GAME HOST
Gamehost Inc.

Interim Condensed Consolidated Financial Statements

for the nine months ended September 30, 2013

These interim condensed consolidated financial statements have not been reviewed by the Company's auditor.

Interim condensed consolidated statements of profit and comprehensive income

In Canadian dollars (millions)	*Note*	***(unaudited)*** nine months ended September 30		***(unaudited)*** three months ended September 30	
		2013	**2012**	**2013**	**2012**
Operating revenue		$ 57.7	$ 56.8	$ 19.2	$ 18.8
Cost of sales					
Other		(28.7)	(28.4)	(9.4)	(9.4)
Depreciation		(1.6)	(1.6)	(0.5)	(0.5)
		(30.3)	(30.0)	(9.9)	(9.9)
Gross profit		27.4	26.8	9.3	8.9
Other income		0.2	0.2	0.1	0.1
Administrative expenses					
Other		(2.3)	(2.3)	(0.7)	(0.8)
Depreciation		(1.5)	(1.7)	(0.5)	(0.6)
		(3.8)	(4.0)	(1.2)	(1.4)
Profit from operating activities		23.8	23.0	8.2	7.6
Net finance costs		(3.1)	(3.0)	(0.9)	(1.3)
Profit before income taxes		20.7	20.0	7.3	6.3
Income tax expense	5	(4.6)	(4.4)	(1.5)	(2.1)
Profit and comprehensive income		16.1	15.6	5.8	4.2
Profit and comprehensive income attributable to:					
Shareholders of the Company		$ 15.0	$ 14.6	5.4	$ 3.9
Non-controlling interest		1.1	1.0	0.4	0.3
		$ 16.1	$ 15.6	5.8	$ 4.2
Earnings per share	6				
Basic and diluted earnings per share		$ 0.65	$ 0.67	$ 0.23	$ 0.18

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

Interim condensed consolidated statements of financial position

In Canadian dollars (millions)	*Note*	***(unaudited)*** **September 30, 2013**	***(audited)*** **December 31, 2012**
Assets			
Current assets			
Cash		$ 15.8	$ 19.7
Restricted cash	7	0.4	0.1
Trade and other receivables		2.0	2.0
Inventories		0.5	0.6
Prepaid expenses		1.0	0.4
		19.7	22.8
Non-current assets			
Property, plant and equipment	8	77.3	79.1
Intangible assets		76.9	76.9
Investment property		2.8	2.8
Deferred tax assets	5	0.1	0.1
		157.1	158.9
		$ 176.8	$ 181.7
Liabilities			
Current liabilities			
Trade and other payables		$ 4.2	$ 4.1
Loans and borrowings	9	21.4	20.6
Income tax payable	5	2.0	4.6
Dividends payable		1.7	1.7
		29.3	31.0
Non-current liabilities			
Loans and borrowings	9	17.9	27.8
Deferred tax liabilities	5	11.4	12.0
		29.3	39.8
		58.6	70.8
Equity			
Share capital	10	158.4	149.8
Contributed surplus		1.8	2.8
Deficit		(50.1)	(49.9)
Equity attributable to the Company		110.1	102.7
Non-controlling interest		8.1	8.2
		118.2	110.9
		$ 176.8	$ 181.7

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

On behalf of the Board:

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

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

Interim condensed consolidated statements of changes in equity

In Canadian dollars (millions)	*Note*	*(unaudited)*					
		Share capital	Contributed surplus	Deficit	Total	Non-controlling interest	Total equity
Equity as at January 1, 2012		$ 132.1	$ 4.4	$ (50.7)	$ 85.8	$ 8.1	$ 93.9
Profit and comprehensive income		-	-	14.5	14.5	1.0	15.5
Dividends to shareholders of the Company		-	-	(14.4)	(14.4)	-	(14.4)
Distributions to non-controlling interest		-	-	-	-	(1.0)	(1.0)
Shares repurchased for cancellation		(2.0)	-	-	(2.0)	-	(2.0)
Conversion of debentures into common shares		16.3	-	-	16.3	-	16.3
Conversion privilege on debentures converted to common shares		1.5	(1.5)	-	-	-	-
Equity as at September 30, 2012		$ 147.9	$ 2.9	$ (50.6)	$ 100.2	$ 8.1	$ 108.3
Equity as at January 1, 2013		$ 149.8	$ 2.8	$ (49.9)	$ 102.7	$ 8.2	$ 110.9
Profit and comprehensive income		-	-	15.0	15.0	1.1	16.1
					-		
Dividends to shareholders of the Company	10	-	-	(15.2)	(15.2)	-	(15.2)
Distributions to non-controlling interest		-	-	-	-	(1.2)	(1.2)
Shares repurchased for cancellation		(3.6)	-	-	(3.6)	-	(3.6)
Conversion of debentures into common shares		11.2	-	-	11.2	-	11.2
Conversion privilege on debentures converted to common shares		1.0	(1.0)	-	-	-	-
Equity as at September 30, 2013		$ 158.4	$ 1.8	$ (50.1)	$ 110.1	$ 8.1	$ 118.2

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

Interim condensed consolidated statements of cash flows

In Canadian dollars (millions)	*Note*	***(unaudited)*** nine months ended September 30		***(unaudited)*** three months ended September 30	
		2013	**2012**	**2013**	**2012**
Cash provided by (used in):					
Operating activities					
Profit and comprehensive income		$ 16.1	$ 15.6	$ 5.8	$ 4.2
Adjustments for non-cash items:					
Depreciation of property, plant and equipment		3.1	3.3	1.0	1.1
Finance costs		3.2	3.1	0.9	1.3
Finance costs paid		(2.5)	(3.6)	(1.0)	(1.4)
Income tax expense		4.6	4.4	1.5	2.1
Income taxes paid		(7.8)	-	(1.1)	-
		16.7	22.8	7.2	7.3
Change in:					
Trade and other receivables		-	(0.1)	(0.2)	(0.1)
Inventories		0.1	0.1	-	-
Prepaid expenses		(0.6)	(0.3)	(0.5)	0.2
Trade and other payables		0.1	0.3	(0.1)	(0.4)
Net cash provided by operating activities		16.2	22.8	6.5	7.0
Investing activities					
Purchase of property, plant and equipment		(1.0)	(0.3)	(0.5)	(0.2)
Net cash (used in) investing activities		(1.0)	(0.3)	(0.5)	(0.2)
Financing activities					
Proceeds of loans and borrowings		9.8	2.5	2.6	0.7
Payments on loans and borrowings		(9.0)	(8.2)	(3.5)	(1.3)
Distributions to non-controlling interest		(1.2)	(1.0)	(0.4)	(0.3)
Dividends paid		(15.2)	(14.3)	(5.1)	(4.9)
Share repurchases		(3.6)	(2.0)	-	(0.1)
Net cash (used in) financing activities		(19.1)	(23.0)	(6.4)	(5.7)
Net increase (decrease) in cash		(3.9)	(0.5)	(0.4)	1.1
Opening cash		19.7	17.7	16.2	16.1
Closing cash		$ 15.8	$ 17.2	$ 15.8	$ 17.2

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

$0.3 million in recorded capital expenditures remains unpaid at the end of the Period and has been removed from changes in Trade and other payables.

1 Reporting entity

Gamehost Inc. (the “Company”) is incorporated in Canada under the Business Company's Act (Alberta). The Company's shares and debentures are listed on the Toronto Stock Exchange (the "TSX") under the trading symbols GH and GH.DB respectively. 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. 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 interim condensed 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") applicable to the preparation of interim financial statements. The policies applied in preparation of these interim condensed consolidated financial statements are the same as described in note 3 to the Company's 2012 annual consolidated financial statements for the twelve months ended December 31, 2012 except as described below under *New standards.*

These interim condensed consolidated financial statements do not included all disclosures normally provided in annual consolidated financial statements and should be read in conjunction with the Company's 2012 annual consolidated financial statements.

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

3 Significant accounting policies

(a) Basis of measurement

These interim condensed 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.

(b) Functional and presentation currency

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

3 Significant accounting policies (cont.)

(c) New Standards

The Company has adopted the following new and revised Standards, along with any consequential amendments, effective January 1, 2013. Changes were made in accordance with applicable transitional provisions:

i) Amendments to IFRS 7, *Offsetting Financial Assets and Liabilities*

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 Company has assessed the impact of this amendment and there is no impact on the consolidated financial statements.

ii) 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.

The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

iii) 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.

The Company assessed its reporting of joint arrangements on January 1, 2013 and determined that there were no inconsistencies in its reporting of joint arrangements. The adoption of IFRS 11 did not have any impact on the accounting method used to report joint arrangements.

iv) 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.

The Company assessed its disclosure of interests in other entities and determined the adoption of IFRS 12 did not have any impact on the Company's financial statements.

v) IFRS 13, *Fair Value Measurement*

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance, and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

There was no material impact on the Company's consolidated financial statements on adoption of IFRS 13. The Company provides IFRS 13 disclosure requirements in note 12. The note disclosure will help users of the Company's consolidated financial statements assess both the valuation techniques and inputs used to develop those measurements and, for recurring fair value measurements using significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income for the period.

3 Significant accounting policies (cont.)

vi) Amendment to IAS 19, *Employee Benefits*

IAS 19 (amended in 2011) required changes to the accounting treatment of defined benefit plans and termination benefits. It also enhanced 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.

The Company does not currently have any defined benefit plans or termination benefits and therefore the adoption of these amendments did not result in any adjustment to the consolidated statement of financial position.

vii) 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.

Adoption of the amendment did not have any impact on the Company's financial statements.

viii) 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.

Adoption of the amendment did not have any impact on the Company's financial statements.

(d) 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, 2014. The Company is assessing the impact of these pronouncements on its consolidated financial statements:

ix) Amendment to IAS 32, *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 effective date for the amendments to IAS 32 is annual periods beginning on or after January 1, 2014.

x) IAS 36, Impairment of *Assets*

The amendment clarifies the standard's disclosure requirements and requires the disclosure of the discount rate used in determining an impairment value calculated using a present value technique.

3 Significant accounting policies (cont.)

xi) 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.

4 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, VLT, lottery and table games. the Hotel segment includes two hotels catering to mid-range clients. The Food and Beverage segment has operations that are located within the casinos and hotels as a complement to those segments.

nine months ended September 30, 2013	Gaming	Hotel	Food & Beverage	Corporate and other [1]	Total
Operating revenue and other income	33.5	10.3	13.9	0.3	57.9
Finance costs, net of finance (income)	1.7	0.9	0.6	-	3.1
Depreciation	1.1	1.4	0.6	-	3.1
Other expenses	14.3	4.4	9.2	3.1	31.0
Profit before income tax	16.4	3.6	3.5	(2.8)	20.7
Segment assets	79.9	66.5	26.5	4.0	176.8
Segment liabilities	19.6	15.1	8.5	15.5	58.6
Capital expenditures	0.3	0.1	0.6	-	1.0

nine months ended September 30, 2012	Gaming	Hotel	Food & Beverage	Corporate and other [1]	Total
Operating revenue and other income	32.9	10.3	13.6	0.2	57.0
Finance costs, net of finance (income)	1.7	0.8	0.7	(0.2)	3.0
Depreciation	1.2	1.5	0.6	-	3.3
Other expenses	14.0	4.5	9.0	3.2	30.7
Profit before income tax	16.0	3.5	3.3	(2.8)	20.0
Segment assets	80.6	68.2	26.9	4.0	179.7
Segment liabilities	25.3	17.6	10.6	17.9	71.4
Capital expenditures	0.2	0.1	-	-	0.3

(in millions of dollars unless stated otherwise)

[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)

5 Income tax expense

Current income tax

nine months ended September 30	2013	2012
Current tax expense		
Current period	5.2	4.5
Deferred tax expense		
Origination and reversal of temporary differences	(0.6)	(0.1)
Income tax expense	4.6	4.4

(in millions of dollars unless stated otherwise)

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:

nine months ended September 30	2013	2012
Profit attributable to owners of the Company	15.0	14.6
Total income tax expense	4.6	4.4
Profit excluding income tax	19.6	19.0
Income tax using Company's domestic tax rate	25%	25%
Expected income tax expense	4.9	4.8
Changes in income tax expense resulting from:		
Effect of changes in temporary differences	(0.6)	(0.1)
Other	0.3	(0.3)
Income tax expense	4.6	4.4

(in millions of dollars unless stated otherwise)

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:

nine months ended September 30	2013		
	Assets	Liabilities	Net
Debenture issuance costs	-	(0.1)	(0.1)
Deferred partnership income	-	(3.1)	(3.1)
Finance lease obligation	0.1	-	0.1
Intangible assets	-	(5.8)	(5.8)
Property, plant and equipment	-	(2.4)	(2.4)
Deferred tax assets (liabilities)	0.1	(11.4)	(11.3)

(in millions of dollars unless stated otherwise)

5 Income tax expense (cont.)

b) Movement in deferred tax balances

nine months ended September 30	2013		
	Opening	Recognized in profit	Closing
Debenture issuance costs	(0.1)	-	(0.1)
Deferred partnership income	(3.7)	0.6	(3.1)
Finance lease obligation	0.1	-	0.1
Intangible assets	(5.7)	(0.1)	(5.8)
Property, plant and equipment	(2.5)	0.1	(2.4)
Deferred tax assets (liabilities)	(11.9)	0.6	(11.3)

(in millions of dollars unless stated otherwise)

6 Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to common shareholders and weighted average number of common shares outstanding calculated as follows:

	nine months ended September 30		three months ended September 30	
Profit attributable to common shareholders	2013	2012	2013	2012
Profit and comprehensive income	16.1	15.6	5.8	4.2
Less: attributable to non-controlling interest	1.1	1.0	0.4	0.3
Profit attributable to common shareholders	15.0	14.6	5.4	3.9

	nine months ended September 30		three months ended September 30	
Weighted average number of common shares	2013	2012	2013	2012
Opening balance of common shares	22.6	21.1	23.2	22.0
Weighted average effect of debenture conversions	0.5	0.7	0.1	0.1
Weighted average effect of shares purchased for cancellation	(0.1)	(0.1)	-	-
Weighted average common shares outstanding	23.0	21.7	23.3	22.1
Basic earnings per share	$ 0.65	$ 0.67	$ 0.23	$ 0.18

(in millions of dollars unless stated otherwise)

Diluted earnings per share

Convertible Debentures have an anti-dilutive effect on earnings per share.

7 Restricted cash

Restricted cash consists of progressive jackpot funds and poker pots. 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 and poker pots are not available for use in general operations. Included in trade and other payables is $0.4 million ($0.1 million - 2012) relating to progressive jackpots and poker pots.

8 Property, plant and equipment

	Land and other	Land Improvement	Buildings	Leaseholds	Furniture and equipment [1]	Total
Cost						
At December 31, 2012	10.9	3.3	73.0	2.6	19.5	109.3
Additions	-	-	0.6	0.2	0.2	1.0
Disposals						-
At September 30, 2013	10.9	3.3	73.6	2.8	19.7	110.6
Accumulated depreciation						
At December 31, 2012	-	0.5	14.9	1.8	13.1	30.3
Depreciation	-	-	1.8	0.2	1.0	3.0
Disposals	-					-
At September 30, 2013	-	0.5	16.7	2.0	14.1	33.3
Carrying value at September 30, 2013	10.9	2.8	56.9	0.8	5.6	77.3

	Land and other	Land Improvement	Buildings	Leaseholds	Furniture and equipment [1]	Total
Cost						
At January 1, 2012	10.9	3.3	72.9	2.4	19.2	108.7
Additions	-	-	0.1	0.2	0.5	0.8
Disposals	-	-	(0.1)	-	-	(0.1)
At December 31, 2012	10.9	3.3	73.0	2.6	19.6	109.4
Accumulated depreciation						
At January 1, 2012	-	0.4	12.4	1.5	11.5	25.8
Depreciation	-	0.1	2.5	0.3	1.7	4.6
Disposals	-	-	-	-	-	-
At December 31, 2012	-	0.5	14.9	1.8	13.2	30.4
Carrying value at December 31, 2012	10.9	2.8	58.1	0.8	6.4	79.1

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.

[1] Includes assets under finance lease acquired in 2012 at a cost of $0.3 million and carrying value of $0.2 million.

9 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 is available on a revolving basis with interest only payments. $2.7 is drawn on the revolving segment of the loan at September 30, 2013 ($nil - December 31, 2012).

9 Loans and borrowings (cont.)

The Company has 6.25% Convertible Unsecured Subordinated Debentures ("Debentures". The Debentures have a maturity date of July 31, 2015 (the "Maturity Date"). Each Debenture is convertible into Shares at the option of the holder of a Debenture (a "Debentureholder") any time prior to the close of business on the Maturity Date of the Debentures at $10.65 per Gamehost Inc. common Share (the "Conversion Price"). The Company may also call for redemption of the Debentures on the business day immediately preceding the date specified by Gamehost for redemption of the Debentures, at the Conversion Price, being a conversion rate of approximately 93.8967 Gamehost Inc. Shares per $1,000 principal amount of Debentures, subject to adjustment in certain events. 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. 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 conversion feature which is reported as equity rather than a non-current liability.

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.

Deerfoot has a finance lease on security monitoring equipment. Deerfoot is currently making scheduled payments with an effective interest rate of 4.32% amortized over two years maturing in 2015.

	Maturity	September 30, 2013	December 31, 2012
Credit facilities available at face value			
Demand loan	2020	9.0	10.0
Revolving credit lines	2020	9.0	9.0
Deerfoot - demand loan and finance lease	2025/2015	9.7	10.9
Debentures face value	2015	20.5	31.7
		48.2	61.6
Carrying value of borrowed amounts			
Current liabilities			
Demand loan		9.0	10.0
Revolving credit lines		2.7	-
Deerfoot - demand loan and finance lease		9.7	10.6
		21.4	20.6
Non-current liabilities			
[1] Debentures and finance lease		17.9	27.8
		39.3	48.4
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%	4.32%
Debentures face value		6.25%	6.25%

(in millions of dollars unless stated otherwise)

[1] The face value of Debentures has been reduced by an equity component representing the 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%.

9 Loans and borrowings (cont.)

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 Period, the maximum potential liability under this guarantee is $9.7 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. At the end of the Period all bank covenants have been met. 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 at the end of the Period.

10 Equity

	September 30, 2013		December 31, 2012	
	Shares	$'s	Shares	$'s
Opening number of common shares	22.6	149.8	21.1	132.1
Shares issued on debenture conversions	1.1	12.2	1.7	19.7
Shares purchased for cancellation under normal course issuer bid	(0.3)	(3.6)	(0.2)	(2.0)
Ending number of common shares	23.4	158.4	22.6	149.8

(in millions of dollars unless stated otherwise)

Normal course issuer bid

The Company repurchased common shares during the Period under a normal course issuer bid ("NCIB") that terminates April 16, 2014. Neither the Company, nor its subsidiaries or associates hold treasury shares.

Convertible debentures

The Company has 6.25% Convertible Unsecured Subordinated Debentures (“Debentures”. The Debentures have a maturity date of July 31, 2015 (the “Maturity Date”). Each Debenture is convertible into Shares at the option of the holder of a Debenture (a “Debentureholder”) any time prior to the close of business on the Maturity Date of the Debentures at $10.65 per Gamehost Inc. common Share (the "Conversion Price"). The Company may also call for redemption of the Debentures on the business day immediately preceding the date specified by Gamehost for redemption of the Debentures, at the Conversion Price, being a conversion rate of approximately 93.8967 Gamehost Inc. Shares per $1,000 principal amount of Debentures, subject to adjustment in certain events. 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. 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 conversion feature which is reported as equity rather than a non-current liability.

10 Equity (cont.)

The Company's convertible debentures may be dilutive if conversion privileges were exercised. During the Period $11.2 million ($16.3 million - 2012) in face value debentures were converted to common shares leaving a total $20.5 million ($33.5 million - 2012) in debentures equating to potentially dilutive shares of 1.9 million (3.1 million - 2012). Fractional shares from conversions during the Period 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:

	September 30, 2013	December 31, 2012
January	1.6	1.5
February	1.7	1.6
March	1.7	1.6
April	1.7	1.6
May	1.7	1.6
June	1.7	1.6
July	1.7	1.6
August	1.7	1.6
September	1.7	1.6
October	-	1.6
November	-	1.7
December	-	1.7
	15.2	19.3

(in millions of dollars unless stated otherwise)

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

11 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 Wills are also key management personnel and directors of the Company as well as significant shareholders. Together, the Wills control 38.9% of the outstanding common shares of the Company.

- The Company recorded $1.2 million ($1.2 million - 2012) in key management personnel compensation for the Period which are included in administrative expenses. Compensation is in the form of short term employee benefits, director fees, management agreements and 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. At the end of the Period $0.1 million ($nil - 2012) remained in accounts payable.

11 Related party transactions (cont.)

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.

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 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 $0.1 million ($0.1 million – 2012) of charter aircraft rental expenses for the Period which is included in administrative expenses. Travel to the Company's operational centres of Grande Prairie and Ft. McMurray is made more efficient via charter air services than can be accomplished through commercial carriers.

The Company recorded $0.1 million ($0.1 million – 2012) in directors fees during the Period paid to other directors of the Company.

The Company recorded $0.3 million ($0.3 million – 2012) in key management personnel compensation paid to other officers or companies controlled by other officers of the Company. 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 annual fee of $0.2 million to paid in equal monthly increments for overseeing site operations of the Company.

12 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly such as derived from prices.
- Level 3 inputs are unobservable inputs for the asset or liability.

a) Assets and liabilities measured at fair value on a recurring basis

at September 30, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Cash	15.8	-	-	15.8
Restricted cash	0.4	-	-	0.4
Investment property	-	2.8	-	2.8
	16.2	2.8	-	19.0
Financial liabilities				
Loans and borrowings	21.4	-	-	21.4
Debentures	26.8	-	-	26.8
	48.2	-	-	48.2

(in millions of dollars unless stated otherwise)

12 Fair value measurement (cont.)

b) Valuation techniques

Cash, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short term nature.

Investment property

The Company's investment is a Level 2 financial instrument. The 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. The property is leased to tenants operating complimentary businesses to the Company's adjacent business's which is consider the highest and best use of the property.

Loans and borrowings

Loans and borrowings including finance leases and demand debt including revolving debt are accounted for at amortized cost, using the effective interest rate method. The fair value required to be disclosed is measured using quoted prices that are observable for similar instruments or on the current rates offered to the Company for debt of the same maturity, and is therefore classified within Level 2 of the fair value hierarchy.

Debentures

Company debentures are fair valued using the face value of issued and outstanding convertible debentures multiplied by their closing price on the TSX as at balance sheet date.

13 Subsequent events

Regular monthly dividends

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

Debenture conversions

Debentures totalling a principal amount of $0.6 million were converted to common shares from October 1, 2013 to October 31, 2013 resulting in the issue of 58,684 common shares.