acted knowledgeably and willingly. Given only modest changes in market conditions where the Company's investment property is located, the Company has relied on the 2010 valuation for 2012 reporting.

There is no indication of impairment of the Company's investment property and no impairment loss has been recorded or reversed during the year.

23 Financial risk and capital management

Financial risk management

The Company is exposed to certain risks as a result of holding financial instruments including interest rate risk, credit risk, liquidity risk and industry risk.

Interest rate risk

The Company's interest rate risk arises primarily from its variable rate debt in the aggregate amount of $20.5 million. The Company is paying interest at a stipulated floor rate of 4.0% on traditional bank demand debt and revolving debt; otherwise the rate on these debt instruments is 1.0% above the bank prime lending rate. A 1.0% increase in interest rates would have an unfavourable impact on earnings of $205,481 or $0.009/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 AAA 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. 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 Year, past due accounts 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.

23 Financial risk and capital management (cont.)

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

The maturity date on the Company's debentures is the earlier of the holder's election to convert, the Company's call for redemption or the final maturity date of the debentures on July 31, 2015. Converted Debentures increase the Company's pre-tax cash outlays to investors by 32% comparing the Company's interest obligation on Debentures to discretionary dividend payments.

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

The following are the undiscounted contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount	Contractual cash flows	1 year or less	2 to 5 years	More than 5 years
As at December 31, 2012					
Trade and other payables	4,142,991	4,142,991	4,142,991	-	-
Finance lease	-	295,459	96,694	198,765	-
Demand loans	20,548,105	23,759,460	3,216,436	12,336,215	8,206,809
Debentures payable	31,701,000	36,814,415	1,981,313	34,833,102	-
	56,392,096	65,012,325	9,437,434	47,368,082	8,206,809
As at December 31, 2011					
Trade and other payables	4,300,483	4,300,483	4,300,483	-	-
Demand loans	22,946,719	27,028,850	3,269,389	12,548,028	11,211,433
Revolving credit facility	4,000,000	4,000,000	-	-	4,000,000
Debentures payable	49,772,000	60,919,564	3,110,750	57,808,814	-
	81,019,202	96,248,897	10,680,622	70,356,842	15,211,433

Industry risk

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

Capital management

The Company's capital is comprised of net debt, finance leases and shareholder equity:

	December 31, 2012	December 31, 2011
Total debt including revolving loans and finance lease	48,407,724	71,905,858
Less cash	(19,727,457)	(17,733,971)
Net debt	28,680,267	54,171,887
Total equity	110,886,257	93,874,934
	139,566,524	148,046,821

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, extra principal payments and intermittent payments on outstanding revolving debt instruments when surplus cash is available.

23 Financial risk and capital management (cont.)

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

Larger scale expansions or acquisitions would be funded by debt or equity at the discretion of the directors of 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 regular dividends at the current monthly rate of $0.0733 per common share. Current interest rates allow for scheduled amortization periods of between 10 and 15 years in meeting dividend objectives.

The Company initiated a normal course issuer bid, to repurchase for cancellation, shares trading on the open market at prices below their inherent value. Otherwise, there has been no change in the Company's approach to capital management in the year.

Financing restrictions on dividends caused by debt covenants

The Company has two demand loans secured by assets owned or leased by the Company. The first loan has two segments, requiring blended principal and interest payments on one segment which is scheduled to term out over 10 years and interest only payments on a revolving segment. The second loan requires blended principal and interest payments and is scheduled to term out over 15 years.

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

24 Financial instruments

The Company's cash, trade and other receivables, trade and other payables, and loans, debentures and other borrowings are measured at amortized cost subsequent to initial recognition.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	December 31, 2012		December 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets carried at amortized cost				
Cash	19,727,457	19,727,457	17,733,971	17,733,971
Trade and other receivables	1,959,053	1,959,053	1,670,369	1,670,369
	21,686,510	21,686,510	19,404,340	19,404,340
Liabilities carried at amortized cost				
Trade and other payables	4,142,991	4,142,991	4,300,483	4,300,483
Loans and borrowings	20,634,563	20,634,563	26,946,719	26,946,719
Debentures payable	27,773,161	37,407,180	44,959,139	52,758,320
	52,550,715	62,184,734	76,206,341	84,005,522

The fair value of financial assets and liabilities classified as loans and receivables and other financial liabilities approximate their carrying value due to the short-term nature of these financial instruments.

25 Subsequent events

Regular monthly dividends

The Company declared a regular monthly dividend of $0.0733 per common share for January 2013 and February 2013 which are payable on or about the 15th day of the subsequent month.

Debenture conversions

Debentures totalling a principal amount of $2,669,000 were converted to common shares between January 1, 2013 and February 28, 2013 resulting in the issue of 250,606 common shares.